

**Date and Time:** Tuesday 1 October 2024 00:02:00 CEST

**Job Number:** 234829503

**Documents (100)**

1. [*Washington: Secretary Mnuchin’s opening remarks for the U.S – China Comprehensive Economic Dialogue (as prepared)*](https://advance.lexis.com/api/document?id=urn:contentItem:5P38-RVR1-JDG9-Y34X-00000-00&idtype=PID&context=1516831)

**Client/Matter:** -None-

**Search Terms:** strategic and interventions or strategic and programs or strategic and plan or strategic and producer or interventions and programs or interventions and plan or interventions and producer or programs and plan or programs and producer or plan and producer

**Search Type:** Terms and Connectors

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| News | Timeline: 01 jun 2017 tot 01 jun 2018; Locatie: International; Plaats van publicatie: Europe; Taal: English |

2. [*No Headline In Original*](https://advance.lexis.com/api/document?id=urn:contentItem:5PXG-BG31-DYBW-52KN-00000-00&idtype=PID&context=1516831)

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3. [*Council of the European Union: Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions - The Future of Food and Farming (Markets & Direct payments) - Exchange of views - Preparation of the Council debate ST 5775 2018 INIT*](https://advance.lexis.com/api/document?id=urn:contentItem:5RP3-61X1-F0YC-N2JD-00000-00&idtype=PID&context=1516831)

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4. [*Council of the European Union: List of Council preparatory bodies ST 10075 2017 INIT*](https://advance.lexis.com/api/document?id=urn:contentItem:5P52-B041-F0YC-N326-00000-00&idtype=PID&context=1516831)

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5. [*P8\_TA(2016)0109 Small-scale coastal fishing in regions dependent on fishing European Parliament resolution of 12 April 2016 on innovation and diversification of small-scale coastal fishing in fisheries-dependent regions (2015/2090(INI))*](https://advance.lexis.com/api/document?id=urn:contentItem:5RP3-61X1-F0YC-N293-00000-00&idtype=PID&context=1516831)

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6. [*BRIEF NEWS BULLETIN NO. 10182*](https://advance.lexis.com/api/document?id=urn:contentItem:5PFG-4CP1-F12K-R15Y-00000-00&idtype=PID&context=1516831)

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7. [*Farming for the next generation*](https://advance.lexis.com/api/document?id=urn:contentItem:5RBN-HGB1-JDG9-Y2KX-00000-00&idtype=PID&context=1516831)

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8. [*Register of Commission documents: International Agreements in Progress: EU- Japan free trade agreement within reach Document date: 2017-07-14 EPRS\_BRI(2017)608648 Briefing*](https://advance.lexis.com/api/document?id=urn:contentItem:5PG5-BBV1-F0YC-N4GY-00000-00&idtype=PID&context=1516831)

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9. [*The political economy of EU competition rule export: unravelling the dynamics of variegated convergence in Serbia and Turkey*](https://advance.lexis.com/api/document?id=urn:contentItem:671W-P2V1-F0C0-342M-00000-00&idtype=PID&context=1516831)

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10. [*Farming for the Next Generation*](https://advance.lexis.com/api/document?id=urn:contentItem:5RBG-HWW1-JDG9-Y3CD-00000-00&idtype=PID&context=1516831)

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11. [*Putin answers Russian media bosses' questions - Kremlin transcript*](https://advance.lexis.com/api/document?id=urn:contentItem:5RF2-Y7B1-DYRV-33R0-00000-00&idtype=PID&context=1516831)

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12. [*BRIEF NEWS BULLETIN NO. 10198*](https://advance.lexis.com/api/document?id=urn:contentItem:5PJY-5901-JDKJ-13J3-00000-00&idtype=PID&context=1516831)

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13. [*BRIEF NEWS BULLETIN NO. 10199*](https://advance.lexis.com/api/document?id=urn:contentItem:5PK5-4GC1-JDKJ-10VK-00000-00&idtype=PID&context=1516831)

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14. [*Register of Commission documents: Letter from COREPER following the agreement on the EFSD and establishing the EFSD guarantee and the EFSD guarantee fund Document date: 2017-06-28 CJ31\_LA(2017)006345 COREPER letter confirming agreement*](https://advance.lexis.com/api/document?id=urn:contentItem:5P8C-YRC1-JDG9-Y4B7-00000-00&idtype=PID&context=1516831)

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15. [*Summary of Russian press for Wednesday 11 April 2018*](https://advance.lexis.com/api/document?id=urn:contentItem:5S64-BR71-DYRV-32N5-00000-00&idtype=PID&context=1516831)

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16. [*Register of Commission documents: European Parliament legislative resolution of 6 July 2017 on the proposal for a regulation of the European Parliament and of the Council on the European Fund for Sustainable Development (EFSD) and establishing the EFSD Guarantee and the EFSD Guarantee Fund (COM(2016)0586 – C8-0377/2016 – 2016/0281(COD)) (Ordinary legislative procedure: first reading) Document date: 2017-07-06 P8\_TA-PROV(2017)0311 Texts adopted (provisional edition*](https://advance.lexis.com/api/document?id=urn:contentItem:5P97-J9Y1-JDG9-Y0M9-00000-00&idtype=PID&context=1516831)

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17. [*P8\_TA(2016)0091 2015 Report on the former Yugoslav Republic of Macedonia European Parliament resolution of 10 March 2016 on the 2015 Report on the former Yugoslav Republic of Macedonia (2015/2895(RSP))*](https://advance.lexis.com/api/document?id=urn:contentItem:5RP3-61X1-F0YC-N1WY-00000-00&idtype=PID&context=1516831)

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18. [*No Headline In Original*](https://advance.lexis.com/api/document?id=urn:contentItem:5R14-6F81-DYY4-312K-00000-00&idtype=PID&context=1516831)

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19. [*Register of Commission documents: 2018 Budget - Mandate for the trilogue Document date: 2017-07-03 P8\_ AMA (2017)0249(008-008) Amendments to A documents (Reports*](https://advance.lexis.com/api/document?id=urn:contentItem:5PCC-KFF1-JDG9-Y3S7-00000-00&idtype=PID&context=1516831)

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20. [*Washington: Department of Defense Press Briefing by General Nicholson via teleconference from Kabul, Afghanistan*](https://advance.lexis.com/api/document?id=urn:contentItem:5R13-FF01-JDG9-Y2JW-00000-00&idtype=PID&context=1516831)

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21. [*Summary of Russian press for Wednesday 11 April 2018*](https://advance.lexis.com/api/document?id=urn:contentItem:5S2X-VYD1-DYRV-313N-00000-00&idtype=PID&context=1516831)

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22. [*Namibia Monthly Briefing March 2018*](https://advance.lexis.com/api/document?id=urn:contentItem:5T1T-KKW1-DYRW-V10H-00000-00&idtype=PID&context=1516831)

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23. [*Monarchical Rule in Swaziland : Power is Absolute but Patronage is (for) Relative(s)*](https://advance.lexis.com/api/document?id=urn:contentItem:6BH2-VXY1-JBMY-H3YH-00000-00&idtype=PID&context=1516831)

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24. [*Farming for the next generation*](https://advance.lexis.com/api/document?id=urn:contentItem:5RBG-HWW1-JDG9-Y3D0-00000-00&idtype=PID&context=1516831)

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25. [*Farming for the next generation*](https://advance.lexis.com/api/document?id=urn:contentItem:5RB9-6X31-F12F-F48J-00000-00&idtype=PID&context=1516831)

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26. [*The dangers of Iraq ’s oil law*](https://advance.lexis.com/api/document?id=urn:contentItem:5S70-KGK1-JCM7-G19C-00000-00&idtype=PID&context=1516831)

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27. [*BRIEF NEWS BULLETIN NO. 10194*](https://advance.lexis.com/api/document?id=urn:contentItem:5PJ3-88F1-JDKJ-110N-00000-00&idtype=PID&context=1516831)

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28. [*Top New Talent: the class of 2017*](https://advance.lexis.com/api/document?id=urn:contentItem:5R2J-X311-F05B-S0CW-00000-00&idtype=PID&context=1516831)

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29. [*No Headline In Original*](https://advance.lexis.com/api/document?id=urn:contentItem:5R14-6F81-DYY4-3116-00000-00&idtype=PID&context=1516831)

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30. [*The government of Algeria pursues a new long-term approach to combat lower oil prices*](https://advance.lexis.com/api/document?id=urn:contentItem:5WS6-C4X1-DXYV-73TG-00000-00&idtype=PID&context=1516831)

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31. [*The age of acceleration - Michael Gove's Oxford farming Conference speech in full*](https://advance.lexis.com/api/document?id=urn:contentItem:5RB9-C231-JD39-X4HJ-00000-00&idtype=PID&context=1516831)

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32. [*BRIEF NEWS BULLETIN NO. 10256*](https://advance.lexis.com/api/document?id=urn:contentItem:5R19-MD21-F12K-R05Y-00000-00&idtype=PID&context=1516831)

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33. [*Cleantech Invest: Half-year review 1 January to 30 June 2017 (unaudited)*](https://advance.lexis.com/api/document?id=urn:contentItem:5PCJ-6YT1-JD6G-P16V-00000-00&idtype=PID&context=1516831)

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34. [*‘A potentially dark future is brewing’ Yemen ’s dangerous war*](https://advance.lexis.com/api/document?id=urn:contentItem:5R2S-1DJ1-F035-X4K5-00000-00&idtype=PID&context=1516831)

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35. [*Beekeeping as a family artisan entrepreneurship business*](https://advance.lexis.com/api/document?id=urn:contentItem:5Y97-2DC1-JBN9-R0RT-00000-00&idtype=PID&context=1516831)

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36. [*Voices from the border*](https://advance.lexis.com/api/document?id=urn:contentItem:5RJN-KMV1-DYF4-G18D-00000-00&idtype=PID&context=1516831)

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37. [*BRIEF NEWS BULLETIN NO. 10340*](https://advance.lexis.com/api/document?id=urn:contentItem:5RN7-6RJ1-JDKJ-115N-00000-00&idtype=PID&context=1516831)

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38. [*Nick Xenophon says media reform deal 'won't be happening today' - politics live Plus attorney general George Brandis condemns Hanson's burqa 'stunt' and cautions her not to offend religious sensibilities of other Australians. Follow the day live ...*](https://advance.lexis.com/api/document?id=urn:contentItem:5P8D-5421-JCJY-G3W9-00000-00&idtype=PID&context=1516831)

**Client/Matter:** -None-

**Search Terms:** strategic and interventions or strategic and programs or strategic and plan or strategic and producer or interventions and programs or interventions and plan or interventions and producer or programs and plan or programs and producer or plan and producer

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| News | Timeline: 01 jun 2017 tot 01 jun 2018; Locatie: International; Plaats van publicatie: Europe; Taal: English |

39. [*AFP won't hand over seized documents until at least Friday - politics live The opposition calls AFP raids on the Australian Workers' Union 'an abuse of power' and claims Michaelia Cash is responsible for the 'witch-hunt'. Follow the day's events live*](https://advance.lexis.com/api/document?id=urn:contentItem:5PT0-1H81-JCJY-G2W0-00000-00&idtype=PID&context=1516831)

**Client/Matter:** -None-

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| News | Timeline: 01 jun 2017 tot 01 jun 2018; Locatie: International; Plaats van publicatie: Europe; Taal: English |

40. [*May's dithering could lead to Brexit deal being 'meaningless waffle', says former Brexit minister - Politics live Rolling coverage of the day's political developments as they happen, including the opening of the Lords debate on the EU withdrawal billSteve Baker's statement on leaked Brexit report - SummaryAfternoon summary*](https://advance.lexis.com/api/document?id=urn:contentItem:5RHT-GC61-F021-63JR-00000-00&idtype=PID&context=1516831)

**Client/Matter:** -None-

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| News | Timeline: 01 jun 2017 tot 01 jun 2018; Locatie: International; Plaats van publicatie: Europe; Taal: English |

41. [*BRIEF NEWS BULLETIN NO. 10081*](https://advance.lexis.com/api/document?id=urn:contentItem:5NR8-0HJ1-F12K-R1V6-00000-00&idtype=PID&context=1516831)

**Client/Matter:** -None-

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| News | Timeline: 01 jun 2017 tot 01 jun 2018; Locatie: International; Plaats van publicatie: Europe; Taal: English |

42. [*No Headline In Original*](https://advance.lexis.com/api/document?id=urn:contentItem:5R14-6F81-DYY4-309M-00000-00&idtype=PID&context=1516831)

**Client/Matter:** -None-

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| News | Timeline: 01 jun 2017 tot 01 jun 2018; Locatie: International; Plaats van publicatie: Europe; Taal: English |

43. [*BRIEF NEWS BULLETIN NO. 10228*](https://advance.lexis.com/api/document?id=urn:contentItem:5PTB-91C1-JDKJ-11NM-00000-00&idtype=PID&context=1516831)

**Client/Matter:** -None-

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| News | Timeline: 01 jun 2017 tot 01 jun 2018; Locatie: International; Plaats van publicatie: Europe; Taal: English |

44. [*Council of the European Union: JOINT STAFF WORKING DOCUMENT The EU Special Incentive Arrangement for Sustainable Development and Good Governance ('GSP+') assessment of Georgia covering the period 2016 - 2017 Accompanying the document Report from the Commission to the European Parliament and the Council Report on the Generalised Scheme of Preferences during the period 2016 - 2017 ST 5544 2018 ADD 4*](https://advance.lexis.com/api/document?id=urn:contentItem:5RP3-61X1-F0YC-N2F4-00000-00&idtype=PID&context=1516831)

**Client/Matter:** -None-

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| News | Timeline: 01 jun 2017 tot 01 jun 2018; Locatie: International; Plaats van publicatie: Europe; Taal: English |

45. [*BRIEF NEWS BULLETIN NO. 10328*](https://advance.lexis.com/api/document?id=urn:contentItem:5RJG-XB11-JDKJ-10F6-00000-00&idtype=PID&context=1516831)

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46. [*BRIEF NEWS BULLETIN NO. 10369*](https://advance.lexis.com/api/document?id=urn:contentItem:5RWD-C9N1-K06Y-30B0-00000-00&idtype=PID&context=1516831)

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| News | Timeline: 01 jun 2017 tot 01 jun 2018; Locatie: International; Plaats van publicatie: Europe; Taal: English |

47. [*Register of Commission documents:EU trade with Latin America and the Caribbean: Overview and figures Document date: 2017-10-26 EPRS\_IDA(2017)608793 In-Depth Analysis*](https://advance.lexis.com/api/document?id=urn:contentItem:5R5J-9J41-JDG9-Y3BJ-00000-00&idtype=PID&context=1516831)

**Client/Matter:** -None-

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| News | Timeline: 01 jun 2017 tot 01 jun 2018; Locatie: International; Plaats van publicatie: Europe; Taal: English |

48. [*Register of Commission documents:PROVISIONAL AGREEMENT RESULTING FROM INTERINSTITUTIONAL NEGOTIATIONS Proposal for a regulation of the European Parliament and of the Council on the European Fund for Sustainable Development (EFSD) and establishing the EFSD Guarantee and the EFSD Guarantee Fund Document date: 2017-06-28 CJ31\_AG(2017)607892 Agreed text resulting from interinstitutional*](https://advance.lexis.com/api/document?id=urn:contentItem:5P8C-YRC1-JDG9-Y4B8-00000-00&idtype=PID&context=1516831)

**Client/Matter:** -None-

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| News | Timeline: 01 jun 2017 tot 01 jun 2018; Locatie: International; Plaats van publicatie: Europe; Taal: English |

49. [*BRIEF NEWS BULLETIN NO. 10211*](https://advance.lexis.com/api/document?id=urn:contentItem:5PPC-M1H1-F12K-R0X1-00000-00&idtype=PID&context=1516831)

**Client/Matter:** -None-

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| **Content Type** | **Narrowed by** |
| News | Timeline: 01 jun 2017 tot 01 jun 2018; Locatie: International; Plaats van publicatie: Europe; Taal: English |

50. [*Register of Commission documents: Setting up a special committee on terrorism, its responsibilities, numerical strength and term of office Document date: 2017-07-05 P8\_AMB(2017)0477(001-007) Amendments to motions for resolutions*](https://advance.lexis.com/api/document?id=urn:contentItem:5PCC-KFF1-JDG9-Y3RY-00000-00&idtype=PID&context=1516831)

**Client/Matter:** -None-

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| News | Timeline: 01 jun 2017 tot 01 jun 2018; Locatie: International; Plaats van publicatie: Europe; Taal: English |

51. [*BMI Brexit Crib Sheet*](https://advance.lexis.com/api/document?id=urn:contentItem:5R1N-DGK1-F0J5-80MC-00000-00&idtype=PID&context=1516831)

**Client/Matter:** -None-

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| News | Timeline: 01 jun 2017 tot 01 jun 2018; Locatie: International; Plaats van publicatie: Europe; Taal: English |

52. [*BRIEF NEWS BULLETIN NO. 10207*](https://advance.lexis.com/api/document?id=urn:contentItem:5PMV-X1S1-JDKJ-153C-00000-00&idtype=PID&context=1516831)

**Client/Matter:** -None-

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| News | Timeline: 01 jun 2017 tot 01 jun 2018; Locatie: International; Plaats van publicatie: Europe; Taal: English |

53. [*Plibersek says byelection date designed to disadvantage Labor party - as it happened With byelections set for 28 July, Labor is unhappy at delay and the fact the ALP national conference is on the same weekend. All the day's events, live*](https://advance.lexis.com/api/document?id=urn:contentItem:5SD2-V401-JCJY-G03P-00000-00&idtype=PID&context=1516831)

**Client/Matter:** -None-

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| News | Timeline: 01 jun 2017 tot 01 jun 2018; Locatie: International; Plaats van publicatie: Europe; Taal: English |

54. [*BRIEF NEWS BULLETIN NO. 10101*](https://advance.lexis.com/api/document?id=urn:contentItem:5NV7-9BW1-F12K-R1CB-00000-00&idtype=PID&context=1516831)

**Client/Matter:** -None-

**Search Terms:** strategic and interventions or strategic and programs or strategic and plan or strategic and producer or interventions and programs or interventions and plan or interventions and producer or programs and plan or programs and producer or plan and producer

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| News | Timeline: 01 jun 2017 tot 01 jun 2018; Locatie: International; Plaats van publicatie: Europe; Taal: English |

55. [*Council of the European Union:REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL establishing the European Fund for Sustainable Development (EFSD), the EFSD Guarantee and the EFSD Guarantee Fund PE 43 2017 INIT*](https://advance.lexis.com/api/document?id=urn:contentItem:5R2J-NC91-F0YC-N0TT-00000-00&idtype=PID&context=1516831)

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| News | Timeline: 01 jun 2017 tot 01 jun 2018; Locatie: International; Plaats van publicatie: Europe; Taal: English |

56. [*No Headline In Original*](https://advance.lexis.com/api/document?id=urn:contentItem:5PDP-7XT1-JCG2-C4Y3-00000-00&idtype=PID&context=1516831)

**Client/Matter:** -None-

**Search Terms:** strategic and interventions or strategic and programs or strategic and plan or strategic and producer or interventions and programs or interventions and plan or interventions and producer or programs and plan or programs and producer or plan and producer

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| News | Timeline: 01 jun 2017 tot 01 jun 2018; Locatie: International; Plaats van publicatie: Europe; Taal: English |

57. [*BRIEF NEWS BULLETIN NO. 10341*](https://advance.lexis.com/api/document?id=urn:contentItem:5RNF-5MK1-F12K-R0K3-00000-00&idtype=PID&context=1516831)

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| News | Timeline: 01 jun 2017 tot 01 jun 2018; Locatie: International; Plaats van publicatie: Europe; Taal: English |

58. [*Council of the European Union:Proposal for a Regulation of the European Parliament and of the Council on the European Fund for Sustainable Development (EFSD) and establishing the EFSD Guarantee and the EFSD Guarantee Fund - Outcome of the European Parliament's first reading (Strasbourg, 3 to 6 July 2017) ST 10935 2017 INIT*](https://advance.lexis.com/api/document?id=urn:contentItem:5PGT-5K01-JDG9-Y0BK-00000-00&idtype=PID&context=1516831)

**Client/Matter:** -None-

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| News | Timeline: 01 jun 2017 tot 01 jun 2018; Locatie: International; Plaats van publicatie: Europe; Taal: English |

59. [*Register of Commission documents: REPORT on working conditions and precarious employment Document date: 2017-06-14 P8\_A(2017)0224 Reports*](https://advance.lexis.com/api/document?id=urn:contentItem:5NYF-9F81-F0YC-N1HR-00000-00&idtype=PID&context=1516831)

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| News | Timeline: 01 jun 2017 tot 01 jun 2018; Locatie: International; Plaats van publicatie: Europe; Taal: English |

60. [*VinaCapital Vietnam Opportunity Fund Ltd - Half-year Report*](https://advance.lexis.com/api/document?id=urn:contentItem:5RYW-V501-DXP3-R2P9-00000-00&idtype=PID&context=1516831)

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61. [*European Union (Withdrawal) Bill*](https://advance.lexis.com/api/document?id=urn:contentItem:5RRR-NPW1-F0YC-N2RJ-00000-00&idtype=PID&context=1516831)

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| News | Timeline: 01 jun 2017 tot 01 jun 2018; Locatie: International; Plaats van publicatie: Europe; Taal: English |

62. [*Ritchie Bros. reports second quarter 2017 results*](https://advance.lexis.com/api/document?id=urn:contentItem:5PGV-35T1-JDG9-Y1BK-00000-00&idtype=PID&context=1516831)

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63. [*Automated and Electric Vehicles Bill*](https://advance.lexis.com/api/document?id=urn:contentItem:5RPP-PDM1-JDG9-Y0GT-00000-00&idtype=PID&context=1516831)

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64. [*Foresight Solar Fund Limited : Annual Financial Report*](https://advance.lexis.com/api/document?id=urn:contentItem:5RPS-M2Y1-J9XT-N20Y-00000-00&idtype=PID&context=1516831)

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65. [*Overseas Business Risk - Colombia*](https://advance.lexis.com/api/document?id=urn:contentItem:5RP3-6221-F0YC-N2K6-00000-00&idtype=PID&context=1516831)

**Client/Matter:** -None-

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| News | Timeline: 01 jun 2017 tot 01 jun 2018; Locatie: International; Plaats van publicatie: Europe; Taal: English |

66. [*BRIEF NEWS BULLETIN NO. 10423*](https://advance.lexis.com/api/document?id=urn:contentItem:5S8X-MN11-JDKJ-14P2-00000-00&idtype=PID&context=1516831)

**Client/Matter:** -None-

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| News | Timeline: 01 jun 2017 tot 01 jun 2018; Locatie: International; Plaats van publicatie: Europe; Taal: English |

67. [*Contesting displacement and the struggle for survival: The case of subsistence fisher folk in Durban, South Africa*](https://advance.lexis.com/api/document?id=urn:contentItem:6BNK-C111-DY41-73W2-00000-00&idtype=PID&context=1516831)

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68. [*Autonomous enclave amid violence of Syrian conflict Experiment in self-rule in Rojava*](https://advance.lexis.com/api/document?id=urn:contentItem:5PCJ-G741-JCM4-6530-00000-00&idtype=PID&context=1516831)

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69. [*Policeman killed in Westminster terror attack receives bravery medal from Queen*](https://advance.lexis.com/api/document?id=urn:contentItem:5NTB-F2G1-JD39-X38D-00000-00&idtype=PID&context=1516831)

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70. [*ICRA reaffirms the ratings of [ICRA]BBB- and [ICRA]A3 for the bank facilities of Zuari Fertilisers & Chemicals Limited ; Outlook revised to Stable from Negative*](https://advance.lexis.com/api/document?id=urn:contentItem:5P8M-T4R1-JDVR-02S4-00000-00&idtype=PID&context=1516831)

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| News | Timeline: 01 jun 2017 tot 01 jun 2018; Locatie: International; Plaats van publicatie: Europe; Taal: English |

71. [*Register of Commission documents:Free and fair trade for all? Document date: 2017-11-21 EXPO\_IDA(2017)570487 In-Depth Analysis*](https://advance.lexis.com/api/document?id=urn:contentItem:5R8Y-T851-JDG9-Y4X1-00000-00&idtype=PID&context=1516831)

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72. [*May says she wants investigation into release of Damian Green information - as it happened The prime minister flew to Poland after a third cabinet departure in two months created a further headache for governmentFull report: Damian Green sacked as first secretary of stateTimeline: how a leak led to a downfallWho's who in the Damian Green inquiry*](https://advance.lexis.com/api/document?id=urn:contentItem:5R78-08K1-F021-63P1-00000-00&idtype=PID&context=1516831)

**Client/Matter:** -None-

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73. [*No Headline In Original*](https://advance.lexis.com/api/document?id=urn:contentItem:5RJ2-51N1-JCG2-C0PS-00000-00&idtype=PID&context=1516831)

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| News | Timeline: 01 jun 2017 tot 01 jun 2018; Locatie: International; Plaats van publicatie: Europe; Taal: English |

74. [*Kesko's financial statements release for the period 1 Jan. 2017 to 31 Dec. 2017: Kesko's net sales grew and profitability improved*](https://advance.lexis.com/api/document?id=urn:contentItem:5RJC-WXB1-JD6G-P3KC-00000-00&idtype=PID&context=1516831)

**Client/Matter:** -None-

**Search Terms:** strategic and interventions or strategic and programs or strategic and plan or strategic and producer or interventions and programs or interventions and plan or interventions and producer or programs and plan or programs and producer or plan and producer

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75. [*ICRA reaffirms the ratings of [ICRA]BBB+(Stable) and [ICRA]A2+ for the bank facilities of Zuari Agro Chemicals Limited*](https://advance.lexis.com/api/document?id=urn:contentItem:5PK0-Y3H1-F19S-P0FC-00000-00&idtype=PID&context=1516831)

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76. [*BRIEF NEWS BULLETIN NO. 10433*](https://advance.lexis.com/api/document?id=urn:contentItem:5SC0-V201-F12K-R29F-00000-00&idtype=PID&context=1516831)

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77. [*BRIEF NEWS BULLETIN NO. 10137*](https://advance.lexis.com/api/document?id=urn:contentItem:5P3X-XVR1-JDKJ-14V9-00000-00&idtype=PID&context=1516831)

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78. [*BRIEF NEWS BULLETIN NO. 10264*](https://advance.lexis.com/api/document?id=urn:contentItem:5R3W-R211-F12K-R4G0-00000-00&idtype=PID&context=1516831)

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79. [*Council of the European Union:REPORT FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT, THE COUNCIL AND THE EUROPEAN ECONOMIC AND SOCIAL COMMITTEE ON THE OPERATION OF DIRECTIVE (EU) 2015/1535 FROM 2014 TO 2015 ST 5107 2018 INIT*](https://advance.lexis.com/api/document?id=urn:contentItem:5RDT-67T1-JDG9-Y14W-00000-00&idtype=PID&context=1516831)

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80. [*Council of the European Union: COMMISSION STAFF WORKING DOCUMENT Report on Critical Raw Materials and the Circular Economy ST 5450 2018 ADD 2*](https://advance.lexis.com/api/document?id=urn:contentItem:5RP3-61W1-F0YC-N3NY-00000-00&idtype=PID&context=1516831)

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81. [*Myanmar seeks reunification after decades of unrest*](https://advance.lexis.com/api/document?id=urn:contentItem:5WS6-C4X1-DXYV-74SY-00000-00&idtype=PID&context=1516831)

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82. [*A cognitive map of sustainable decision-making in entrepreneurship*](https://advance.lexis.com/api/document?id=urn:contentItem:5YJX-P231-DY4C-F0NB-00000-00&idtype=PID&context=1516831)

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83. [*Washington: WORLD BANK ACCOUNTABILITY ACT OF 2017*](https://advance.lexis.com/api/document?id=urn:contentItem:5RFG-21T1-JDG9-Y42R-00000-00&idtype=PID&context=1516831)

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84. [*BRIEF NEWS BULLETIN NO. 10354*](https://advance.lexis.com/api/document?id=urn:contentItem:5RS6-T7H1-JDKJ-148G-00000-00&idtype=PID&context=1516831)

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85. [*No Headline In Original*](https://advance.lexis.com/api/document?id=urn:contentItem:5SG0-5461-JCF2-H1V4-00000-00&idtype=PID&context=1516831)

**Client/Matter:** -None-

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86. [*Rights, recognition and norms in the making of Latin American International Society: an historical materialist interpretation*](https://advance.lexis.com/api/document?id=urn:contentItem:67FK-JB31-F0C0-33FN-00000-00&idtype=PID&context=1516831)

**Client/Matter:** -None-

**Search Terms:** strategic and interventions or strategic and programs or strategic and plan or strategic and producer or interventions and programs or interventions and plan or interventions and producer or programs and plan or programs and producer or plan and producer

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87. [*No Headline In Original*](https://advance.lexis.com/api/document?id=urn:contentItem:5RY2-BWN1-JCF2-H1Y6-00000-00&idtype=PID&context=1516831)

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88. [*BRIEF NEWS BULLETIN NO. 10242*](https://advance.lexis.com/api/document?id=urn:contentItem:5PXB-T1N1-F12K-R04B-00000-00&idtype=PID&context=1516831)

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| News | Timeline: 01 jun 2017 tot 01 jun 2018; Locatie: International; Plaats van publicatie: Europe; Taal: English |

89. [*P8\_TA(2016)0004 Annual report on EU Competition Policy European Parliament resolution of 19 January 2016 on the Annual report on EU Competition Policy (2015/2140(INI))*](https://advance.lexis.com/api/document?id=urn:contentItem:5RHK-RWR1-JDG9-Y441-00000-00&idtype=PID&context=1516831)

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| News | Timeline: 01 jun 2017 tot 01 jun 2018; Locatie: International; Plaats van publicatie: Europe; Taal: English |

90. [*‘The Oil is Drilled in Takoradi , but the Money is Counted in Accra ’: The Paradox of Plenty in the Oil City, Ghana*](https://advance.lexis.com/api/document?id=urn:contentItem:6BH2-VXY1-JBMY-H41C-00000-00&idtype=PID&context=1516831)

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| News | Timeline: 01 jun 2017 tot 01 jun 2018; Locatie: International; Plaats van publicatie: Europe; Taal: English |

91. [*No Headline In Original*](https://advance.lexis.com/api/document?id=urn:contentItem:5S0J-0KM1-JCF2-H013-00000-00&idtype=PID&context=1516831)

**Client/Matter:** -None-

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| **Content Type** | **Narrowed by** |
| News | Timeline: 01 jun 2017 tot 01 jun 2018; Locatie: International; Plaats van publicatie: Europe; Taal: English |

92. [*Register of Commission documents: European Market Infrastructure Regulation (EMIR): Regulation of OTC derivatives in the European Union Document date: 2017-06-13 EPRS\_IDA(2017)603984 In-Depth Analysis*](https://advance.lexis.com/api/document?id=urn:contentItem:5NYF-9F71-F0YC-N345-00000-00&idtype=PID&context=1516831)

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| News | Timeline: 01 jun 2017 tot 01 jun 2018; Locatie: International; Plaats van publicatie: Europe; Taal: English |

93. [*Council of the European Union: COMMISSION STAFF WORKING DOCUMENT Impact Assessment Accompanying the document Proposal for a Directive of the European Parliament and of the Council amending Directive 2006/1/EC on the use of vehicles hired without drivers for the carriage of goods by road ST 9669 2017 ADD 2*](https://advance.lexis.com/api/document?id=urn:contentItem:5P52-B081-JDG9-Y4XR-00000-00&idtype=PID&context=1516831)

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| News | Timeline: 01 jun 2017 tot 01 jun 2018; Locatie: International; Plaats van publicatie: Europe; Taal: English |

94. [Authenticity/ الصحة *as a criterion variable for Islam and Roman Catholic theology of the workplace analysis*](https://advance.lexis.com/api/document?id=urn:contentItem:5YJX-P231-DY4C-F11C-00000-00&idtype=PID&context=1516831)

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| News | Timeline: 01 jun 2017 tot 01 jun 2018; Locatie: International; Plaats van publicatie: Europe; Taal: English |

95. [*Invesco Perpetual Select Trust Plc - Half-year Report*](https://advance.lexis.com/api/document?id=urn:contentItem:5RJK-HYG1-DXP3-R2J5-00000-00&idtype=PID&context=1516831)

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| News | Timeline: 01 jun 2017 tot 01 jun 2018; Locatie: International; Plaats van publicatie: Europe; Taal: English |

96. [*BlackRock North American Income Trust Plc - Annual Financial Report*](https://advance.lexis.com/api/document?id=urn:contentItem:5R5R-1HV1-JB72-146V-00000-00&idtype=PID&context=1516831)

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| News | Timeline: 01 jun 2017 tot 01 jun 2018; Locatie: International; Plaats van publicatie: Europe; Taal: English |

97. [*Menhaden Capital Plc - Annual Financial Report*](https://advance.lexis.com/api/document?id=urn:contentItem:5SBJ-CWS1-JB72-13D2-00000-00&idtype=PID&context=1516831)

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| News | Timeline: 01 jun 2017 tot 01 jun 2018; Locatie: International; Plaats van publicatie: Europe; Taal: English |

98. [*Pacific Assets Trust Plc - Annual Financial Report*](https://advance.lexis.com/api/document?id=urn:contentItem:5S09-SG31-DXP3-R1KN-00000-00&idtype=PID&context=1516831)

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99. [*Violent governance, identity and the production of legitimacy: autodefensas in Latin America*](https://advance.lexis.com/api/document?id=urn:contentItem:671W-P2V1-F0C0-343M-00000-00&idtype=PID&context=1516831)

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100. [*Zhejiang Expressway Co Ld - 2017 Annual Report*](https://advance.lexis.com/api/document?id=urn:contentItem:5S1C-MGM1-DXP3-R3WT-00000-00&idtype=PID&context=1516831)

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# [***BMI Brexit Crib Sheet***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5R1N-DGK1-F0J5-80MC-00000-00&context=1516831)

Business Monitor Online

November 24, 2017 Friday

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**Length:** 4116 words

**Highlight:** In our latest BMI Brexit Crib Sheet, we analyse some of the recent developments with regards to Brexit, as well as lay out our core views on what it means for the UK and the EU, provide key forecasts for the UK economy, and put forward a recent appendix of BMI articles relating to political, macroeconomic, financial market, and sector risks and opportunities stemming from Brexit.

**Body**

In our latest BMI Brexit Crib Sheet, we analyse some of the recent developments with regards to Brexit, as well as lay out our core views on what it means for the UK and the EU, provide key forecasts for the UK economy, and put forward an appendix of BMI articles relating to political, macroeconomic, financial market, and sector risks and opportunities stemming from Brexit. Latest Developments

Negotiations between the EU Commission and the UK government remain in deadlock with little leeway given by either side, and time running out to move onto the next stage of talks before year-end. The talks remain deadlocked in 'phase one', which relates to the major issues of the Republic of Ireland-Northern Ireland border, the rights of EU nationals in the UK and *vice versa* post-Brexit, and how much - if anything - the UK should pay the EU in a 'divorce bill'. The Commission has consistently stated that 'phase two' of talks, relating to a potential EU-UK trade deal, cannot start until phase one talks are completed.

With regards to the 'divorce bill', there seems to have been some movement by the UK, with the UK Cabinet agreeing to increase the amount the UK is willing to pay to the EU, believed to be around GBP40bn in total. Taking this offer to the EU is likely to be contingent on the start of trade talks early in 2018, but the Commission is likely to rebuff any attempt to move to phase two talks even with a huge sum of money offered, given citizens' rights and the Irish border issues remain unresolved. Opinion polling in the UK in recent months has shown an increasing number of respondents stating that they believe the vote to leave the EU was the wrong decision. Since September 2017, and continuing through into the autumn, the number of respondents stating that leaving the EU is the right decision has fallen to below that of those stating it was the wrong decision, with a notable proportion - between 11% and 14% - stating that they did not know whether the vote was right or wrong. Pro-remain politicians, media outlets, and pressure groups have stated that this marks an increasingly clear trend that the British public no longer wants the country to withdraw from the EU. The lack of progress in exit negotiations between the Department for Exiting the EU and the European Commission, combined with an increasingly chaotic and rudderless Conservative minority government in Westminster, has likely contributed to this shift in perceptions. However, even though the shift in perceptions of whether the vote was right or wrong is clear, we do not believe the shift in perceptions is pronounced enough for the government to change its stance and allow for a second referendum, or even to jettison the Brexit process in its entirety without risking a severe backlash from within the Conservative party and Brexit supporters. On the perhaps more pertinent question of whether the Brexit vote decision should be reversed, recent YouGov polling indicates the most popular option is for the government to continue negotiating Brexit on current terms, with this carrying 40% support. An additional 12% of respondents supported still leaving the EU, but as a 'softer Brexit', potentially retaining single market membership, meaning 52% of respondents in total favoured going ahead with Brexit. This compares to a total of 32% that advocated attempting to reverse the decision, with 18% of respondents favouring a second referendum and 14% supporting abandoning Brexit and remaining in the EU, while 16% stated they did not know how the government should proceed with Brexit.

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| Shift Not Pronounced Enough To Engender U-Turn |
| United Kingdom - Opinion Poll 'In hindsight, do you think Britain was right or wrong to leave the EU?', % 3mma |
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| *Source: YouGov, BMI. N.b. ' Don ' t knows ' not included.* |

In a paper set out by the European Commission's negotiating team and its chief negotiator Michel Barnier in November 2017, even if 'sufficient progress' on phase one talks is made in 2017, allowing for talks on trade and a transition agreement, these talks would only begin in February 2018. The ***plan*** would then allow for the finalisation of a deal by October 2018 at that month's European Council Summit. This timeframe would leave just six months for businesses to prepare for leaving the EU before the transition agreement - set to last for around two years, and keep the UK in the single market - kicks in. The UK government is keen to have a transition agreement agreed to as soon as possible, but given the rigidity of the Commission's negotiating stance, it could prove difficult to achieve swift progress on such a deal. An EU report released in November, suggesting that Northern Ireland may have to remain as part of the customs union and single market after Brexit to avoid the imposition of a 'hard border' between the Republic of Ireland and Northern Ireland, has resulted in a furious backlash from unionist politicians in Northern Ireland. As part of the phase one talks, working out a solution to maintaining frictionless trade between the two while also protecting the single market and restricting immigration to the UK is proving an immense challenge. Leader of the Democratic Unionist Party (DUP) - which supports the Conservative minority government in Westminster - Arlene Foster has criticised the Irish government for supposedly using Brexit negotiations as an excuse to advocate a united Ireland. With both the EU and UK keen to avoid stoking tensions in the sensitive political environment of Northern Ireland, these negotiations could prove the most difficult of the entire Brexit process. However, with the Republic of Ireland's government on the brink of collapse, Brexit may slip down the list of priorities in Dublin for the foreseeable future, as with many other EU member states. The UK will likely have to offer some concessions on the future of the border, potentially paying for costly electronic customs checks in order to ensure Northern Ireland leaves the single market alongside the rest of the UK. A European Commission ***planning*** document leaked in November highlighted the difficulty surrounding compromise on even issues that had previously been viewed as fairly easy to come to agreement on. The document stated that if not agreed before Brexit, the UK would cease to be a part of the European Aviation Safety Agency. The paper states that air freedoms are governed by international agreements that rely on negative freedoms i.e. what is not expressly agreed between parties is not permitted, and if these rules are applied strictly after a no-deal Brexit it could lead to UK flights being grounded. There would be the option of joining the Common Aviation Area, which non-EU states Moldova and Georgia are currently members of, but this would only allow majority British-owned airlines to fly from the UK to the EU, not fly intra-E/U routes, and would still require firms to be majority owned by EU-based stakeholders. The UK government has dismissed claims regarding flights being grounded as 'scaremongering', stating that with many Mediterranean states reliant on large numbers of British holidaymakers in the summer months to support their economies, stopping flights from the UK would be a non-starter. If the Commission maintains that the UK cannot leave the single market and still be able to operate flights freely, it could lead to significant disagreements between the institution and member state governments.

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| Core Scenario Remains For A Deal To Be Reached |
| United Kingdom - Potential Scenarios For Brexit |
|  |
| *Source: BMI. N.b. Options ordered from 1-7 based on degree of severing of ties between UK and EU.* |

Core ***Strategic*** Macro Views

**UK Growth:** The resilience of UK economic data since the June 2016 referendum is beginning to fade in 2017, largely on the back of a weaker consumer outlook. **We forecast real GDP growth of 1.5% and 1.3% in 2017 and 2018 respectively,** down from 2.2% in 2015 and 1.8% in 2016. The UK consumer has been the main engine of growth in recent years and this leaves the economy on shaky foundations given that real wage growth is expected to be negative over the coming quarters and the household savings ratio is at historic lows. Furthermore, the economy still faces headwinds from uncertainty over how exit negotiations will play out. That said, the UK economy is benefitting from a more supportive global and regional growth backdrop, which will prop up export oriented sectors. The economic impact of Brexit over the longer term is less clear, with both upside and downside risks. Our long-term forecast for the UK's real GDP growth trend (2020-2026) stands at 1.8%, comparing favourably to that of the eurozone but well below the UK's average growth rate of 2.6% in the 40 years prior to the global financial crisis.

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| UK Growth To Underperform In Short Term |
| Europe - Eurozone and UK Real GDP Growth, % |
|  |
| *f = BMI Forecast. Source: National Sources/BMI* |

**GBP Has Bottomed, But Short-Term Upside Capped:** We are constructive towards the pound against the US dollar and in trade-weighted terms. While we believe near-term upside will be capped by uncertainty over Brexit negotiations, which are likely to be a source of volatility, we nonetheless believe the currency has bottomed and is poised for long-term appreciation from spot levels against both USD and EUR. **The undervalued nature of the pound suggests it should continue to outperform despite the fact that the government has signalled its intention to pursue a 'hard' Brexit.** Longer term, despite the UK's chronic savings shortfall and the strong likelihood of continued loose monetary and fiscal policy, the outlook for its main trading partners is far from bright. The good news for the pound is that it has already sold off by such a large amount that competitiveness should begin to improve while savings rates are likely to experience a much-needed rise. **Euroscepticism Not Going Away:** In the wake of the 'Brexit' vote and election of Donald Trump as US president, both of which seemed to highlight the rising tide of populist sentiment, mainstream European candidates in the Netherlands and France held off challenges from anti-establishment and right-wing parties. This has led to renewed momentum behind deeper eurozone integration initiatives, and has coincided with a healthy uptick in eurozone economic activity which looks set to continue over the coming quarters. That said, far-right right eurosceptic candidates have seen some of their strongest showings ever in 2017, and Italy's upcoming election in 2018 could reignite eurozone political risk and breakup fears. The political realm is realigning fast, and that means uncertainty. So for all the optimism following Emmanuel Macron's victory in France, there are still big major political obstacles in the way of eurozone integration initiatives such as a fiscal union. Without such reforms, many of the drivers behind divergent economic trajectories among eurozone member states will remain in place. Along with this comes the need for tight fiscal policy which further fuels populist sentiment. So we do not believe the trend of euroscepticism is going away anytime soon. Core ***Strategic*** Sector Views

The impact of Brexit on UK industry over 2017-2021 will be felt through five key channels: weaker domestic demand (2017-2019), investment delays (2017-2019), higher input costs (ongoing), EU funding cuts (post-2019) and export realignment (post-2019). Losing access to the European Single Market would reinforce the downsides as the more distant the UK's eventual relationship with the EU, the greater the magnitude of these impacts will generally be.

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| --- |
| O&G, Telecoms And Pharma Best Placed To Prosper |
| Select UK Industries - Negative Impacts Of Brexit Over 2017-2021 |
|  |
| *Note: 5 = high negative impact, 0 = no impact. Source: BMI* |

**2017-2019 - Retail and construction most exposed:** Over the short term, UK industries will on balance be negatively impacted by Brexit. The main negative impacts will be due to weaker investment and consumption in the economy. The worst-affected UK industries will be segments of retail (home furnishings/white goods) and construction (industrial). Export sectors such as autos will prove relatively resilient due to a combination of a weak currency (sterling will not rebound significantly due to ongoing uncertainty during the two-year Article 50 negotiation period) and continued EU single market access. **2019-2021 - Agribusiness To Suffer;** Pharma, Telecoms Resilient: While the longer-term 'exit deal' for UK industries is still uncertain, the post-exit landscape will provide headwinds through weaker demand from the EU, lower immigration from the EU rising wage costs, and relocation of some business to the EU. Once an exit from the EU has been concluded, the UK agribusiness sector will also be particularly hard hit. This is due to the significant cuts that are likely to be made to public-funding for farmers, which on account of the EU Common ***Agricultural*** Policy ***programme***, currently accounts for around half of UK farmer incomes. UK government guarantees to match EU agribusiness funding only last until 2020. In contrast, we expect the pharmaceuticals/healthcare and telecoms sectors to prove resilient, largely due to inelastic demand for goods and services from these industries. UK aerospace will likely lose out on some pan-EU contracts, particularly in the highest-security areas of space and defence, where regulatory obstacles could impede UK-based firms from bidding for contracts. In autos, some UK-based parts-suppliers to the EU will be tempted to relocate. **Long-Term Outlook Much Brighter:** There are long-term upsides for industry exports from improved access to faster-growing export markets outside of the EU. Even as part of the EU, the UK has seen emerging markets (EM) rapidly grow as a proportion of UK exports and we expect Brexit to reinforce this trend. EMs already account for a quarter of UK merchandise exports and this share will grow to almost one third over the next decade. Outperforming manufacturing export sectors over the longer term will include aerospace, autos, pharmaceuticals and high-tech machinery. A structurally weaker sterling than pre-Brexit-vote will act as a further boost to these sectors over the coming years. **City of London:** While the probable loss of 'passporting' privileges will likely diminish the UK's position as the centre of the European financial system we do not view it as a disastrous scenario. Alternatives to the passporting arrangement exist and, ultimately, we do not expect an aggressively punitive approach by the EU towards UK financial services as this would result in retaliatory measures by the UK that would also hurt EU financial institutions. Over the longer term, the loss of some EU business such as euro trading could be mitigated by looking further afield, such as becoming the world trading hub for the Chinese yuan. Moreover, we expect that once outside of the EU, the UK will adopt an even more financial-service-friendly regulatory framework, in contrast to likely more stringent EU financial regulation. **European Sectors Much Less Vulnerable:** When assessing the impact of Brexit on the rest of the EU this of course encompasses 27 markets (excluding UK) and a number of industries, so the impacts of Brexit will range from non-existent to significant. On the whole, we do not see a strong impact on European industries from Brexit. However, there are of course nuances with Autos and Medical Devices being most affected, whereas Power and Oil & Gas will be least affected. The main impact we anticipate is on the regulatory front with the European regulatory environment pivoting towards a more centralised, and potentially more rigid approach. Core ***Strategic*** Politics Views

**On Course To Leave The Single Market:** Despite the loss of its majority in the House of Commons in the June 8 general election, the Conservative minority government has re-affirmed its commitment to leaving the single market and customs union, as well as ending the jurisdiction of the European Court of Justice over the UK. Leaving the single market and the customs union will prove to be the most impactful on the British economy with regards to the potential imposition of tariffs or difficulties in meeting regulatory standards set by the EU. We believe a **Brexit deal will have to involve major compromises on the part of the UK government, given the strident rhetoric emanating from the EU institutions,** with Brussels in no mood to make negotiations a clean or easy process. At present, we believe it is too early to say with any certainty what the deal will look like, given the sheer number of variables that exist during the two-year negotiation period. Over the short term, leaving the single market and regaining control of the UK's borders will placate Brexit supporters, while over a longer term time horizon it will **allow the UK to benefit from a lack of external regulation and increased EM trade**. This will be reliant on the implementation of transition deals, which we expect to last for several years and facilitate a smoother exit from the EU, with links gradually dissolved, rather than a short, sharp exit from the EU. **Invigorated Opposition Makes Government's Task Harder:** While the process of Brexit is, and will continue to prove, divisive over the coming 15 months of negotiation with Brussels, the current strength of the main opposition Labour party will constrain the government's hand in negotiations and policy making. The veteran left-winger Jeremy Corbyn, who leads Labour, scored a shock result in the June 8 election, increasing his party's seat total by 30 on the back of a large increase in the (strongly Labour) youth vote, winning over large numbers of graduates in professional jobs, and benefiting from a negative and lacklustre Conservative campaign. We note that **Labour's policy towards Brexit has not been consistent, with a commitment from the leadership to leaving the single market despite notable opposition from large sections of the parliamentary party.** With an emboldened opposition together with a nervous and angry parliamentary Conservative party, the process of negotiating an exit deal will be much more difficult **.** Various factions of backbench Conservative MPs, whether pro- or anti-Brexit, as well as the DUP will have notable sway over the government's agenda on Brexit, given the narrow working majority of just 13. **Lack Of Conservative Majority Raises Risk Of Leaving With No Deal:** Without a majority in the House of Commons, the Conservative minority government is reliant on support from Northern Ireland's pro-Brexit Democratic Unionist Party to ensure the passage of legislation. When it comes to the eight bills laid out in the 2017 Queen's Speech that relate to Brexit, some will likely be passed without a large amount of controversy, such as those relating to international sanctions. However, others, such as the Repeal Bill or the immigration bill, are likely to prove contentious with both the opposition and Conservative moderates opposed to leaving the single market, or the EU as a whole. Once negotiations are concluded (October 2018 is the deadline set by the European Commission) and the eventual deal is put to a vote in parliament, **a united opposition with support from enough rebel Conservatives could scupper any deal, with little chance of a new deal being agreed in the time before the UK is due to leave the EU.** This could result in the UK leaving the EU with no deal in place, a scenario that would result in significant short-to-medium term market volatility, a decline in business confidence, and the potential for a sustained drag on fixed direct investment. **Implications For The EU:** Even though opinion polls following the Brexit vote have shown a rise in support for EU membership in many member states, we believe eurosceptic movements and EU membership referendum calls will mount in several member states. Non-eurozone member states such as Denmark would have the easiest path to an exit. Italy, notably, is set to re-examine its relationship with the union, although the withdrawal of any eurozone member from the EU would likely cause a meltdown in the currency union's banking sector. **The defeats of Marine Le Pen in France and Geert Wilders' Party for Freedom in the Netherlands in these countries'respective elections in 2017havecome as a blow to the meteoric rise of eurosceptic parties, but their defeats do not mean that their message will dissipate any time soon.** Any latent euroscepticism may become more apparent during or after Article 50 negotiations, with many member states' governments maintaining a united pro-EU front following the Brexit vote. Over the longer run, though, **Brexit may merely accelerate the increasingly inevitable 'two-speed' division of Europe,** in which the continent's core institutions become more and more eurozone-centric. The strong showing by eurosceptic parties in elections in Germany (Alternative for Germany), Austria (Freedom Party), and the Czech Republic (ANO 2011) - in the latter two countries both parties are on course to form part of the government - in September and October 2017 demonstrates the sustained support for anti-EU parties in both core eurozone and Accession-10 states. **General Election Result Puts Paid ToSecond Scottish Independence ReferendumBefore Brexit:** The divisions between the member nations of the United Kingdom were laid bare in the results of the EU referendum, with England and Wales voting to leave, while Scotland and Northern Ireland voted to remain. The Scottish National Party (SNP) is vehemently opposed to Scotland being taken out of the single market 'against its will'. The UK government's intention to pursue a 'hard Brexit' spurred First Minister Nicola Sturgeon in March 2017 into calling for the UK government to allow for a second independence referendum before the UK leaves the EU. **However, in the aftermath of the June 8 general election, in which the SNP saw its seat total reduced to 35 from 56 at the 2015 election, the prospect of a second independence referendum before the UK leaves the EU is dead in the water.** The SNP lost 12 seats to the Conservatives, six to Labour, and three to the Liberal Democrats, all parties that oppose Scottish independence. While the SNP represents the majority of Scottish seats in the Commons, the party's loss of support in 2017 can be seen as a rejection of calls for a second independence referendum. Key Forecasts

**United Kingdom - Key Economic Forecasts**

| **Indicator** | **2016e** | **2017f** | **2018f** | **2019f** | **2020f** | **2021f** | **2022f** |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Real GDP growth, % y-o-y | 1.8 | 1.5 | 1.2 | 1.5 | 1.5 | 1.7 | 1.7 |
| Consumer price inflation, % y-o-y, ave | 0.7 | 2.6 | 2.4 | 2.2 | 2.0 | 2.0 | 2.0 |
| Central bank policy rate, % eop | 0.25 | 0.50 | 0.50 | 1.00 | 2.00 | 2.00 | 2.00 |
| Budget balance, % of GDP | -2.5 | -2.8 | -3.3 | -3.5 | -4.0 | -4.0 | -4.5 |
| Current account balance, % of GDP | -4.4 | -3.7 | -3.2 | -2.8 | -2.6 | -2.3 | -2.1 |
| Total external debt stock, % of GDP | 265.2 | 264.2 | 266.1 | 268.7 | 272.3 | 275.4 | 277.9 |
| USD/GBP, ave | 1.35 | 1.28 | 1.31 | 1.32 | 1.33 | 1.34 | 1.35 |
| EUR/GBP, ave | 1.22 | 1.12 | 1.18 | 1.14 | 1.14 | 1.15 | 1.15 |

e/f = BMI estimate/forecast. Source: National Sources/BMI Key Research

Below we provide an appendix of analysis relating to Brexit ***produced*** in the last few months.  *Special Report: Peering Over The Precipice: Implications Of A Cliff Edge Brexit Includes:'How Do We Get To A 'Cliff Edge' Brexit?', November 3''Cliff Edge' Brexit: Macro Implications', November 3''Cliff Edge' Brexit: Impact On UK Sectors', November 10'Cliff Edge' Brexit Scenario: Severely Damaging For Autos Before Redirection', November 9'Cliff Edge' Brexit: Consumer & Retail Implications', November 10'Pharmaceutical Regulations Would Be A Key Concern In A Cliff Edge Brexit', November 8'Cliff Edge' Brexit: Agribusiness', November 8 Articles: 'Cliff Edge Brexit Scenario Poses Supply Chain Risks', November 1'November 2017 Opinion Polling Spotlight', October 24'The Economy Is Slowing, But Brexit Is Not To Blame (Yet)', October 3'GBP: Weak Macro Will Anchor Unit', October 3Ireland: 'Preventing Hard Border A Key Priority For Government', October 3Autos: 'Brexit A Threat To Market Maturity', September 26'Quick View: Repeal Bill's Passage A Key Step Towards Brexit', September 12Autos: 'Brexit's Brightside Fading Due To Weak Supply Chain', August 24Food and Drink: 'Diageo Wary Of Brexit Impact On Scotch', August 17Japan: 'Brexit: The View From Tokyo', August 16India: 'Immigration And Visas Key To Post-Brexit Relations With UK', August 10'What Could Stop Brexit?', August 1*

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**End of Document**



[***The government of Algeria pursues a new long-term approach to combat lower oil prices***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5WS6-C4X1-DXYV-73TG-00000-00&context=1516831)

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**Body**

The collapse in oil prices has weighed heavily on the Algerian economy, giving rise to wide twin deficits in the budget and current account. Given that the state is still heavily involved in the non-hydrocarbons sector of the economy, but depends on hydrocarbons exports for the bulk of its revenues, it is unsurprising that efforts to close the budget deficit - which have been under way since the second half of 2016 - have slowed growth. Nonetheless, moves to lessen hydrocarbons dependency have coincided with the private sector playing a much stronger role in the economy.

Algeria remains a relatively closed economy, with foreign investors barred from taking majority stakes in local firms or projects since 2008. A range of import restrictions have also been introduced in recent years, as the government attempted to boost domestic production capacity and reduce imbalances in the external accounts. Diversification has not, however, extended to the export sector, the vast majority of which is still accounted for by oil and gas. In mid-2016 the government introduced a bold medium-term budget framework that targets a balanced budget by 2020, alongside a new growth model setting out a ***strategic*** vision for economic development and diversification by 2030.

**Structural Shift**

A long-term structural shift is already under way in the Algerian economy. Having stood at 42% in 2000, the private sector's economic contribution grew to 70% of GDP by 2015, with economic output increasing four-fold over the same time-frame. Growth in the non-hydrocarbons sector was also steady over this period, maintaining an average of 6% in the decade to 2009, when it reached a peak of 9.3%, and recording an expansion of 5-8% from 2010 to 2015. Meanwhile, its share of aggregate GDP grew from 74% in 2000 to 85% by 2015. "In the past, there has been a very strong link between economic growth in Algeria and public expenditure, notably on equipment. That is why the non-hydrocarbons growth rate was relatively high, at around 6% per year over the 2004-14 period," Djamel Eddine Benbelkacem, deputy governor and director of research at the Bank of Algeria, told OBG.

**By The Numbers**

Relatively robust growth in the non-hydrocarbons sector in 2014 and 2015, with gains of 5.6% and 5%, respectively, offset weakness in the still-dominant hydrocarbons sector, which contracted by 0.6% in 2014 before posting a modest 0.2% gain in 2015, according to the National Statistics Office (Office National des Statistiques, ONS). This allowed aggregate GDP growth to remain respectably strong at 3.8% in both 2014 and 2015, even in the face of lower oil prices, against which about 95% of exports are benchmarked.

Despite a moderately strong rebound in the energy sector in 2016, when it posted a 7.7% gain, 2.9% non-oil growth weighed on overall GDP expansion, which slowed to 3.3%, according to the IMF. The improved performance of the industry mostly achieved during the second half of 2016 was due to both a modest recovery in the oil price from cyclical lows, as well as increased output from the Tigantourine gas plant, which ramped up its production following a terrorist attack in 2013.

Meanwhile, the government was able to attenuate the impact of lower oil prices on its finances by drawing from the oil stabilisation fund to plug a widening fiscal deficit. This in turn supported investment and consumption in the non-hydrocarbons sector.

According to the ONS, nominal GDP reached AD17.4trn ($144.3bn) in 2016, equating to $3894 per capita. At AD7.5trn ($61.9bn), or 42.9% of GDP, the investment rate remained elevated in 2016, actually increasing from the AD7trn ($58.4bn), or 42.2%, seen in 2015. Investment advanced 3.5% on the year before in terms of volume, albeit slowing slightly from the 5.7% rise in 2015. Consumption, meanwhile, held up relatively well, with growth of 3.3% in 2016.

The hydrocarbons sector maintained strong results in the first quarter of 2017, posting 7.1% year-on-year (y-o-y) gains, and helping GDP for the quarter come in 3.7% higher than a year earlier. At 2.8%, the non-oil growth for the quarter was rather mode modest - a 1.2-percentage-point decrease on the same period of the year before. Nonetheless, it was the strongest quarterly performance for the non-hydrocarbons sector since the first half of 2016.

**Projections**

In its World Economic Outlook published in October 2017, the IMF projected that growth would slow in the second half of 2017 and in 2018, to come in at 1.5% in 2017 and 0.8% in 2018 amid stagnation in the non-hydrocarbon sector. In mid-2017 the government, however, projected GDP expansion of 2.3-2.7% for 2017 and 3% in 2018. In any case, the non-hydrocarbons sector is expected to continue to underperform, meaning that even if growth accelerates to 2.5% by 2022, as per IMF predictions, this would be below the rate seen in the first 15 years of the 2000s. With production in the hydrocarbons sector likely to progress only modestly over the medium term, prevailing global prices will be the key determinant in its direct and indirect contribution to GDP growth and public coffers. Higher prices - Brent crude was trading at $63 per barrel in mid-December 2017 - would help cushion the coming fiscal adjustment. In an economy where the state sector still predominates, this correction in public finances is likely to be critical to the performance of the non-hydrocarbons sector. The IMF has recommended that authorities take advantage of the country's low national debt levels to move more gradually towards a balanced budget than current ***plans*** dictate and better minimise the impact on economic growth (see analysis).

**Inflation & Monetary Policy**

While lower oil prices are at the root of Algeria's current economic challenges, some policy responses contributed to a pick-up in inflation through to mid-2017, exacerbated by volatile prices of ***agricultural*** ***produce***. Given modest growth and financial stability risks, the central bank has maintained interest rates, while also reducing the main discount rate for open-market operations from 4% to 3.5% in September 2016, even in the face of rising consumer prices. "Interbank rates are very close to the key 3% rate," Benbelkacem told OBG.

A variety of other factors have contributed to consumer price growth, including the tightening of import restrictions to promote domestic production, the raising of the value-added tax (VAT) rate and subsidy reforms. Similarly, the near-30% devaluation of the dinar since 2014 has fed through to higher import prices. Having been as low as 2.9% in 2014, consumer price inflation averaged 4.8% in 2015 and spiked to 6.4% in 2016 before moderating to 3.1% by the end of July 2017.

The price of industrially ***produced*** food and beverages increased by 4.05% y-o-y in July 2017, almost cancelling out the price reduction in fresh ***produce***, resulting in food price inflation being essentially flat for the year. In the year to end-July 2017 the price of manufactured goods had increased 7.1%, the highest of any category of goods and services included in the consumer price index. Meanwhile, annual price inflation in services was 3.31% for the period.

Continued moderation in price pressures through late 2017 and into 2018 as the economy weakens further should allow the central bank to maintain an accommodative monetary stance. However, inflation rose again in the second half of 2017, reaching 6% in October, mainly due to higher food prices.

**Devaluation**

As the international oil price collapse saw Algeria's terms of trade deteriorate rapidly, the authorities responded by devaluing the dinar - which is in a managed float - to help mitigate the local-currency impact of hydrocarbons revenues. From levels around AD77:$1 in early 2014, the dinar surpassed AD100:$1 in July 2015 and has traded in a relatively narrow band from 104 to 112 since late 2015.

This means that the local currency had lost approximately 30% of its value over a two-year period before consolidating at the lower level. This consolidation partly came from central bank efforts to soak up excess liquidity denominated in dinars.

Depreciation vis-à-vis the euro - the currency of Algeria's most important trading partners - was more limited, at around 8% over the same period. In its June 2017 Article IV consultation, the IMF suggested that this still leaves the dinar considerably overvalued, noting that the foreign exchange premium on the parallel market was around 60%, with local press reporting that the dinar reached AD200:(EURO)1 on this illegal market in September 2017. The IMF recommends that further sanctioned exchange rate depreciation should be part of ongoing policy given the current economic challenges, arguing that this could reduce demand for imports without price distortions caused by import restrictions. It could also ease the burden of fiscal adjustment by boosting the dinar value of hydrocarbons revenues. Unless there is a strong recovery in the international oil price, further dinar weakness is to be expected through 2018. Following trends of the recent past, this is likely to continue feeding into higher inflation as the cost of imported goods increases.

**Exports**

In 2016 oil and gas accounted for 95.2% of Algeria's exports, this share having been as high as 97.3% in 2014 before oil prices fell. Currency devaluation has helped stabilise the dinar value of hydrocarbons exports and their contribution to the public coffers to a certain degree; however, the decline in both has still been significant.

The volume of hydrocarbons exports was relatively flat in 2015, and increased by 7.3% in 2016, but this was offset by the impact of declining prices. From $58.4bn in 2014, hydrocarbons exports fell to $33.1bn in 2015 and further to $27.7bn in 2016. The IMF projects a recovery to $35.7bn for 2017.

In terms of volume, exports of liquid petroleum have remained relatively stable at 1.2m barrels per day (bpd) over the 2014-17 period, with a modest increase to 1.3m bpd projected for the years to 2021. By contrast, exports of natural gas slipped slightly from 44.3bn cu metres in 2014 to 43.1bn cu metres in 2015, before recovering to reach 53.1bn cu metres in 2016. More modest increases are expected over the medium term, ramping up to 59.3bn cu metres by 2022.

The dollar value of non-hydrocarbons exports has also been in decline, from $1.6bn in 2014 to a projected $1.3bn in 2017, although the IMF has forecast a recovery to the 2014 level of $1.6bn by 2021.

**Imports**

Compared to exports, imports have adjusted more slowly, falling from $59.7bn in 2014 to $52.6bn in 2015 and $49.4bn in 2016. The IMF projects imports will remain flat for 2017, but will decline gently in subsequent years. In order to contain the trade deficit and promote self-sufficiency through import substitution and increased domestic production, the authorities have progressively introduced a system of import restrictions since December 2015, first by passing Decree No. 15-306. The licensing regime concerned only automobiles, cement and concrete to begin with, before being extended to include agri-food products. In May 2017 the regime was extended again to include additional product types - such as household appliances, mobile phones and cosmetics - with the government stating that restrictions could be further expanded in the future.

Administered by the Ministry of Trade, import licences allowing a certain quota of products to be brought into the country by economic actors are valid for a period of six months, after which they must be renewed. During the window opened by the ministry in the first half of April 2017, 1540 applications for import licences were received. These submitted dossiers have yet to be examined by an inter-ministerial commission.

Certain quotas have also been tightened, for example, the number of automobiles permitted for import was reduced from 90,000 in 2016 to 30,000 for 2017. To foster domestic production, the authorities have exempted auto parts destined for assembly in Algeria from import restrictions. It is hoped that such measures will increase domestic auto production from around 30,000 vehicles in 2016 to 40,000 in 2017. Likewise, large increases in domestic ***agricultural*** production are also foreseen for the coming years.

The system of import licences is not without side effects, however. The IMF noted in its most recent Article IV Consultation that they "should be avoided, because they add to inflationary pressures, and introduce distortions and rent-seeking opportunities that are likely to drive more activity underground".

**Balance Of Payments**

Having been broadly in balance in 2014, the combination of the sharp fall in the value of exports and the delayed response in declining imports meant that the trade balance swung to an $18.1bn deficit in 2015 before peaking at a deficit of $20.4bn in 2016. The IMF projected that it will decrease to $12.4bn by the end of 2017, and to $9.7bn by end-2018, before continuing a slower adjustment in subsequent years. However, during the first 10 months of 2017, the trade deficit narrowed by 34% y-o-y to $9.5bn, according to the Customs Agency.

The widening trade deficit was the key driver behind the deterioration in the current account deficit, which itself widened from 4.4% of GDP in 2014 to 16.6% in 2015 and 16.9% in 2016. Although the IMF estimates that the current account deficit will narrow to 11.9% of GDP in 2017 and improve further to 9.7% in 2018, the gap is expected to remain above 6% of GDP by 2022, giving rise to concerns about sustainability. Further currency depreciation would allow for a faster and more comprehensive adjustment in the external accounts.

**Reserves**

The central bank had built substantial reserves up to 2014, meaning that they had scope to delay and alleviate the subsequent adjustment. However, the deterioration in the external accounts, coupled with central bank efforts to slow depreciation of the dinar since 2016, have seen a steep decline in foreign reserves. From $177bn and 33 months worth of imports at end-2014, reserves had fallen to $113bn by end-2016, and $102bn by September 2017. The IMF projects further declines in reserves in the years to come as the current account deficit is expected to remain sizeable; reserves could reach as low as $38bn and 8 months of imports by 2022.

**Budget Deficit**

Algeria's government depended on the hydrocarbons sector for 59% of its revenues in 2014, so public finances were severely impacted by the oil price collapse. The budget deficit doubled from 8% of GDP in 2014 to 15.8% of GDP in 2015 and declined marginally to an estimated 14% in 2016. Between its low national debt, the buffer built up in the oil stabilisation fund and special dividends from the central bank, the government was able to delay the fiscal adjustment, so that the impact on economic growth and living standards was tempered until 2017.

It is likely, however, that the drying up of excess liquidity in the banking sector, combined with a prolonged aversion to external financing, will make financing a wide deficit challenging (see Banking chapter).

In mid-2016 the government unveiled the new growth model for economic revitalisation and a medium-term budget framework covering the period to 2019. The target of achieving a budget surplus by 2020 was described by the IMF as "exceptionally ambitious" and is expected to feed through to a significant slowdown in economic growth, a near-standstill in the non-hydrocarbons sector to 2018 as well as higher unemployment (see analysis).

However, the government now expects a budget deficit of 9% of GDP in 2018, up from the 8% forecast for 2017 but down from 14% in 2016, the presidency said in a statement after a cabinet meeting in early October 2017 (see analysis).

**Tax Reform**

Under the 2017 Finance Law the standard rate of VAT was increased from 17% to 19%, and the reduced rate raised from 7% to 9%. The zero-rate VAT was kept in place for staple products, though the law raised charges on items such as tobacco, alcohol and luxury vehicles. In addition to raising revenues, increasing VAT also has the effect of discouraging consumption, since it increases the cost of consumer goods. This in turn feeds through to inflation. Moreover, because the tax burden falls on consumers without taking into account their varied abilities to pay, such increases in indirect taxes can impact income distribution. When coupled with recent broad-based increases to the cost of living and efforts to reform the extensive system of price subsidies, this could potentially give rise to social tensions going forward if macroeconomic weakness weighs on living standards.

**Subsidies**

Consistent with the government's deep involvement in the economy, the price of numerous goods and services is subsidised, which has replaced the system of direct price controls that used to operate in the 1990s. These not only distort economic activity, but also are a burden on public finances and, in the case of energy subsidies in particular, benefit those further up the income distribution. Facing the challenge of reducing the budget deficit, the government began to phase out some subsidies in 2016, which meant increasing the price of electricity, natural gas, petrol and diesel for the first time since 2005. Fuel prices were further increased in the 2017 budget, with the state announcing its intention to introduce a cash-transfer ***programme*** to reduce the impact of subsidy withdrawals on the most vulnerable population segments.

At the end of November 2017 Algeria's lower house of Parliament approved hikes in subsidised petrol and diesel prices as part of the 2018 budget.

Upon taking the helm of the new government in May 2017, then Prime Minister Abdelmajid Tebboune announced that further subsidy reform was on the way. In order to deepen subsidy reform efforts and design an appropriate welfare alternative, the government is collaborating with the World Bank. The latter is expected to deliver its report on the matter in March 2018. Traditionally, interest rate subsidies provided by public banks have ensured that Algerian businesses can borrow at attractive rates. This is one of the reasons why the development of the country's capital markets has been lagging (see Capital Markets chapter).

**National Debt**

At 7.7% of GDP in 2014, Algeria boasted a very modest national debt before the onset of the period of lower oil prices, though major widening of the budget deficit caused the national debt to nearly triple to 21% of GDP by 2016. While the rate of increase may be of concern, the level of debt remains relatively modest compared to peer countries.

According to government projections, gross debt is expected to fall slightly to 18.3% of GDP by end-2017 before increasing to 19.3% of GDP in 2018 and 19.6% of GDP in 2019. If the targeted budget surplus for 2020 is achieved in accordance with the medium-term budget framework, the national debt should begin to decline, with the IMF projecting that it will fall to 14.6% of GDP by 2022. The government continues to have an aversion to external financing, which accounted for only $3.9bn in 2016, up marginally from $3.6bn in 2014. This represents minimal growth given the rise in the overall national debt over this timeframe. Despite recommendations from the IMF to relax this constraint, there has been no indication that the authorities ***plan*** to adjust their approach.

**Oil & Gas**

After two difficult years of stagnated production in 2014 and 2015, the hydrocarbons sector enjoyed a rebound in 2016, as production surged by 7.8% to 152m tonnes of oil equivalent. This followed a slight decline of 0.6% in output in 2014 and a modest gain of 0.4% in 2015. This one-off surge in production - due in large part to the Tigantourine plant regaining full capacity, as well as new fields coming on-stream - is set to be followed by a succession of more modest y-o-y gains, with production ramping up gradually to reach 172m tonnes of oil equivalent by 2022, according to the IMF. Growth in the hydrocarbons component of GDP is therefore expected to slow to 1.3% in 2017, improving to 2.2% in both 2018 and 2019.

In an effort to accelerate production, Sonatrach, the state-owned oil firm, signalled in early 2016 that it was prepared to sell minority stakes in 20 oil and gas fields directly to foreign investors, following lack of interest in an earlier tendering process when oil prices were near cyclical lows. On top of attracting foreign funding to invest in new production capacity, such partnerships could also help bring the latest technology and know-how to the country. To generate greater interest among foreign investors over the longer term, it will likely be important to continue efforts to improve the business environment. This could be achieved through more attractive financial terms on hydrocarbons exploration and production contracts. Recognising this reality, in early 2017 the government raised the idea of making changes to the hydrocarbons law, which has been widely criticised for being too restrictive. The authorities announced in October 2017 that the first draft of the amended energy law would be ready by mid-2018.

**Diversification**

Given the trying circumstances - the "BP Statistical Review of World Energy 2017" estimated that the country's gas reserves would be depleted in 49 years, and its oil reserves in 21 years - the long-term sustainability of the hydrocarbons-driven growth model is questionable. The government's unveiling of its new economic development ***plan*** in 2016 was thus both a timely response to the challenges posed by the oil price collapse, and an important ***strategic*** effort to engender a more diversified, dynamic and self-sufficient economy by 2030 (see analysis).

**Industry**

Increasing manufacturing capacity has been a particular government priority and appears set to remain so under the growth model. Public statistics from early 2017, however, signal that existing production capacity is still underutilised, particularly in the public sector. According to survey results published by the ONS, 88% of public sector firms and 56% of their private sector counterparts were using less than 75% of their production capacity in the first quarter of 2017. The survey highlighted some of the key challenges facing Algerian industry. For example, 56% of public sector companies and 18% of those in the private sector reported a lack of supplies that had caused work stoppages. Meanwhile, 44% of private sector businesses and 13% of those in the state spoke of electricity shortages.

**Automobiles**

The auto sector provides a concrete example of Algeria's recent experience with import substitution policies. In August 2017 the new minister for industry and mines, Youcef Yousfi, told local media that the auto industry remains a government priority. "The sector constitutes one of the essential bases for the development of a diversified economy, which would help end our dependence on hydrocarbons," he said.

The government has moved to limit the import of cars, granting import licences to 40 actors for just 25,000 vehicles in 2017, down from nearly 100,000 in 2016, according to local press. The number of imported vehicles fell by 78% in the first half of 2017. Since 2010 imports of vehicle parts that are used to assemble vehicles in Algeria have been exonerated from taxes and Customs duties. This incentive cost AD13bn ($107.8m) in 2016 and AD8.2bn ($68m) in the first five months of 2017 alone, suggesting that government efforts have been relatively successful in shifting the final-stage assembly of vehicles to Algeria. Renault has been operating in the country since 2012, while Volkswagen opened a plant in July 2017. Hyundai and its local distributor, the Takhout Group, have also operated a production facility in Tiaret since early 2017. Additionally, in November 2017 it was announced that France's PSA Group had signed a joint-venture agreement with Algerian partners to manufacture cars in the country.

Despite improvements, the local content in vehicles assembled in Algeria, estimated at 15%, is still limited, leading some to label these as hidden imports. Moreover, with local production unable to meet the demand for vehicles, estimated at 400,000 annually, the price of cars has reportedly risen by 40% over 2014-17.

**Economic Reforms**

Challenges arising from the oil price fall have given fresh impetus to the authorities to pursue structural reforms that will further diversify the economy and promote a dynamic private sector. Initiatives include the adoption of a new investment code in July 2016, a new Customs code in December 2016 and a draft law on public-private partnerships that was being developed in 2017 (see analysis). However, further efforts are needed to improve the business environment: in the World Bank's 2018 ease of doing business index, the country fell 10 spots to 166th place.

**Foreign Direct Investment**

Since 2008 foreign investors have been restricted to a maximum stake of 49% in a company. This 49:51 policy has been criticised extensively, cited as one of the reasons foreign direct investment (FDI) flows to Algeria have diminished in recent years. According to the UN Conference on Trade and Development, FDI inflows averaged $1.59bn from 2005 to 2007, but had stagnated at $1.51bn by 2014. In 2015 the figure turned negative, at -$584m, and remained below levels of a decade earlier in 2016 at $1.55bn. As a percentage of GDP, however, FDI progressed from 12.6% in 2014 to 17.3% in 2016.

Although many foreign firms that were operating in the country were granted exemptions from the 49:51 policy, foreign companies generate just 2% of Algerian GDP, according to a study published by the Franco-Algerian Chamber of Commerce and Industry in June 2017.

"For investment consulting firms, there has been a drop of 20% between 2016 and 2017, which shows that Algeria needs to change its policy if it wishes to keep attracting foreign investments," Mahfoud Kaoubi, founder and general manager of Ingénierie Financière et de Conseil en Management, told OBG.

**Small Business**

Small and medium-sized enterprises (SMEs) continue to constitute the backbone of Algeria's private sector, with 1m SMEs accounting for 2.5m employees in 2016. Although there is evidence that the rate of enterprise formation has picked up in recent years, it has still fallen short of targets. Scaling up remains a challenge for small SMEs, while accessing finance can also be an issue (see analysis).

**Labour Market**

According to the ONS, the workforce stood at 12.3m in April 2017, of which only 20.6% were women. This reflects the sharp gender divergence in the labour force participation rate, which stood at 66.3% for men but 17.4% for women; the overall participation rate is 42%. In the six-months to end-April 2017 the number of people employed declined by 76,000. This decrease in was reflected in unemployment figures, which rose from 10.5% to 12.3%. The increase was particularly pronounced among young people, as the unemployment rate among those aged 16-24 grew by three percentage points to 29.7% over the period.

**Outlook**

Although oil prices have recovered from cyclical lows and hydrocarbons production made great strides in 2016, this is insufficient to bridge the large twin deficits in public finances and external accounts. However, currency devaluation has helped mitigate increases in the current account deficit in local currency terms, and could play a further role in the future if the authorities were to further pursue this course of action.

Moves to achieve a balanced budget by 2020 are likely to be a key determinant of dynamism in the non-hydrocarbons sector in the medium term, with stagnant growth in this area of the economy likely to lead to further weakness in the labour market. In the long term, the structural economic transformation that is under way looks set to accelerate, particularly if the recent uptick in reform momentum can be sustained as the government implements its new economic model.

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[***Policeman killed in Westminster terror attack receives bravery medal from Queen***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5NTB-F2G1-JD39-X38D-00000-00&context=1516831)

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**Section:** NEWS

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**Byline:** [*Andrew Douglas*](http://Andrew Douglas)

**Body**

A BOXING coach from Darlington who tried in vain to save the life of PC Keith Palmer murdered in the Westminster terror attack has welcomed tonight's announcement that the policeman has been granted a posthumous honour.

PC Palmer was awarded a George Medal for confronting armed terrorist Khalid Masood to protect others and Parliament in the honours approved by the Queen.

Great Britain Boxing performance coach Tony Davis was among the first on the scene and battled to keep PC Palmer alive.

Mr Davis, who spent 22 years in the British Army, said: "PC Keith Palmer was viciously murdered in the Westminster terror attack in a despicable manner - taken so early from his family, friends and colleagues from the Metropolitan Police Force.

"He rightly deserves the George Medal, as he paid the ultimate sacrifice in the line of duty. I am so sorry we couldn't do more my friend - God Bless."

Metropolitan Police Commissioner Cressida Dick said: "Keith acted that day with no thought for his own safety, intent simply on doing his job and protecting members of the public and Parliament.

"I know that I speak on behalf of all of my officers and staff when I say how immensely proud we all are that Pc Palmer is to receive posthumously the George Medal for bravery.

"It is an honour that could not be more deserved and I know it will mean a great deal to all those who knew and loved him."

On the day of the March 22 attack, PC Palmer, 48, came face to face with Masood, who was armed with two large knives, moments after the terrorist, 52, drove a car into pedestrians on Westminster Bridge.

Intent on protecting his colleagues and the public, PC Palmer confronted the attacker despite the danger he faced and was fatally wounded.

Masood was later shot dead by armed officers.

PC Palmer's gallantry list citation says his actions provided time for other officers to react and stop the assailant.

Others recognised for their bravery in the Civilian Gallantry List include former miner Bernard Kenney who was awarded the George Medal - the second highest honour which can be given to a civilian in Britain.

The List honours people deemed to have shown heroism when "not in the presence of an enemy".

Recipients can be civilians or in the military, but their act of courage has not taken place in a direct military combat situation - distinguishing the list from military honours.

The 78-year-old was stabbed and seriously injured when he tried to stop neo-Nazi Thomas Mair attacking Labour MP Jo Cox in his home village of Birstall, West Yorkshire, one year ago.

STABBBED: Pensioner Bernard Kenny. Picture: West Yorkshire Police/PA Wire

Mr Kenny was included along with the two West Yorkshire Police officers who arrested Mair. PC Craig Nicholls and PC Jonathan Wright both receive the Queen's Gallantry Medal.

The late politician's senior caseworker, Sandra Major, who witnessed the killing, receives an MBE for parliamentary services and service to the community in Batley and Spen.

Also honoured are two men who helped the wounded during the 2015 terror attack in Sousse, Tunisia.

Allen Pembroke and Paul Short both receive the Queen's Commendation for Bravery for their actions after a gunman opened fire, killing 38 people at a holiday resort.

The highest civilian honour, the George Cross, is awarded to former Royal Marine Dominic Troulan - the first civilian to be honoured in this way in four decades.

Mr Troulan, 54, who was also in the special forces, is a retired Major who said he believed he rescued in the region of 200 people from a besieged shopping centre in Kenya when it was targeted by terrorists four years ago.

BRAVERY: Dominic Troulan who has been awarded the the George Cross in the Queen's Birthday Honours. Picture: PA Wire

The 54-year-old described scenes of carnage when he arrived at the Westgate Shopping Mall in Nairobi in 2013, not long after al-Shabab extremists stormed the centre.

What had been an initial favour for a friend who asked him to check on close relatives who were in the shopping complex, turned into a lengthy and draining ordeal in which 67 people were killed.

Describing it as "one of the hardest six hours of my life", the ex-soldier is thought to have saved in the region of 200 people during 12 trips in and out of the centre to search for survivors.

Britain's last surviving Dambuster, who has been awarded an MBE in the Queen's Birthday Honours, said he is very grateful to the thousands who signed a petition calling for his wartime service to be recognised.

George "Johnny" Johnson, 95, was part of Royal Air Force 617 Squadron, which conducted a night of raids on German dams in 1943 in an effort to disable Hitler's industrial heartland.

MBE: Last surviving Dambuster George "Johnny" Johnson. Picture: Ben Birchall/PA Wire

TV presenter Carol Vorderman launched a petition to get Mr Johnson a knighthood, branding the decision to leave him off the list "disgraceful" after finding out that he had been nominated in 2015.

She marched to Westminster in January to hand-deliver the petition containing 235,000 signatures to 10 Downing Street, alongside RAF veteran John Nichol.

Mr Johnson said he was "honoured" to be receiving an MBE and "very grateful to all those people that signed the petitions and made it possible", including Ms Vorderman, Mr Nichol and Paul Walmsely, who wrote to the Queen on his behalf.

He said: "It is amazing the people have taken so much interest. I have to say I feel honoured that they took that trouble."

But he said he did not believe the honour was just for his wartime service, but also for the work he did as a teacher and later with mentally ill people, plus his charity work.

Their recognition came as comedian Billy Connolly was given a knighthood and actress Julie Walters was made a dame in this year's Queen's Birthday Honours.

Stand-up comedian Connelly, affectionately known as the Big Yin and famed for his often irreverent routines, is knighted at the age of 74 in recognition of his services to entertainment and charity.

He said he was pleased to have achieved the honour, having come from an "ordinary" background, but wished his deceased sister and parents were around to see it.

He told the BBC: "I am a little embarrassed but deep within me, I'm very pleased to have it."

Joking about being called Lancelot, he added: "Sir Billy doesn't quite have the same ring."

BIG YIN: Billy Connelly. Picture: Ian West/PA Wire

Bafta award winner Dame Julie, 67, and Gone With The Wind starlet Dame Olivia are both honoured for their services to drama.

Oscar-winner Dame Olivia, who turns 101 next month, is the oldest woman to become a dame in this centenary year of the modern-day honours system.

She said she is "extremely proud" of the news, adding: "To receive this honour as my 101st birthday approaches is the most gratifying of birthday presents."

Ab Fab and Terry And June star June Whitfield was also made a dame saying it was the "icing on the cake".

The 91-year-old has been made a dame for services to drama and entertainment.

"It's amazing and a great honour and the icing on the cake of life," she said.

The veteran actress played Edina Monsoon's mother in Absolutely Fabulous and reprised her role last year, in the spin-off movie.

She has worked with some of the biggest names in British comedy, including Tony Hancock, Morecambe and Wise and Frankie Howerd.

The London-born comedy star notched up credits on the West End and in radio before she became a household name in her long-running partnership with the late actor and comedian Terry Scott.

Their sitcom marriage in Happy Ever After, in 1974, later became Terry And June and Whitfield was also a regular in several Carry On films.

Also honoured from the world of entertainment include chart-topper Ed Sheeran and comedian David Walliams, with the honours committee describing the list as the most diverse yet.

Walliams said: "I am very lucky to have worked with some brilliant people in my career and charity work, so for me this is recognition for them too.

"The news made me happy, but nobody is happier than my mum."

Twenty years after he was knighted by the Queen, Sir Paul McCartney is upgraded with a Companion of Honour for services to music, alongside JK Rowling.

The author, who is also marking two decades since the publication of the first book in her best-selling Harry Potter series, is honoured for services to literature and philanthropy.

Sir Paul said: "I'm very happy about this huge honour and with the news coming on my birthday weekend and Father's Day it makes it colossal!"

Founder of Virago publishing house Carmen Callil and veteran actor June Whitfield are made dames for services to literature and services to drama and entertainment respectively.

Sheeran, 26, receives an MBE for services to music and charity, as does singer Emeli Sande, for services to music.

GONG: Ed Sheeran. Picture: Chris Radburn/PA Wire

Judy Murray, mother of tennis champion Andy, is given an OBE for services to tennis, women in sport and charity, alongside Walliams, who is recognised for services to charity and the arts.

Former SAS soldier and best-selling author Andy McNab receives a CBE for services to literacy and charity, while broadcaster Natasha Kaplinsky is given an OBE for services to Holocaust commemoration.

Television presenter Gloria Hunniford, who lost her daughter Caron Keating to cancer, gets an OBE for services to cancer charities through breast screening services and cancer support.

The Loose Women and Rip Off Britain star said she has found it difficult to keep the honour a secret because she was surprised by the accolade.

She said: "I can't really begin to tell you how thrilled I am to receive it.

"I never expected to receive an award like this and I'm so thrilled for my family as well.

"At the same time I'm very humbled by it, because I know how many people throughout the country work in terms of charity, or whatever it is they do."

Happy Valley star Sarah Lancashire and Miranda actress Patricia Hodge both receive OBEs for services to drama.

Sporting stars honoured include Ireland rugby captain Rory Best, who receives an OBE for services to the sport, and Northern Ireland football captain Steven Davis, who is given an MBE for services to his sport.

Double Olympic champion and Army Major Heather Stanning gets an OBE for services to rowing, and former world champion John Conteh is honoured with an MBE for services to boxing.

Alongside well-known names, many people in the world of business, health and long-time campaigners are also honoured.

Sheila and Trevor Fairhurst, parents of 19-year-old Carly, whose then boyfriend was convicted of her manslaughter in 2006, are awarded MBEs for their services to people who have suffered domestic abuse.

Yorkshire-born founder of Iceland supermarket Malcolm Walker is knighted for services to retailing, entrepreneurship and charity, while brothers Brian and Alan Stannah, of family-run stairlift company Stannah Lifts, are given MBEs for services to British manufacturing.

Businessman Melvyn Morris, a self-made millionaire who is the non-executive chairman of King Digital Entertainment which developed popular mobile game Candy Crush, has been made a CBE for services to business and charitable services, while Marks & Spencer style director Belinda Earl becomes an OBE for services to retail.

There are knighthoods for Professor Hugh Godfray, of the University of Oxford, for services to scientific research and for scientific advice to Government, and former chief coroner of England and Wales Peter Thornton for services to the administration of justice and the coroner service.

Musician Chi-chi Nwanoku, who set up a foundation to help provide career opportunities for young black and minority ethnic classical musicians, is made an OBE while Nitin Palan, who co-founded the Diwali On Trafalgar Square annual event, is awarded an MBE for services to interfaith relations.

Fundraiser Doreen Golding, Pearly Queen of the Old Kent Road, is given a BEM for services to charity and the Pearly Kings and Queens Society.

Half of this year's honorees are women, while 10% are from black and minority ethnic (BAME) backgrounds.

There is a total of 1,109 people on the Queen's Birthday Honours list, of whom 438 are awarded an MBE, 221 an OBE and 303 a BEM.

HONOURS LISTS IN FULL

KNIGHTS BACHELOR

George William John Benjamin, CBE. Composer, conductor and Performer. For services to Music. (London)

Leonard Blavatnik. For services to Philanthropy. (London)

Mark John Boleat. Formerly chairman Policy and Resources Committee, City of London Corporation. For services to the Financial Services Industry and to Local Government in London. (Moor Park (Northwood), Hertfordshire)

William (Billy) Connolly, CBE. For services to Entertainment and charity. (East Sussex)

Professor Hugh Charles Jonathan Godfray, CBE. Hope Professor of Zoology, University of Oxford. For services to Scientific Research and for Scientific Advice to Government. (Mapledurham, Oxfordshire)

Professor Simon Lovestone. Professor of Translational Neuroscience University of Oxford. For services to Neuroscience Research. (London)

Dr John Menzies Low, CBE. Chief executive, Charities Aid Foundation. For charitable services. (Hertford, Hertfordshire)

Professor Vito Antonio Muscatelli, FRSE. Vice-Chancellor and Principal, University of Glasgow. For services to Economics and Higher Education. (Bearsden, Dunbartonshire)

Professor Graham John Thornicroft. Consultant Psychiatrist and Professor of Community Psychiatry King's College London. For services to Mental Health. (London)

His Honour Peter Ribblesdale Thornton. Formerly chief Coroner. For services to the Administration of Justice and the Coroner Service. (London)

William John Anthony Timpson, CBE. For services to Business and Fostering. (Tarporley, Cheshire)

Malcolm Conrad Walker, CBE. Chairman and chief executive, Iceland Frozen Food. For services to Retailing, Entrepreneurship and charity. (Deeside, Flintshire)

Professor Mir Saeed Zahedi, OBE. Technical director, Chas A Blatchford & Sons. For services to Engineering and Innovation. (London)

Professor Alimuddin Zumla. Professor of Infectious Diseases and International Health University College London. For services to Public Health and Protection from Infectious Disease. (London)

ORDER OF THE BATH

DCB

Mrs Claire Elizabeth Clancy. Chief executive and Clerk, National Assembly for Wales. For public service in Wales. (Usk, Monmouthshire)

KCB

Thomas Whinfield Scholar. Permanent secretary HM Treasury. (London)

Christopher Stephen Wormald. Permanent secretary Department of Health.

CB

Ms Janet Mary Aiston. Director Wealthy and Mid-Sized Business Compliance HM Revenue and Customs. For services to Tax Payers and Tax Collection. (London)

Mrs Janice Lindsay Hartley. Implementation and Delivery director, Universal Credit, Department for Work and Pensions. For services to the Development of Universal Credit. (Bowdon, Greater Manchester)

Tyson Julian Hepple. Director Immigration and Protection. For services to the Home Office. (London)

Mrs Diana Frances Luchford. Formerly Crime director, Home Office. For services to Reducing Crime and to Public Order. (London)

Jonathan Henry Lyle. Chief executive Defence Science and Technology Laboratory. For services to Defence. (Wiltshire)

Peter Neil Milledge. Formerly Counsel to the chairman of Committees House of Lords. For services to the House of Lords. (Saffron Walden, Essex)

Peter Hugh Gordon Schofield. Formerly director general Housing and ***Planning***, Department for Communities and Local Government. For services to Housing and ***Planning***. (Redhill, Surrey)

ROYAL VICTORIAN ORDER

DCVO

Jennifer Ann Lady Gretton. Lord-Lieutenant of Leicestershire.

Dr Ingrid Mary Roscoe. Lord-Lieutenant of West Yorkshire.

KCVO

Dr Laurence Howard, OBE, JP. Lord-Lieutenant of Rutland.

Mark Henry Hudson. Chairman Duchy of Lancaster Council.

CVO

Martin Dudley Beaumont. Member Duchy of Lancaster Council.

Simon George Francis Graham Berry. Clerk of the Royal Cellars.

Miss Victoria Lindsay Legge-Bourke, LVO. Formerly Lady in Waiting to The Princess Royal.

Joseph Willoughby David Clarke, LVO. For services as Regional director of the Americas The Duke of Edinburgh's International Award Foundation.

Mark Edward Trehearne Davies. Trustee Ascot Authority.

Miss Margaret Annie Geddes Dunnett. Lord-Lieutenant of Caithness.

Mark Murray Leishman, LVO. Private secretary to The Prince of Wales and The Duchess of Cornwall.

Mrs Georgiana Louise Osborne. Lord-Lieutenant of Angus.

Mrs Clare Nancy Russell. Lord-Lieutenant of Banffshire.

Paul Chandrasekharan Sabapathy, CBE. Formerly Lord-Lieutenant of the West Midlands.

LVO

Miss Antigoni Christodoulou, MVO. Comptroller, The Duke and Duchess of Kent's Household.

Caroline Claire Comtesse DE GUITAUT, MVO. Senior Curator of Decorative Arts, Royal Collection Trust.

Richard Robert Gledson. Resident Factor Balmoral Estate.

David Simon Hutson, MVO. Keeper of the Archives and secretary, Household of The Prince of Wales and The Duchess of Cornwall.

Brig David James Innes, OBE. Formerly Lieutenant, The Queen's Body Guard of the Yeomen of the Guard.

Michael Uvedale Lambert. Honorary secretary The Royal ***Agricultural*** Society of the Commonwealth.

Mrs Tosanbanmi Efua Eva Williams. Deputy Communications secretary to The Prince of Wales and The Duchess of Cornwall.

Mrs Lesley Ann Wolfenden. Company secretary, Business in the Community and The Prince's Countryside Fund.

MVO

Mrs Diana Joan Barrett. Formerly assistant House manager, Government House, Perth, Western Australia. (no address )

Miss Ann Butcher. Land Agent's secretary Sandringham Estate.

Mrs Janet Byrne. ***Programme*** Co-ordinator, Household of Princess Alexandra, the Honourable Lady OGILVY.

Miss Claire Elizabeth Chorley. Paintings Conservator Royal Collection Trust.

Sgt Arthur James Harington Clyne. Metropolitan Police. For services to Royalty Protection.

Richard William Hubert Codman, RVM. Farm Foreman, Sandringham Estate.

Mrs Caroline Creer. Head of private secretary's Office Secretariat, Royal Household.

Mrs Mary Jane Goodchild. Volunteer, The Prince's Trust.

Mark Geoffrey (Jack) Hargreaves. Formerly head Coachman Royal Mews.

Mrs Kathryn Jane Jones. Senior Curator of Decorative Arts, Royal Collection Trust.

Miss Charlotte Elizabeth Martin. Secretary Lord Chamberlain's Office.

Miss Kathleen Craig Mason. Clerk to the Lieutenancy of Tweeddale.

Mrs Rebecca Anne Priestley. Private secretary to The Duchess of Cambridge.

Antony Kevin Rabey, RVM. Butler to The Prince of Wales and The Duchess of Cornwall.

Inspector William Benedict Renshaw. Metropolitan Police. For services to Royalty Protection.

Philip Rhodes. Senior Page of the Chambers Master of the Household's Department.

Peter Geraint Richards. Head Forester Duchy of Cornwall.

Mrs Sian Ellis Williams. For services to the Lieutenancy of Gwynedd.

ROYAL VICTORIAN MEDAL

Bar to RVM

Keith Johnson, RVM. Formerly Tractor Driver, Crown Estate, Windsor.

Thomas William Wells, RVM. Estate Foreman, Lancashire Survey, Duchy of Lancaster.

RVM

Gary William Adams. Gatekeeper Crown Estate, Windsor.

Miss Jacqueline Joanne Birkhead. Senior Stud Hand Royal Studs, Sandringham.

Michael Lee Brooks. Formerly Senior under Butler Master of the Household's Department.

Andrew John Buckland. Jersey Herdsman Royal Farms, Windsor.

Patrick Bernard Fullerton. Office Keeper Lord Chamberlain's Office.

Graham Charles Laing. Fire Safety and Access Officer Buckingham Palace.

Mrs Lynn Frances Murray. Hairdresser to The Queen in Scotland.

Duncan Martin Stewart. First Gardener Balmoral Estate.

ORDER OF THE COMPANIONS OF HONOUR

CH

Sir Terence Orby Conran. For services to Design. (Berkshire)

Sir Mark Philip Elder, CBE. Musical director, The Halle Orchestra. For services to Music. (London)

Dame Beryl Elizabeth Grey, DBE. For services to Dance. (West Sussex)

Sir James Paul McCartney, MBE. Musician. For services to Music. (London)

Nicholas Herbert Baron Stern Of Brentford, FRS, FBA. For services to Economics, International Relations and Tackling Climate Change. (Midhurst, West Sussex)

Ms Joanne Kathleen Rowling, OBE. Author. For services to Literature and Philanthropy. (Edinburgh)

Dame Vera Stephanie Shirley, DBE. Entrepreneur and Philanthropist. For services to the IT Industry and Philanthropy. (Henley-on-Thames, Oxfordshire)

Mrs Delia Ann Smith, CBE. Cook and Writer. For services to Cookery. (Stowmarket, Suffolk)

Sir John Edward Sulston, FRS. For services to Science and Society. (Stapleford, Cambridgeshire)

ORDER OF THE BRITISH EMPIRE, CIVIL

ORDER OF THE BRITISH EMPIRE

GBE

Sir Michael David Rawlins. Chair Medicines and Healthcare Products Regulatory Agency. For services to the Safety of Medicines, Healthcare and Innovation. (London)

Professor Sir David John Weatherall. Regius Professor of Clinical Medicine Emeritus The Weatherall Institute of Molecular Medicine, University of Oxford. For services to Medicine. (Oxfordshire)

DBE (Dame)

Ms Hilary Boulding. For services to Education and Culture in Wales. (Abergavenny, Monmouthshire)

Ms Carmen Therese Callil. Founder Virago Press. For services to Literature. (London)

Ms Sarah Patricia Connolly, CBE. Mezzo Soprano. For services to Music. (Stroud, Gloucestershire)

Professor Carolyn Paula Hamilton. Director International ***Programmes*** and Research, Coram Children's Legal Centre. For services to Children's Rights. (London)

Ms Olivia Mary de Havilland. Actress. For services to Drama.

Professor Xiangqian (Jane) Jiang. Director UK EPSRC Future Advanced Metrology Hub, University of Huddersfield. For services to Engineering and Manufacturing.

Professor Parveen June Kumar, CBE. Professor of Medicine and Education, Bart,s and the London School of Medicine, Queen Mary, University of London. For services to Medicine and Medical Education.

Professor Theresa Mary Marteau. Honorary Professor and director Behaviour and Health Research Unit, University of Cambridge. For services to Public Health. (Cambridgeshire)

Mrs Helena Louise Morrissey, CBE. For services to Diversity in Financial Services. (London)

Ms Priscilla Deborah (Cilla) Snowball, CBE. Group chief executive Officer and Group chairman, AMVBBDO Advertising Agency. For services to Advertising, Diversity and Equality. (London)

Dr Angela Rosemary Emily Strank. Chief Scientist and head of Downstream Technology BP. For services to the Oil and Gas Industry and Encouraging Women into STEM Careers. (London)

Ms Julie Mary Walters, CBE. Actress. For services to Drama. (West Sussex)

Ms June Rosemary Whitfield, CBE. Actress. For services to Drama and Entertainment. (London)

CBE

Dr John Colin Adams. Formerly director of Commercialisation and director of Informatic Ventures University of Edinburgh. For services to Innovation and Entrepreneurship. (Edinburgh)

Ms Helen Folasade Adu, OBE. Singer, Songwriter and Composer. For services to Music. (London)

John Akomfrah, OBE. For services to Art and Film Making. (London)

Richard James Frank Alcock. Chief Operating Officer Office for Security and Counter Terrorism, Home Office. For services to National Security. (London)

Professor Ruth Annand. Lord Chancellor's Appointed Person. For services to Intellectual Property. (Bristol)

Nicholas Peter Baldwin. Chair Office for Nuclear Regulation. For services to Nuclear Safety and Security and to the charitable sector. (Worcestershire)

Mrs Elizabeth Christiana Banks, DL. For services to Horticulture through the Royal Horticultural Society. (Kington, Herefordshire)

Ian Bauckham. Executive Headteacher Bennett Memorial Diocesan School, chief executive Officer, The Tenax Schools Trust and president, Association of School and College Leaders. For services to Education. (Tunbridge Wells, Kent)

Professor Haro Moushegh Bedelian, OBE. For services to Engineering and International Trade. (Tadworth, Surrey)

Mrs Beverley Claire Bell. Formerly Senior Traffic commissioner for Great Britain. For services to Road Safety and the Freight Industry. (Mawdesley, Lancashire)

Edwin Joseph Beltrami. Chief Crown Prosecutor London North Crown Prosecution Service. For services to Law and Order. (Upton by Chester, Cheshire)

Professor Serena Michelle Best. Professor of Materials Science, University of Cambridge. For services to Biomaterials Engineering.

Peter Malcolm Black. Councillor Cwmbwrla Ward, Swansea City Council. For services to Politics and Public Life in Wales. (Swansea)

Councillor Judith Vivienne Blake. Leader Leeds City Council. For services to Local Government. (Leeds, West Yorkshire)

Dr Ronald George Blythe. Author. For services to Literature. (Colchester, Essex)

Professor Carol Elspeth Goodeve Brayne. Professor of Public Health Medicine Department of Public Health and Primary Care, Cambridge Intitute of Public Health, University of Cambridge. For services to Public Health Medicine. (Weston Colville, Cambridgeshire)

Raymond Redvers Briggs. Illustrator Cartoonist and Author. For services to Literature. (Westmeston, East Sussex)

Mrs Pauline Broomhead. For services to Charity Management and Young People. (Andover, Hampshire)

Wayne Bulpitt. For voluntary service to the Scout Association. (Guernsey, Channel Islands)

Mrs Rose Anita Charlesworth. Economist. For services to Economics and Health Policy. (London)

Mrs Sally Kaye Cheshire. Chair, Human Fertilisation and Embryology Chair, Health Education England (North). For services to the NHS and Infertility Patients. (Stockport, Greater Manchester)

Ms Charlotte Lucy Clark. Director Private Pensions and Stewardship, Department for Work and Pensions. For services to the Department for Work and Pensions. (London)

Dr Nicholas Paul Clarke. Head of Professional Regulation NHS. For services to Acute Care and Workforce. (Holmfirth, West Yorkshire)

John Edward Cunningham. Managing director Camlin Ltd. For services to the Business Community in Northern Ireland. (Cookstown, Tyrone)

Professor Norma Margaret Dawson. Professor of Law Queen's University, Belfast. For services to Legal Education and the Development of the Legal Profession in Northern Ireland. (Belfast)

Niall Forbes Ross Dickson. Formerly chief executive General Medical Council. For services to Patient Safety. (Brasted, Kent)

His Honour Judge Marc David Dight. Senior Circuit Judge Central London County Court. For services to Diversity and Community Relations in the Judiciary. (London)

Anthony Michael Manton Elliott. Founder Time Out. For services to Publishing. (London)

Gerald Hunter Finley. Opera singer. For services to Opera. (Kent)

Ms Rose Mary Fitzpatrick, QPM. Deputy chief Constable, Police Scotland. For services to Law and Order. (Edinburgh)

Professor Carlos Silvestre Frenk. Ogden Professor of Fundamental Physics Durham University. For services to Cosmology and the Public Dissemination of Basic Science. (Durham)

Professor Jonathan Israel Gershuny. Professor of Economic Sociology and Senior Research Fellow Nuffield College, University of Oxford. For services to the Social Sciences and Sociology. (London)

Professor Aisha Kulwant Gill. Professor of Criminology University of Roehampton. For services to Tackling Forced Marriage, Honour Crimes and Violence against Women.

David Warren Godfrey. For services to the British Export Economy and Charity Finance. (London)

Alexander David (Lex) Greensill. Founder and chief executive Greensill Capital. For services to the Economy. (Chester, Cheshire)

Mrs Barbara Joan Gubbins, DL. Chief executive, County Durham Community Foundation. For services to the Voluntary and Community Sectors. (Meadowfield, Durham)

Michael Arnold Hammond. For services to International Development. (Bexhill on Sea, East Sussex)

Dr Andrew Charles Harter. Founder and chief executive Officer RealVNC Ltd. For services to Engineering. (Cambridge, Cambridgeshire)

Professor Andrew Tym Hattersley, FRS. Professor of Molecular Medicine, University of Exeter, and consultant Physician, Royal Devon and Exeter NHS Trust. For services to Medical Science. (Exeter, Devon)

Alasdair George Hay, QFSM. For services to the Scottish Fire and Rescue Service. (Dundee)

Dr Gordon Christopher Horsfield. For services to Young People and to Charitable Giving. (Brandsby, North Yorkshire)

Humphrey Alan Edward Cadoux-Hudson. Managing director Nuclear New Build Generation Company Ltd, EDF Energy plc. For services to Secure Low-Carbon Electricity. (Guildford, Surrey)

Margaret Joan Lady Jarvis. For services to People with Visual Impairments and to Philanthropy. (Rickmansworth, Hertfordshire)

Isaac Julien. Artist and Film Maker. For services to the Arts. (London)

Dr Anthony Juniper. Fellow University of Cambridge Institute for Sustainability Leadership. For services to Conservation. (Cambridgeshire)

Paul Kehoe. Chief executive Officer Birmingham International Airport. For services to the Aviation Industry and UK Economy. (Alcester, Warwickshire)

Robert Keiller. Chairman Scottish Enterprise. For services to Business and Entrepreneurship. (Aberdeen)

Stephen Philip Lansdown. For services to Business and the community in Bristol. (Guernsey, Channel Islands)

Professor Deborah Lawlor. Professor of Epidemiology University of Bristol. For services to Social and Community Medicine. (Bristol)

Professor Melissa Leach. Director Institute of Development Studies, University of Sussex. For services to the Social Sciences. (Brighton, East Sussex)

Professor Graham Andrew Leslie. Visiting Professor of Enterprise and Entrepreneurship Huddersfield University. For services to Entrepreneurship. (Holmfirth, West Yorkshire)

Ms Amanda Jane Levete. For services to Architecture. (London)

Mrs Ani Magill. Executive Headteacher, St. John the Baptist Catholic Comprehensive School, Woking. For services to Education.

William Mackendrick Mann. For services to Sport Recreation, the Arts and charity. (Glasgow)

Ms Alexandra Louise Marks. Crown Court Recorder Criminal Cases Review commissioner, Judicial Appointments commissioner and Chair, Prisoners Education Trust. For public service. (London)

Graham Christopher Spencer Mather. President European Policy Forum. For services to Economic Regulation, Competition and Infrastructure Development. (Newbury, Berkshire)

Dr Julie Katherine Maxton. Executive director The Royal Society of London. For services to Science, Law and Education. (London)

Bernard Cornelius McCaughey. Director of Rehabilitation Northern Ireland Prison Service. For public service. (Belfast)

Colin James Stewart McClatchie, FRSE. Vice-president, Scottish Opera. For services to Music and voluntary service in the West of Scotland. (Kilmacolm, Inverclyde)

Andrew McNab. For services to Literacy and Charity. (Cornwall)

Ms Gilian Mary McNeil. Director and chief executive Theirworld. For services to the Health and Education of Vulnerable Children and Women. (Canterbury, Kent)

Ms Helena Mills. Chief executive Officer Burnt Mill Academy Trust, Essex. For services to Education. (London)

Professor John Halstead Hardman Moore, FBA, FRS. Professor of Political Economy, University of Edinburgh and Professor of Economic Theory, London School of Economics. For services to Economics. (Edinburgh)

Melvyn Morris. Non-Executive chairman King Digital Entertainment plc. For services to Business and charitable services. (Derbyshire)

Ms Alison Munro. Managing director, Phase 2, HS2 Ltd. For services to the Rail Industry. (London)

Ms Diana Georgina Noble. Chief executive, CDC Group. For services to International Development. (London)

Dr Carl Michael O'Brien. Chief Fisheries Science Adviser Cefas. For services to the Management of Internationally-shared Fisheries. (Beccles, Suffolk)

Dr Crystal Elizabeth Oldman. Chief executive Queen's Nursing Institute. For services to the Queen's Nursing Institute and Community Nursing. (East Sussex)

Adrian Packer. Chief executive Officer Core Education Trust. For services to Education.

William Henry Marcello Parente. For services to the Arts and Philanthropy. (Worksop, Nottinghamshire)

Dr Paul Lasseter Phillips, OBE. Principal and chief executive Officer, Weston College Group, Weston-super-Mare. For services to Further and Higher Education. (Newport, Monmouthshire)

Professor Lucilla Poston. Head Division of Women's Health, King's College London and KCL Campus Dean, St. Thomas' Hospital. For services to Women's Health. (London)

Mrs Lesley Anne Powell. Chief executive Officer, North East Learning Trust, Principal, Shotton Hall Academy and Member of the Headteacher Board for the North. For services to Education. (Chester-le-Street, Durham)

Ms Claire Jennifer Price. Chief executive, Sport England. For services to Sport especially to increasing Women's and Girl's participation.

Ms Lucinda Jane Riches. Non-Executive director UK Financial Investments. For services to Financial Services, British Industry and charity. (London)

Ms Jane Christina Rintoul. For public service. (Long Buckby, Northamptonshire)

Christopher Alfred Robbins. For political and public service. (London)

Hugo Robson. Chief Commercial Negotiator Department for Business, Energy and Industrial Strategy. For services to the Security of Low-Carbon Electricity. (London)

Professor Shamit Saggar. Associate Pro-vice Chancellor and Professor of Political Science and Public Policy University of Essex. For services to Social Science and Public Policy. (London)

Christopher James Satterthwaite. Chairman The Roundhouse. For services to the Arts. (Surrey)

Ms Mary Elizabeth Scanlon. For political and public service. (Edinburgh)

Terrence Scuoler. Chief executive Officer Engineering Employers Federation. For services to Manufacturing and Engineering. (Welwyn, Hertfordshire)

Mrs Nora Margaret Senior. President, British Chambers of Commerce. For services to the Scottish and UK Business Community. (Ruddington, Nottinghamshire)

Mrs Louise Claire Shepherd. Chief executive, Alder Hey Children's NHS Foundation Trust, Liverpool. For services to Healthcare. (Northwich, Cheshire)

Professor Charles Pirie Skene, OBE. For services to Business and Enterprise Promotion. (Aberdeen, Aberdeenshire)

Alan Frank Smith. Chairman RAF Charitable Trust Enterprises. For voluntary service to Royal Air Force Personnel. (Surrey)

Ms June Rosalind Spencer, OBE. Actress. For services to Drama and charity. (Surrey)

Ms Stephanie Spring. Chair Children in Need. For services to charity. (London)

Euan Rodgers Stewart, OBE. Head of Intelligence, HM Revenue and Customs. For services to Protecting Tax Revenue. (Leighton Buzzard, Bedfordshire)

Bernard John Taylor, DL. For services to Business Education and the Arts. (Thame, Oxfordshire)

Professor Pamela Jane Taylor. Professor of Forensic Psychiatry Cardiff University. For services to Forensic Psychiatry. (London)

Kenneth Olumuyiwa Tharp, OBE. Formerly chief executive, The Place. For services to Dance. (London)

Professor Alexandra Marie Walsham, FBA. Professor of Modern History, University of Cambridge. For services to History. (Cambridgeshire)

Ms Jennifer Watson. Formerly Chair Electoral Commission. For services to Electoral Democracy.

Professor Graham Charles Murray Watt, FRSE. Norie Miller Chair of General Practice, University of Glasgow. For services to Healthcare. (Glasgow)

Professor Jean Christine White. Chief Nursing Officer Welsh Government. For services to Nursing and Midwifery in the UK and Europe. (Pencoed, Bridgend)

Mrs Petra Wilkinson. Head, Transport Security Co-ordination and Operational Response, Department for Transport. For services to Transport Security. (Stoke Bishop, Bristol)

Paul Ernest Williams. Labour Market Operations director Department for Work and Pensions. For services to the Department for Work and Pensions and to charity. (Harpenden, Hertfordshire)

Gregory Mark Wood. Chairman NSPCC. For services to Children and Young People.

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OBE

Aubrey John Adams. Honorary Patron and Chair Wigmore Hall. For services to the Arts. (Reading, Berkshire)

Ms Dawn Ailsa Adams. Clinical director Public Dental Service, NHS Fife. For services to Dentistry. (Glenrothes, Fife)

Mrs Agatha (Ocansey) Akyigyina. For political and public service. (London)

Professor Michael Calvert Appleby. Formerly chief Scientific Adviser World Animal Protection. For services to Animal Welfare. (Edinburgh)

John Archbold. ***Programme*** manager Liverpool, HM Revenue and Customs. For services to Digital Innovation and the community in Merseyside. (Ormskirk, Lancashire)

Professor Polly Louise Arnold. Crum Brown Chair of Chemistry University of Edinburgh. For services to Chemistry and Women in STEM.

Ms Catherine Ashley. Formerly Chair Holocaust Memorial Day Trust. For services to Holocaust Commemoration and Awareness. (London)

Neil Roderick Baker. Formerly consultant Podiatrist Ipswich Hospital NHS Trust. For services to Podiatry and Diabetes. (Thetford, Norfolk)

Rodney Lister Bass. Formerly Councillor Essex County Council. For services to Local Government. (Witham, Essex)

Ms Catherine Mary Bennett. Formerly national director for Wales Equality and Human Rights Commission. For services to Equality and Human Rights. (Cardiff)

Richard Jonathan Benson. President Tell MAMA. and Board Member, Community Security Trust. For services to the Jewish community. (London)

Rory David Best. For services to Rugby. (Craigavon, Armagh)

Professor Graeme Black. Professor of Genetics and Ophthalmology Central Manchester University Hospitals NHS Foundation Trust. For services to Genetics and Ophthalmology. (Didsbury, Greater Manchester)

Professor Katherine Mary Blundell. Professor of Astrophysics University of Oxford. For services to Astronomy and the Education of Young People. (Oxfordshire)

Mrs Ruth Dorothy Bovill. Headteacher, Heathermount Special Needs School, Berkshire. For services to Special Educational Needs and Disabilities. (Ascot, Berkshire)

Keith George Bradshaw. For services to charity and Young People in the West Midlands. (Wolverhampton, West Midlands)

Simon Thomas Bramwell. Chief executive Officer SS Simon and Jude Church of England Primary Academy Trust. For services to Education. (Bolton, Greater Manchester)

Professor Susan Mary Braye. Emerita Professor of Social Work University of Sussex. For services to Vulnerable People. (Sedbergh, Cumbria)

Ms Andrea Ruth Brewster. Member and lately president Chartered Institute of Patent Attorneys. For services to Intellectual Property. (Winscombe, Somerset)

Ms Tracey Brown. Director Sense about Science. For services to Science. (Faversham, Kent)

Professor William Buchanan. Professor of Computing and director Centre for Networking, Security and Distributed Systems, Edinburgh Napier University. For services to Cyber Security. (Edinburgh)

Ms Sally Jane Burlington. Head of Policy Local Government Association. For services to Adult Social Services. (London)

Michael Cecil. Chairman Rathlin Development and Community Association. For services to Community Development on Rathlin Island. (Antrim)

Roger Arthur Holden Chadwick. Member Courts of Common Council and The Irish Society. For services to the City of London Corporation and community initiatives in Northern Ireland. (London)

Michael Hugh Cherry. National Policy chairman Federation of Small Businesses. For services to the Small Business Community. (Burton-on-Trent, Staffordshire)

Sultan Ahmed Choudhury. Chief executive Officer Al Rayan Bank. For services to the UK Market for Islamic Finance. (Birmingham, West Midlands)

William John Chrispin. Project manager Ministry of Defence. For services to Defence Acquisition and to Military Capability. (Bristol, Gloucestershire)

Professor David Clark. Wellcome Trust Investigator University of Glasgow. For services to Education in Dumfries and Galloway and Research into End of Life Care. (Dalswinton, Dumfries)

John Gordon Cluff. For services to Business and charity. (Dover, Kent)

David John Coldman. For services to Business Young People and charity. (Edenbridge, Kent)

Jeremy Michael Rooke Collingridge. For voluntary service in Leicestershire. (Narborough, Leicestershire)

Hugh Connor. Director Centre for Effective Services. For services to Social Care. (Belfast)

James Gareth Cooper. Chief executive Middletown Centre for Autism Ltd. For services to Children with Special Educational Needs. (Belfast)

Maj Gen Patrick Anthony John Cordingley, DSO. Chair, National Remembrance Visitor Centre Appeal Council, National Memorial Arboretum. For voluntary service. (Salisbury, Wiltshire)

Ms Jane Cowell. Director Young People's Funding Allocations and Student Support, Education Funding Agency. For services to the Department for Education. (Sandbach, Cheshire)

John Sebastian Cox. Head Air Historical Branch, Ministry of Defence. For services to the Royal Air Force and Aviation Heritage. (London)

Professor Margaret Elizabeth Cupples. (Mrs. Reid) Professor of General Practice, Queen's University, Belfast and General Practitioner. For services to Higher Education and Healthcare in Northern Ireland.

Dr Mehtabunisa Currey. For services to Global International Development. (Headington, Oxfordshire)

Ms Lauren Currie. Co-Founder SNOOK. For services to British Design Industry Exports and to Diversity in Design. (London)

Christopher David Daniel. Formerly Change and Implementation Group manager Department for Work and Pensions. For services to the Department for Work and Pensions and Cancer charities. (Merthyr Tidfil, Mid Glamorgan)

Christopher Darmon. For services to Young People through the Youth Hostel Association. (Sheffield, South Yorkshire)

Ms Clare Davies. HR director Metropolitan Police Service. For services to Policing. (Hampshire)

Colm Francis Davis. Principal Tor Bank School. For services to Children with Special Educational Needs. (Belfast)

Louis Anthony Desa. Formerly Headteacher Bishop Thomas Grant Catholic Secondary School, London. For services to Education. (London)

Ms Joan Miner Deslandes. Headteacher Kingsford Community School, Beckton, London. For services to Education. (London)

Professor Belinda Jane Dewar. Professor of Practice Improvement University of the West of Scotland. For services to Nursing. (Hamilton, Lanarkshire)

David Dewing. Formerly director the Geffrye Museum of the Home. For services to the Arts. (Winchester, Hampshire)

Sital Singh Dhillon. Head of Law and Criminology Sheffield Hallam University. For services to Higher Education. (Loughborough, Leicestershire)

Dr Thomas Nicholas Dixon. For services to Underwater Archaeology Public Engagement and the Economy in Scotland. (Aberfeldy, Perth and Kinross)

Declan Michael Martin Donnellan. For services to Theatre. (London)

Mark Ducker. Executive Principal and chief executive Officer STEP Academy Trust. For services to Education. (Bracknell, Berkshire)

Brian Leslie Dunsby. Director Yorkshire Business Market Ltd., and lately chief executive, Harrogate Chamber of Trade and Commerce. For services to Business and the community in Harrogate. (Harrogate, North Yorkshire)

Mrs Belinda Jane Earl. For services to Retail. (Oxted, Surrey)

Professor Christopher Trevor Elliott. Pro-vice Chancellor Faculty of Medicine, Health and Life Sciences, Queen's University, Belfast. For services to the Agri-Food Supply Chain. (Antrim)

Mrs Gloria Maureen Elliott. Chief executive, Noise Abatement Society. For services to Awareness of and Solutions to Pollution from Noise. (Hove, East Sussex)

Professor Alison Mary Etheridge, FRS. Professor of Probability, Mathematical Institute and Department of Statistics, University of Oxford. For services to Science. (Oxfordshire)

Dr David Thomas Evans. National Teaching Fellow and Senior Lecturer in Sexual Health University of Greenwich, London. For services to Nursing and Sexual Health Education. (London)

Roger Malcolm Evans. For services to the UK Dairy Industry and local community. (Lydbury North, Shropshire)

Martyn Lloyd-Evans. Formerly Police Staff head of Review Unit, South Wales Police. For services to the Serious Crime Review Group. (Cardiff, South Glamorgan)

Mrs Lynda Fairhurst. Formerly head of Lifelong Learning, Oldham Council. For services to Further Education. (Leigh, Greater Manchester)

Andrew William Mildmay Fane. For services to Heritage and charity. (Woodbridge, Suffolk)

Mrs Laura Madeline Alexandra Faulkner. Director of Live Marketing and E-Commerce, Department for International Trade. For services to UK Exports. (West Malling, Kent)

Dr Caro-Lynne Tonya Mary Ferris. Director Outdoor Recreation Northern Ireland. For services to Countryside Recreation in Northern Ireland. (Newcastle, Down)

William Alexander Finlayson. Founder MBM Commercial. For services to Entrepreneurship and voluntary service in Scotland. (Edinburgh)

Mrs Janet Elizabeth Fishwick. Chief executive, Parents and Children Together and Member, Adoption Leadership Boards, London and South East. For services to Adoption. (High Wycombe, Buckinghamshire)

Sebastien Fouquet. For services to Humanitarian Aid in Africa.

William Michael Furniss. For services to Swimming. (Radcliffe on Trent, Nottinghamshire)

Alan Trevor Gay. Deputy chief executive and Section 151 Officer Leeds City Council. For services to Local Government. (Leeds, West Yorkshire)

Julian Keith Getty. For services to Music and Modern Hymn Writing.

Professor Brenda Elizabeth Simpson Gibson. Lead Clinician for Haematology and Oncology Service Glasgow Royal Hospital for Children. For services to Child Healthcare. (Glasgow)

Michael John de Giorgio. For services to Sport and the community in London. (London)

Michael Goodhand. Head of Logistics International Division, British Red Cross. For services to Disaster Relief. (Essex)

Dr Deborah Katherine Goodwin. Head Communication and Applied Behavioural Science Department, Royal Military Academy Sandhurst, Ministry of Defence. For services to Armed Forces Staff Education. (Odiham, Hampshire)

William Gowdy. Director of Engineering Procurement Northern Ireland Water. For services to Civil Engineering and Education. (Bangor, Down)

Ms Dorothy Anne Gradden. Head of ***Programme*** Delivery Legacy Ponds, Sellafield Limited. For services to the Nuclear Industry. (Beckermet, Cumbria)

Ms Carmel Jane Grant. Head Army Reform Team, Ministry of Defence. For services to Army Reform. (Wiltshire)

Kenneth Thomas Green. For voluntary political service. (Warminster, Wiltshire)

Professor Laura Elizabeth Green. Leader Research Group, School of Life Sciences, University of Warwick. For services to the Health and Welfare of Farmed Livestock. (Kenilworth, Warwickshire)

John Richard Heaton Greenwood. For services to National and International Rugby. (Rhos-on-Sea, Clwyd)

Dr Julie Patricia Greeves. Research Scientist Ministry of Defence. For services to Military Operational Effectiveness.

Mrs Linda Gregson. Head, Primary Care Transformation Team, Scottish Government. For services to Education and Social Care. (Edinburgh)

Ms Inga Margaret Amy Grimsey. For services to Heritage and the community. (Aldeburgh, Suffolk)

John Guthrie. For charitable services. (Scarborough, North Yorkshire)

Professor Erica Victoria Haimes. Emeritus Professor of Sociology and Founding Executive director Policy, Ethics and Life Sciences Research Centre, Newcastle University. For services to Social Science. (Tyne and Wear)

Roger Toby Soames Hargreaves. Director Hybrid Bill Delivery, High Speed 2 Ltd. For services to Transport. (London)

Asif Abdul Haseeb. For services to Racial Equality Health and Education in Scotland and Pakistan. (Giffnock, Renfrewshire)

Mrs Susan Carol Hawks. For services to the Conservative Party.

Dr Geoffrey Charles Hawtin. Formerly Member Board of Trustees, Kew Gardens. For services to Global Agrobiodiversity Conservation, Subsistence Livelihood Enhancement and Sustainable Food ***Programmes***. (Weymouth, Dorset)

Mrs Gillian Frances Hillier. Formerly Deputy director, Free Schools (North), University Technical Colleges and Studio Schools Capital, Education Funding Agency. For services to Education. (Sheffield, South Yorkshire)

Miss Patricia Ann Hodge. Actress. For services to Drama. (London)

Dr The Very Reverend Elizabeth Lorna Hood. For services to the Church of Scotland and charity.

Mrs Katharine Horler. Chief executive, Adviza and Chair, Careers England. For services to Further Education. (Windsor, Berkshire)

Philip Horrocks. Grade 7 Ministry of Defence. For services to Defence. (London)

Dr Kamaljit Kaur Hothi. Head of Colleague Volunteering and Group Fundraising Lloyds Banking Group. For services to Diversity in the Banking Sector.

Mrs Catherine Anne Howell. Chief Nurse, Diagnostic and Therapeutic Services, NHS Blood and Transplant. For services to Nursing. (Bridgeyate, Gloucestershire)

Mrs Geraldine Lesley Howley. Chief executive Officer, Incommunities. For services to Housing, Young People and the community in Bradford. (Bradford, West Yorkshire)

Miss Louise Hubble. Police Inspector Hampshire Constabulary. For services to the Rural communities in Hampshire and the Isle of Wight. (Salisbury, Wiltshire)

Dr Nicholas Hughes. For services to Innovation in Africa. (Hampshire)

Miss Mary Winifred Gloria Hunniford. For services to Cancer charities through Breast Screening Services and Cancer Support. (Kent)

Professor Nigel Peter Hunt. Head of Orthodontic Department Eastman Dental Institute, University College London. For services to Dentistry and to the Specialty of Orthodontics. (London)

Thomas Hurst. Chief Investment Officer Sunderland City Council. For services to Local Government and Economic Prosperity through Inward Investment. (Stockton on Tees, Durham)

Miss Ogheneruona Mercy Iguyovwe. Senior Specialist Prosecutor International Justice and Organised Crime Division, Crown Prosecution Service. For services to Law and Order. (Loughton, Essex)

Ms Alison Jane Inman, JP. For services to Social Housing Tenants in Essex. (Colchester, Essex)

Professor Emily Jackson. FBA. Professor of Law and vice Chair Academic Board, London School of Economics. For services to Higher Education. (London)

Ms Glenys Jackson. Director Merchant Navy Training Board. For services to Recruitment and Training. (Saffron Walden, Essex)

Dr Patricia Denise Jackson. For services to Children with Additional Support Needs and to charity.

Mrs Gillian Olive May James. Headteacher, St Mary's Church of England (A) Primary School, Staffordshire. For services to Education. (Stoke on Trent, Staffordshire)

Mrs Jacqueline Jenks. Chief executive, Leapfrog Mountain. For services to Training, Project Management and People Development. (Newquay, Cornwall)

Brendan James Joyce. Chief executive Officer Norfolk Wildlife Trust. For services to Wildlife Conservation in Norfolk. (Norwich, Norfolk)

Ms Natasha Kaplinsky. Broadcaster. For services to Holocaust Commemoration. (East Sussex)

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OBE

Arvind Michael Kapur, DL. Chairman, National Space Centre and Founder and director, Signum Corporate Communications Ltd. For services to Science, Technology, Business and Enterprise. (Oadby, Leicestershire)

Chandrakant Kataria. Group chief executive East Midlands Housing Group. For services to Housing in the East Midlands. (Loughborough, Leicestershire)

Idris Khan. For services to Art. (London)

Philip Andrew Kimberley. Formerly Chair England Hockey. For services to Hockey. (Gerrards Cross, Buckinghamshire)

Keith Charles Knowles. Chief executive Beds and Bars. For services to the community and charity. (Berkshire)

Dr Nikesh Kotecha. Chief executive Officer Morningside Pharmaceuticals. For services to Entrepreneurship, Innovation in Pharmaceutical Services and Philanthropy. (Rothley, Leicestershire)

Richard James Lake. Owner and chief executive Eastern Airways and Humberside Airport. For services to Aviation. (Louth, Lincolnshire)

Ms Sarah-Jane Abigail Lancashire. For services to Drama. (London)

Mrs Joan Lawton, London. Independent Member, TACT Adoption and Permanence Panel and Member, TACT Board of Trustees. For services to Adoption.

Timothy Patterson Lefroy. For services to the Advertising Industry. (London)

Dr Nigel William Leigh. Principal and chief executive Stephenson College. For services to Further Education and Apprenticeships. (Birmingham, West Midlands)

Anthony Rhydian Lewis. Peer to Peer and Financial Inclusion Innovator. For services to Financial Services. (Newquay, Cornwall)

Dr Robert William Lewis. Director TotalSim. For services to Science Applied to Sport. (Brackley, Northamptonshire)

Richard Lister. Vice-Chancellor University of Suffolk. For services to Higher Education. (Ipswich, Suffolk)

Norman Robert Lynas. Chairman Lynas Foodservice. For services to the Business Sector, to charity and the community in Northern Ireland. (Portstewart, Londonderry)

Miss Morag Dorothy MacKellar. Allied Health Professionals Children's Services manager, NHS Forth Valley. For services to Dietetics, the Dietetic Profession and Public Health. (Doune, Perth and Kinross)

Dr Kerry Jean Mashford. Chief executive National Energy Foundation. For services to the Energy Industry. (Buckinghamshire)

Professor Malcolm David Mason. For services to the NHS and Cancer Research. (Cardiff)

Mrs Margaret Mason. Founder and Executive Chair, Children 1st Day Nurseries Group. For services to Education. (Risley, Derbyshire)

Miss Maria McCaffery, MBE. Formerly chief executive Officer, RenewableUK. For services to the Renewable Energy Sector. (Kenilworth, Warwickshire)

Mrs Catherine Brenda McCallum. Director, Rural Affairs, Department of ***Agriculture***, Environment and Rural Affairs, Northern Ireland Executive. For services to Government and the community. (Down)

Mrs Gillian Lesley McCarthy. Director, Operational Policy and Performance, Advisory, Conciliation and Arbitration Service. For services to Employers and Employees. (Oldham, Greater Manchester)

Mrs Susan Bridget McDermott. National director and Non-Executive director, Rainbows Bereavement Support GB. For services to Education. (Doncaster, South Yorkshire)

Ms Francesca Jane McDonagh. Head Retail Banking and Wealth Management, HSBC. For services to Banking. (London)

Ms Nona McDuff. Director of Equality Diversity and Inclusion, Kingston University. For services to Higher Education. (London)

Dr Ramesh Dulichandbhai Mehta. President British Association of Physicians of Indian Origin. For services to the NHS. (Renhold, Bedfordshire)

Professor Colin Mellors. For services to Economic Development in Yorkshire. (Ilkley, West Yorkshire)

Ms Heather Patricia Melville. Director for ***Strategic*** Partnerships Royal Bank of Scotland. For services to Gender Equality. (London)

Ms Linda Jean Miller. Project manager Crossrail. For services to Engineering and to Promoting Gender Equality. (London)

Dr Elizabeth Mitchell. Chief executive Institute of Public Health in Northern Ireland. For services to Public Health. (Dundonald, Down)

Miss Valerie Theresa Moore. Chief executive Officer Rightforsuccess Academy Trust, and Executive head, Eaton Hall Specialist Academy, Norwich. For services to Education. (Mulbarton, Norfolk)

Mrs Patricia Moran. Headteacher, Lionel Road Primary School, Brentford, London. For services to Education. (London)

Mrs Amanda Rose Mordey. Headteacher, Merstone Special School and Forest Oak Special School, Solihull. For services to Special Educational Needs and Disability. (Coventry, West Midlands)

Ms Gwyneth Anne Rhoda Morgan. Founder Prisoners Penfriends. For services to the Rehabilitation of Prisoners. (London)

Paul Palmer Mullins. Formerly chairman Industrial Development Advisory Board and chairman, Education and Training Foundation. For services to Business and the Economy. (London)

Alexander Murray. Chief Superintendent West Midlands Police. For services to Evidence-based Policing. (Solihull, West Midlands)

Ms Judith Mary Murray. For services to Tennis Women in Sport and charity. (Bridge of Allan, Stirling and Falkirk)

David Richard Newell. For services to the Newspaper and Publishing Industries. (London)

Mrs Gillian Collins Norton, DL. Formerly chief executive, London Borough of Richmond Upon Thames. For services to Local Government. (Long Ditton, Surrey)

Miss Chinyere Adah (Chi-chi) Nwanoku, MBE. Musician. For services to Music. (London)

Ms Maureen Okoye. Headteacher Davies Lane Primary School, Leytonstone, London. For services to Education. (London)

Dr Kathryn Oldham. Head of Resilience, Civil Contingencies and Resilience Unit, Association of Greater Manchester Authorities. For services to Local Government. (Bramhall, Greater Manchester)

Jonathan Mark O'Neill. Managing director Fire Protection Association. For services to Fire Safety. (Evesham, Worcestershire)

Nicholas Ronald Ormerod. For services to Theatre Design. (London)

Professor Clive Peter Page. Professor of Pharmacology and head of Sackler Institute of Pulmonary King's College London. For services to Pharmacology. (London)

Mrs Angela Paget. Formerly Headteacher, St. Bede's Catholic Junior School, Widnes. For services to Education. (Prescott, Merseyside)

Dr Alison Parken. For services to Equality and Diversity. (Bristol)

Ms Margaret Parks. Chief executive Women's Rape and Sexual Abuse Centre, Cornwall. For services to Victims of Sexual and Domestic Abuse. (St Austell, Cornwall)

Harinder Singh Pattar. Headteacher The Heathland School, London. For services to Education. (Hitchin, Hertfordshire)

Clive Robert Peckover. Head Family Policy, Immigration and Border Policy Directorate, Home Office. For services to Policy on Family, Asylum and Sham Marriages. (London)

Ms Helen Ann Phillips. Business Change and Delivery manager Cymru Wales, Crown Prosecution Service. For services to Law and Order. (Cardiff, South Glamorgan)

Ms Wendy Joy Phillips. For services to International Development. (Stowmarket, Suffolk)

Dr Cheryll Denise Pitt. Senior Executive Officer Ministry of Defence. For services to Aviation Safety. (Hampshire)

Mrs Susannah Athenais Polly Purvis. Chief executive, ScotlandIS. For services to the Digital Economy in Scotland. (Edinburgh)

Mohammad Shahed Quraishi. Consultant Ear Nose and Throat Surgeon and director ENT Masterclass, Doncaster and Bassetlaw Hospitals. For services to the NHS and Medical Education. (Ravenshead, Nottinghamshire)

Ms Emily Ramsay. For services to Improving Health and Safety in the Forestry and Arboriculture Industries. (Edinburgh)

Mrs Marsha Rae Ratcliff. For charitable services. (Ware, Hertfordshire)

Dr Fiona Elizabeth Rayment. Director for Fuel Cycle Solutions National Nuclear Laboratory. For services to UK Nuclear Research and Innovation. (Salford, Greater Manchester)

Ms Anna Maria Richardson. Researcher and Analyst Crime and Policing Analysis, Home Office. For services to Drugs and Alcohol Evidence-based Policy. (London)

Peter Richardson. Chairman Derby, Derbyshire, Nottingham, Nottinghamshire Local Enterprise Partnership. For services to Enterprise and Growth in Nottingham. (Oakham, Rutland)

Mrs Karen Riley. Formerly Headteacher, Frank Barnes School for Deaf Children, Camden, London. For services to Special Educational Needs and Disabilities. (Salisbury, Wiltshire)

Jillian Rosemary Lady Ritblat. For services to Arts Philanthropy. (London)

Ms Beverley Rose Robinson. Principal and chief executive Blackpool and the Fylde College. For services to Further Education. (Newcastle-upon-Tyne, Tyne and Wear)

Mrs Bernadette Roobottom. Formerly Headteacher, Shobnall Primary School, Staffordshire. For services to Education. (Burton on Trent, Staffordshire)

Antony David Ross. Director Bridges Fund Management Limited. For services to Social Enterprise and Investment. (Cambridgeshire)

Mrs Margaret Katherine Ross. Formerly Senior Lecturer for Dental Care Professionals, University of Edinburgh. For services to Dentistry. (Haddington, East Lothian)

Paul Russell. Grade 7. For services to Defence. (Bristol)

Ms Sarah Emily Ruston. Author. For services to Adoption. (Crewkerne, Somerset)

David Rutter. Head Armed Forces and Veterans' Health Policy Team. For services to the Health of Members of the Armed Forces, Reservists, their Families and Veterans. (London)

Professor David Roy Sandbach. Director National Innovation Centre for Ageing, Newcastle University. For services to Science, Innovation and Skills. (Newcastle-Upon-Tyne, Tyne and Wear)

Clive Antonio Saunders. For services to the community Education and Equality. (Watford, Hertfordshire)

Councillor Isobel Seccombe. Leader Warwickshire County Council. For services to Local Government. (Lower Tysoe, Warwickshire)

Nardeep Sharma. Chief executive Officer The Thrive Partnership Academy Trust, Executive Principal, Colne Community College and Philip Morant School and College, Essex. For services to Education. (Coventry, West Midlands)

Rakesh Sharma. Chief executive Ultra Electronics. For services to Defence Capability. (Hunningham, Warwickshire)

Hugh Shaw. Secretary of State's Representative for Maritime Salvage and ***Intervention*** Department for Transport. For services to Maritime Safety. (Newport on Tay, Fife)

Ms Caroline Diana Burnell Sheppard. Chief Adjudicator, Traffic Penalty Tribunal. For services to Motorists. (London)

Graham Shields. Formerly chief Electoral Officer for Northern Ireland. For services to Electoral Democracy. (Crumlin, Antrim)

Dr Richard John Simpson. For services to Scottish Politics and Public Life. (Bridge of Allan, Stirling)

Miss Laura Ann Pender Smith. For services to Disability Sports. (Forfar, Angus)

Peter Meredith-Smith. Associate director Employment Relations, Royal College of Nursing (Wales). For services to Nursing in Wales. (Cardiff)

Paul Frank Soames. Formerly Deputy chief executive Officer Contact a Family, London. For services to Children. (London)

Ms Wendy Patricia Spinks. Commercial director St. Pancras International Station. For services to Rail. (Monks Risborough, Buckinghamshire)

Anthony Stacey. Chief executive South Yorkshire Housing Association and Chair, Placeshapers Group of Housing Associations. For services to Housing. (Sheffield, South Yorkshire)

Miss Heather Mary Stanning, MBE. Formerly Rower. For services to Rowing. (Wiltshire)

David Rutherford Stewart. Business Unit head HM Revenue and Customs. For services to the Promotion of Investment in Northern Ireland. (Lisburn, Antrim)

Alastair Dunbar Storey. For services to the Hospitality Industry. (Newbury, Berkshire)

Peter Stout. For services to Young People and to the community in the North East. (Gateshead, Tyne and Wear)

Ms Margaret Sumner. Headteacher Brook Special Primary School, Tottenham, London. For services to Special Educational Needs and Disabilities. (London)

Ashley Daniel Tabor. Founder and Executive president Global. For services to the Media Industry. (London)

Ms Ann Edith Templeton. Assistant director State Aid Team, Department for Business, Energy and Industrial Strategy. For services to Government and State Aid. (London)

Richard Thomason. Grade 7 Ministry of Defence. For services to Defence. (London)

Ms Philippa Hilary Jane Todd. Senior Fiscal Analyst Office of Budget Responsibility. For services to Public Finances and Transparency. (London)

Austin William Treacy. Governor Northern Ireland Prison Service. For services to Reducing Re-offending and to Community Safety. (Newtownards, Down)

Professor Jane Margaret Turner. Pro vice-Chancellor for Enterprise and Business Engagement Teesside University. For services to Business Engagement. (Consett, Durham)

Adrian Brian Turpin. Artistic director Wigtown Book Festival. For services to Literature and the Economy in Wigtownshire. (London)

Ms Caroline Underwood. Founder and chief executive Officer Philanthropy Company. For charitable services. (Waterstock, Oxfordshire)

Professor Mahendra Pratap Singh Varma. For services to Cardiology in Northern Ireland. (Bellanaleck, Fermanagh)

Ms Pascale Vassie. Executive director National Resource Centre for Supplementary Education. For services to Education. (London)

Sandeep Singh Virdee. Founder and director Darbar Arts Culture and Heritage Trust. For services to the Promotion of Indian Musical Heritage in the UK. (Birmingham, West Midlands)

Professor Lynda May Warren. Formerly Deputy Chair Committee on Radioactive Waste Management. For services to Environmental Protection in the UK and Abroad. (Machynlieth, Powys)

Mrs Melanie Dawn Waters. Formerly chief executive Officer, The Poppy Factory. For services to ex-Service Personnel. (London)

Robert Watt. For services to International Development.

Professor Thomas Welton. Dean Faculty of Natural Sciences, Imperial College London. For services to Diversity and Education. (London)

Mrs Jacqueline Mary Westwood. Director, UK Genetic Testing Network, London. For services to Medical Genetics and the community in Kent. (West Mailing, Kent)

Thomas Anthony Whitfield. Director of Finance Leeds Teaching Hospitals NHS Trust. For services to the NHS. (Warrington, Cheshire)

David Edward Williams. For services to charity and the Arts. (London)

Roderick Gregory Coleman Williams. For services to Music. (Kineton, Warwickshire)

Dr Roisin Sharon Willmott. For services to ***Planning*** in Wales. (Cardiff, South Glamorgan)

Adrian Wootton. Chief executive Film London. For services to Film. (London)

Gerald Edwin Yates. President National Conservative Convention. For voluntary political services. (West Yorkshire)

Dr Edward Max Ziff. Chairman Town Centre Securities. For services to the Economy and the community in Leeds. (Leeds, West Yorkshire)

ORDER OF THE BRITISH EMPIRE, CIVIL

ORDER OF THE BRITISH EMPIRE

MBE

Ms Olufunke (Akindolie) Abimbola. For services to Diversity in the Legal Profession and to Young People. (St Albans, Hertfordshire)

Miss Michele Angela Adams. For services to Girls' and Women's Football in Wales. (Cardiff)

Paul Matthew Adams. Formerly Grade 7 Assessment, Curriculum and Qualifications Group, Department for Education. For services to the Department for Education and to the community in London. (Basildon, Essex)

Mrs Ruth Elizabeth Airdrie. Founder, Rainbow Living. For services to Adults with Learning Disabilities. (Aylesbeare, Devon)

Mrs Evelyn Isabel Aitken. Owner, Fergushill Riding Stables. For services to Equestrianism and Riding for the Disabled in North Ayrshire. (Kilwinning, North Ayrshire)

Mrs Sharon Margaret Aitken. Principal Teacher, Special Educational Department, Buckie High School. For services to Children with Special Needs and the community in Buckie, Banffshire. (Buckie, Banffshire)

Mrs Norma Alcock. Volunteer, NSPCC. For services to Vulnerable Children. (Great Wymondley, Hertfordshire)

Mrs Saeeda Ali. Higher Executive Officer, Ministry of Defence. For services to Defence. (London)

William Bruce Allan. Principal Teacher Physical Education, Buckhaven High School, Levenmouth. For services to Youth Rugby and charity. (Dunfermline, Fife)

Miss Judith Elizabeth Allen. For voluntary service to the community in Northern Ireland. (Down)

Mrs Julie Ann Allen. Headteacher, Birkwood Primary School, Barnsley. For services to Education. (Wakefield, West Yorkshire)

John Bradbury Allinson. For services to the Tadworth and Walton Overseas Aid Trust. (Tadworth, Surrey)

Dr Kofi Arhu Anie. Honorary Clinical Senior Lecturer Imperial College London. For services to People with Sickle Cell Disease and Thalassaemia. (London)

Ms Yvette Nyantah Twumasi-Ankrah. Director Ankrah Associates. For services to Women in Business. (Essex)

Ms Amma Asante. Writer and director. For services to Film. (London)

Mohammad Ashfaq. Founder and managing director Kikit Pathways to Recovery, Birmingham. For services to Vulnerable People. (Birmingham, West Midlands)

Ms Samera Jabeen Ashraf. For services to Sport and Diversity. (Edinburgh)

Francis Gordon Askew. Formerly Literacy and Phonics Adviser Department for Education. For services to Education.

Mrs Lynne Ann Atkin. HR director, Barclays UK and Global head of Employee Relations, Barclays Bank. For services to Human Resources in the Banking Sector. (London)

Mrs Shazia Azhar. Member, Diverse Leaders Network. For services to Education. (Huddersfield, West Yorkshire)

William Edward Hampshire Bagnall. Governor and Chair Finance and Strategy Committee, The Sixth Form College Farnborough, Hampshire. For services to Education. (Guildford, Surrey)

Dr John Baker. Chair of Governors Queen Boudica Primary School, Essex, and National Leader of Governance. For services to Education. (Colchester, Essex)

Andrew Donald Ballantyne. Managing director C-Software Ltd. For services to Defence. (London)

Andrew Banks. For services to Diving. (Plymouth, Devon)

Benjamin Barker. For services to the community in Greater Bedminster Bristol. (Southville, Bristol)

Christopher Barmby. For services to Policing and the community. (Tonbridge, Kent)

Mrs Jennifer Ann Barnes. For voluntary service to Disabled People in Monmouthshire.

Ralph Gunther Bauer. Chair Franklin Group. For services to Textiles Manufacturing in Northern Ireland. (Banbridge, Down)

Dr Paul Bennett. For services to Archaeology. (Canterbury, Kent)

John Beresford. Volunteer Show Racism the Red Card Campaign. For services to Education. (Sheffield, South Yorkshire)

Mrs Jennifer Bridget Billington. Deputy Headteacher, Sir Tom Finney Community High School, Preston. For services to Special Educational Needs and Disabilities. (Preston, Lancashire)

Mrs Anne Carolyn Binney. For services to Wildlife and the Arts. (Channel Islands)

John Binns. Mental Health Champion London. For services to Mental Health. (London)

Mrs Patricia Kathleen Black. Formerly Senior Lecturer, St Mark's Hospital, Harrow, London North West Healthcare NHS Trust. For services to Stoma Care Nursing. (London)

Lt Col Robert Henry Lynn Blomfield, TD. Chairman, Northamptonshire Reserve Forces and Cadets Association. For services to the Reserves and Cadets. (Church Brampton, Northamptonshire)

Peter Alan Blyth. Higher Executive Officer Ministry of Defence. For services to the Reserve Forces and Cadets on Tyneside. (Sunderland, Tyne and Wear)

Dean Robert Bolton. Director Eye Watch Security Ltd. For services to Business and the community in Scunthorpe. (Scunthorpe, Lincolnshire)

Mrs Janice Mary Boswell. For voluntary service and services to the community in Bromsgrove, Worcestershire. (Belbroughton, Worcestershire)

David John Boutcher. For services to Children's Charity and for Advocating Charitable Corporate Involvement. (London)

Ms Heather Bowry. Head of Group Management Support. For services to HM Treasury. (London)

Mrs Jane Annabelle Boyes. Receiver General and Canon Treasurer, Winchester Cathedral. For services to the Church. (Petersfield, Hampshire)

Mrs Anne Campbell Bradley. For charitable services in Warwickshire. (Henley-in-Arden, Warwickshire)

Mrs Katrina Brennan. Stroke Managed Clinical Network manager, NHS Lanarkshire. For services to Stroke Care in Scotland. (Carnbroe, North Lanarkshire)

Miss Emily Sophie Hastings Brooke. Founder and CEO Blaze. For services to the Economy and Transport. (Bath, Somerset)

Mrs Margaret Ann Brookes. For services to Guiding and Young People in Stockport. (Stockport, Greater Manchester)

Paul Lawrence Brown. Mechanical Instrumentation Workshop manager Imperial College London. For services to Higher Education. (London)

Mrs Susan Jean Brown. Formerly Nurse consultant, Connective Tissue Diseases, Royal National Hospital for Rheumatic Diseases, Bath. For services to Nursing. (Bath, Somerset)

Junier Browne. Formerly Environment and Business Senior Advisor Environment Agency. For services to the Environment, Diversity and the community in Leeds. (Leeds, West Yorkshire)

Ms Karen Bryson. Actress. For services to Drama. (London)

Mrs Gwyneth Noelle Buchanan. Sergeant, Police Service of Northern Ireland. For services to Policing and the community in Northern Ireland. (Belfast)

Paul Burgess. For services to People with Disabilities and to the community in Birmingham. (Birmingham, West Midlands)

Mrs Carole Lesley Burgoyne. ***Strategic*** director for People, Plymouth City Council. For services to Children and Young People. (Plymouth, Devon)

Mrs Pamela Jean Butcher. For services to Table Tennis. (Meopham, Kent)

Dr Rachel Butler. For Development of Genomics services in Wales and across the UK. (Coed-y-Paen, Monmouthshire)

Dr John Buttrick. Formerly director and Honorary president Hull Children's University. For services to Children in Hull. (Hull, East Riding of Yorkshire)

Mrs Emily Katherine Venetia Byron. For services to Children, Young People and the community through the New London Performing Arts Centre. (London)

Dr Jill Marie Cainey. Chief executive Electricity Storage Network. For services to Energy Technology and the community in Wiltshire. (London)

Mrs Jacqueline Cairnie. Unit manager, Greendykes Early Years Centre. For services to Vulnerable Children and their Families in East Edinburgh. (Edinburgh)

Mrs Margaret Anne Calland. For services to the community in Thorpe Hesley, South Yorkshire.

John Murray Cameron. Trustee RUCGC Foundation. For voluntary service to the community in Northern Ireland. (Bangor, Down)

William James Campbell. For services to ***Agriculture***. (Newtownards, Down)

Ronald Nicholas Cannon. Lifeboatman RNLI Ramsgate. For services to Maritime Safety. (Broadstairs, Kent)

Robert James Kennedy Cardwell. For services to the RNLI and the community in Northern Ireland. (Portrush, Antrim)

Mrs Teresa Anne Carpenter. Foster Carer, Kent County Council. For services to Children and Families. (Broadstairs, Kent)

Miss Patricia Carrington. Principal and head of Service City College Peterborough. For services to Further Education and to the community in Peterborough. (Peterborough, Cambridgeshire)

Mrs Diane Christine Carroll. Trustee director, Remploy Ltd Pension and Assurance Scheme. For services to People with Disabilities. (Wirral, Merseyside)

Mrs Cheryl June Cates. Disability Champion, Criminal Casework, Immigration Enforcement, Home Office. For services to Equality and Diversity. (Banstead, Surrey)

Mrs Victoria Jean Chalmers. Founder and Lead Practitioner, Time 4 Children. For services to Children's Emotional Wellbeing. (Haywards Heath, West Sussex)

Miss Lynda Chamberlain. Security manager Anglian Water. For services to Water Supply Resilience. (Downham Market, Norfolk)

Ms Aqila Choudhry. For public and political service. (Leeds, West Yorkshire)

Dr Pushpinder Chowdhry. For services to the Asian community in the UK. (London)

Kevin Christopher Clancy. Formerly head of Construction York College. For services to Further Education. (Leeds, West Yorkshire)

Mrs Mary Teresa Clancy. SENCO Co-ordinator, St. Gregory's Catholic Science College, Harrow. For services to Special Educational Needs and Disabilities. (London)

Miss Linda Susan Clark, JP. For voluntary service in the West Midlands. (Walsall, West Midlands)

Mrs Susan Clark. Chair and Fundraiser, Pegasus Playscheme, Dover. For services to Children with Disabilities. (Dover, Kent)

Ms Gillian Clipson. Formerly Deputy chief executive Association of Colleges. For services to Further Education.

Professor David Coates. Director of Life Sciences Learning and Teaching, University of Dundee. For services to Biology. (Nethergate, Dundee)

Andrew Gordon Cochrane. Founder Noble Caledonia. For services to Tourism. (Loughton, Essex)

Christopher John Collier. Business Board Chair NSPCC Peterborough. For services to Children and Young People. (Peterborough, Cambridgeshire)

Sean Connolly. Intelligence Analyst HM Revenue and Customs. For services to Innovation and Tackling Organised Crime. (Brentwood, Essex)

John Anthony Conteh. For services to Boxing. (London)

Patrick Joseph Conway. Works Convenor AugustaWestland Ltd. For services to Industrial Relations and the community in Yeovil, Somerset. (Yeovil, Somerset)

Mrs June Cook. For services to charity and the community in Kirkbymoorside, North Yorkshire. (Kirkbymoorside, North Yorkshire)

Dr Philip Cooper. Nurse consultant in Dual Diagnosis North West Boroughs Healthcare NHS Foundation Trust, Cheshire. For services to Nursing. (Warrington, Cheshire)

Stuart Richard Copley. Manager International Liaison Officer, Pakistan, National Crime Agency. For services to Law Enforcement and International Relationships. (Coton in the Elms, Derbyshire)

Mrs Elizabeth Iris Corry. Volunteer, The Salvation Army. For charitable services to the community. (Belfast)

Barrie Cottingham. For services to the Boys and Girls Clubs in South Yorkshire. (Barnsley, South Yorkshire)

ORDER OF THE BRITISH EMPIRE, CIVIL

ORDER OF THE BRITISH EMPIRE

MBE

Anthony Crane. For services to Music charity and the community in Merseyside. (Wirral, Merseyside)

Michael John Creighton. For political and public service. (Southampton, Hampshire)

Professor Thomas Crick. For services to Computer Science and the Promotion of Computer Science Education. (Cardiff)

Mrs Ethna Philomena Cummins. Formerly Headteacher, Whitefield Infant School and Nursery, Lancashire. For services to Education. (Prestwich, Greater Manchester)

Miss Patricia Mary Cunningham. For voluntary political service. (Glasgow)

Ms Susan Janet Dare. Formerly Principal and chief executive Officer Northbrook College, Sussex. For services to Education. (Brighton, East Sussex)

Edward Davenport. Foster Carer Trafford Borough Council. For services to Children and Families. (Leigh, Greater Manchester)

Mrs Jean Davenport. Foster Carer, Trafford Borough Council. For services to Children and Families. (Leigh, Greater Manchester)

Christopher Davies. Higher Executive Officer Ministry of Defence. For services to Drugs Awareness in the Armed Forces. (Amesbury, Wiltshire)

Michael John Davies. For services to Business and Disadvantaged Children in North Yorkshire. (Ilkley, West Yorkshire)

Miss Michelle Rebecca Davies. Domestic Abuse and Sexual Violence Strategy manager Cornwall Fire, Rescue and Community Safety Service. For services to Victims of Domestic Abuse and Sexual Violence. (Bodmin, Cornwall)

Steven Davis. Captain Northern Ireland Football Team. For services to Football. (Southampton, Hampshire)

Ian Charles Dean. For services to Music. (London)

John Anthony Delaney. For services to the Teenage Cancer Trust. (Lochwinnoch, Renfrewshire)

Mrs Vilasgauri Ratilal Dhanani. For voluntary and charitable services. (London)

James Andrew Dick. Formerly Chair of Trustees and Governors Moor House School and College, Hurst Green, Surrey. For services to Special Educational Needs and Disabilities. (Limpsfield, Surrey)

Mrs Gillian Mary Dinsmore. Formerly vice-Chair, Music in Hospitals UK and Convenor Music in Hospitals Scotland. For services to Music and charity. (Glasgow)

Mrs Marina Ann Dolman, JP, DL. President, Bristol City Football Club. For services to Football. (Easter Compton, Gloucestershire)

Professor Claire Alice Mary Domoney. Head of Department Metabolic Biology, John Innes Centre. For services to Crop Science and Improvement of the Pea Crop in the UK. (Norwich, Norfolk)

John Joseph Donnelly. Chairman SDC Trailers. For services to Economic Development in Northern Ireland. (Magherafelt, Londonderry)

Miss Helen Fleure Dorey. Deputy director Sir John Soane's Museum. For services to Heritage. (London)

Mrs Janet Lorraine Down. Chief executive, SoLO Life Opportunities. For services to Children and Young People with Special Needs in the West Midlands. (Ansley, Warwickshire)

Mrs Darrilyn Downes. Teacher, Forest Oak School, Birmingham. For services to Special Educational Needs and Disabilities. (Birmingham, West Midlands)

Capt Jeremy Leslie Drewitt. Formerly Harbour Master PD Ports Limited. For services to the welfare of Seafarers on Teesside. (Saltburn, North Yorkshire)

Mrs Janet Dullaghan. Head of Commissioning for Children's Health and Wellbeing, Peterborough Borough Council and Founder, Dreamdrops. For services to Children's Wellbeing. (Huntingdon, Cambridgeshire)

John Dunn. Marine Scientist. For services to the Promotion of Marine Science and Education. (Portlethen, Aberdeenshire)

Lt Col Richard Harris East. For services to charity and the community in Dorchester Dorset. (Dorchester, Dorset)

Miss Joanne Idonia Eccles. For services to Equestrian Vaulting. (Tillicoultry, Clackmannanshire)

Mrs Jean Edusei. For services to Girlguiding and to Young People in Ghana. (Newcastle upon Tyne, Tyne and Wear)

Mrs Gabrielle Anne Lynam Edwards. For services to the community in the Isle of Wight. (Newport, Isle of Wight)

Ms Ndidi Ekubia. For services to Silversmithing. (Camberley, Surrey)

David Ellis. Formerly chairman Falmouth Harbour Commissioners. For services to the Economy and the community in Cornwall. (Truro, Cornwall)

Babak Erfani. Chairman Archway - the Lesbian, Gay, Bisexual and Transgender Network. For services to Network Rail and Diversity in Transport. (Reading, Berkshire)

Ms Sonia Mentena Evans. Foster Carer Royal Borough of Kensington and Chelsea. For services to Children and Families. (London)

Mrs Susan Evans. For services to Disabled People in Merseyside. (Little Crosby, Merseyside)

Alderman Allan George Ewart. For services to Local Government and the community in Northern Ireland. (Craigavon, Armagh)

Mrs Sheila Fairhurst. Co-founder, CarlyFund.co.uk. For services to People who have Suffered Domestic Abuse. (Wigan, Greater Manchester)

Trevor Fairhurst. Co-founder CarlyFund.co.uk. For services to People who have Suffered Domestic Abuse.

David Annunzio Michele Falzani. President Sainsbury Management Fellows. For services to Engineering and Enterprise. (Kent)

Eamon Joseph Fanning. Senior Officer Maritime, Aviation and Military ***Intervention*** Cell, National Crime Agency. For services to Law Enforcement and charity. (Gravesend, Kent)

Michael Roger Farrant. For voluntary service to the community in London. (London)

Mrs Marion Jean Faust. Chair of Governors, Brampton Manor Academy. For services to Education. (London)

Mrs Elspeth Finch. Entrepreneur, Founder and chief executive Officer, Indigo&. For services to Engineering and Enterprise. (London)

Alan Corry-Finn. Vice president of Trustees Northern Ireland Hospice and director of Nursing, Primary Care and Older, People Western Health and Social Care Trust. For services to Nursing. (Londonderry)

Professor Anthony Colin Fisher. Consultant Clinical Scientist head of Department and director, Merseyside, Royal Liverpool University Hospital. For services to Medical Physics and Clinical Enterprise. (Chester, Cheshire)

Michael Fitzgerald. For services to Homeless People and the community in Maidstone Kent. (Maidstone, Kent)

Terry Flanagan. For services to Rugby League and to charity in the North West. (Grasscroft, Greater Manchester)

Steven John Frankham. For services to Business and to charity in South East England. (London)

Miss Elizabeth Gage. Jeweller. For services to Business. (London)

Mrs Claire Rashleigh Garnett. Founder, Peebles Orchestra and Peebles Youth Orchestra. For services to Music in the community in the Scottish Borders. (Peebles, Tweeddale)

Ms Eileen Garvey. For services to Women who have Suffered Domestic Violence and Abuse in Buckinghamshire. (Aylesbury, Buckinghamshire)

Antony Simon Gearing. For services to Young People in the UK.

Ms Sahana Gero. For services to Music and the community in South London. (London)

Mrs Natalie Dawn Gilmour. For services to Women's Rugby League. (Rotherham, South Yorkshire)

Mrs Dawn Alison Good. Head of Stroke Service and Lead Stroke Nurse, Nottingham University Hospitals NHS Trust. For services to Nursing. (Attenborough, Nottinghamshire)

Mrs Jeanette Gilchrist Gordon. Higher Executive Officer, Department for Work and Pensions. For services to the Department for Work and Pensions and to the community in East Ayrshire. (Ayrshire)

Mrs Harriet Anne Granville. Formerly History Teacher, Tudor Hall School, Banbury. For services to Education. (Warwickshire)

Gordon Cuthbert Griffin. For services to People with Sight Impairment. (London)

Ms Elizabeth Griffith. Policy Officer Law Centre NI. For services to Vulnerable People. (Belfast)

Mrs Romayne Ida Mary Grigorova. For services to Dance. (London)

Derek Groves. Physical Education Specialist HM Prison Hull. For services to HM Prison Service and to Paralympic Sport. (Beverley, East Riding of Yorkshire)

Capt (retired) Gaubahadur Gurung. Executive Officer Ministry of Defence. For services in Support of Service Personnel. (Saffron Walden, Essex)

Ms Kimberly Jane Hager. Joint Commissioning manager (Drugs and Alcohol) Cornwall Fire, Rescue and Community Safety Service. For services to public safety. (Liskeard, Cornwall)

Mrs Barbara Elizabeth Hale. Foster Carer, Sandwell Metropolitan Borough Council. For services to Children and Families. (Tipton, West Midlands)

Martin Alan Hale. Foster Carer Sandwell Metropolitan Borough Council. For services to Children and Families. (Tipton, West Midlands)

Mrs Doreen Anne Hall. Councillor, South Lakeland District Council. For services to the community in the Lake District.

Asif Hamid. Chief executive Officer The Contact Company and Chair, Wirral Chamber of Commerce. For services to Small and Medium Sized Businesses. (Liverpool, Merseyside)

Scott Denny Hann. Gymnastics Coach. For services to Gymnastics. (Basildon, Essex)

Dr Robert William Hardeman. Deputy Chair NI Science Industry Panel. For services to the Advanced Manufacturing, Materials and Engineering Sector in Northern Ireland. (Londonderry)

Mrs Bethan Zoe Harding. Headteacher, Herbert Thompson Primary School, Cardiff. For services to Education. (Morpeth, Northumberland)

Gary Anthony Hardman. For services to the Lesbian Gay, Bisexual and Transgender Community in Greater Manchester. (Bury, Greater Manchester)

Paul Edward Harper. Formerly Team Leader Social Work Reform, Children's Services, Department for Education. For services to the Department for Education. (Stockport, Greater Manchester)

Nigel Patrick Harris, JP. Director, Camden LGBT Forum. For services to the LGBT community. (London)

Mrs Kathleen Isobel Hartshorne. For services to the community in Pontesbury, Shropshire. (Shrewsbury, Shropshire)

Ms Claire Louise Harvey. Senior consultant KPMG, GB Paralympian and Chair, Anti Homophobia and Transphobia Steering Group. For services to Diversity, Inclusion and Sport. (Kent)

Ms Adetola Kunle-Hassan. Founder Nubian Skin. For services to Fashion. (London)

Mrs Dorothy Haw. For services to the community in Sheffield, South Yorkshire. (Sheffield, South Yorkshire)

Mrs Stella Maris Hayes. For services to the Samaritans, particularly at HM Prison Preston, Lancashire. (Preston, Lancashire)

Ms Pamal Jeet Hayre. Formerly private secretary Home Office. For public service. (London)

Mrs Dian Joyce Heaney. For voluntary service to the community in Craigavon, Northern Ireland. (Craigavon, Armagh)

Columb Henry, JP, DL. For services to the community in Northern Ireland. (Coleraine, Londonderry)

Mrs Margaret Patricia Stuart Henton. Formerly Non-Executive director, Coal Authority. For services to the Environment and Professional Education. (Edinburgh)

Gareth Higgins. Managing director KMF Precision Sheet Metal Ltd. For services to Apprenticeships. (Newcastle Under Lyme, Staffordshire)

Mrs Pauline Anne Hill. Foster Carer, Cheviots Children's Disability Service, Enfield. For services to Children and Families. (London)

Roger Anthony Hill. Foster Carer Cheviots Children's Disability Service, Enfield. For services to Children and Families. (London)

Philip John Hirst. For services to charity and the community in Wigan. (Wigan, Greater Manchester)

Mrs Barbara Anne Hodkinson. Founder, Butterfly Scheme, Yorkshire. For services to People with Dementia. (Leeds, West Yorkshire)

ORDER OF THE BRITISH EMPIRE, CIVIL

ORDER OF THE BRITISH EMPIRE

MBE

Ms Alyson Hogg. Founder and Owner Vita Liberata. For services to Economic Development in Northern Ireland. (Ballyclare, Antrim)

Dr John Alan Holmes. For services to charities in Nottinghamshire. (West Bridgford, Nottinghamshire)

Mrs Meryl Homer. Pre-School manager, St. Alphege Church of England Pre-School and manager, Little Treasures and 2's Group. For services to Early Years Education. (Solihull, West Midlands)

Keith Hopkins. For services to charity and the community in Kirriemuir Angus. (Kirriemuir, Angus)

Kevin Thomas Horkin. For services to charity and to the community in Clitheroe Lancashire. (Clitheroe, Lancashire)

Lee Hough. Advanced Nurse Practitioner The White Rose Surgery, West Yorkshire. For services to Nursing. (Wakefield, West Yorkshire)

Raymond Charles Howard. Councillor Essex County Council. For services to Local Government and the community in Canvey Island. (Canvey Island, Essex)

John Wallace Howie. For services to Business and the Economy. (Kilmarnock, Ayrshire and Arran)

Mrs Elisabetta Lapenna-Huda. Entrepreneur, Founder and Chair, MyBnk. For services to Financial Services and Young People. (London)

Barry Hudson. For voluntary service to the community and Rowing. (High Shincliffe, Durham)

Dr Sean Terence Hudson. Co-founder Expedition and Wilderness Medicine and Medical Lead, UKMed, Cumbria. For services to Providing Medical Aid and Education. (Cumbria)

Ms Suzanne Leigh Hudson. Chief executive Bipolar UK. For services to People Affected by Bipolar Illness. (London)

Mrs Louise Hunter. Director of Corporate Affairs, Northumbrian Water Group. For services to Business Practice and Corporate Responsibility. (Newcastle upon Tyne, Tyne and Wear)

Imam Monawar Hussain. For services to Interfaith Relations and to the Community in Oxfordshire. (Cowley, Oxfordshire)

Ms Sally Jane Hyman. Chair of Trustees RSPCA. Llys Nini Branch. For services to Animal Welfare and the Environment. (Baglan, Neath Port Talbot)

Ian William Edward Imlay. For services to Music in Leicester. (Oadby, Leicestershire)

Mrs Razia Ismail. Chair and Founder, Aaghee. For services to Women in the Asian community in Birmingham. (Birmingham, West Midlands)

Mohamed Amin Issa. Senior Lecturer Ministry of Defence. For services to the Defence Centre for Languages and Culture. (High Wycombe, Buckinghamshire)

Abdul Jabbar. For political and public service. (Oldham, Greater Manchester)

Mrs Glynis Sylvia James. Headteacher, Heronsbridge School, Bridgend. For services to Special Educational Needs. (Pontypridd, Rhondda Cynon Taff)

Surinder Singh Jandu. For services to Community Cohesion. (London)

Thomas Glyn Jenkins. For services to the community in Greater Manchester.

Mrs Sylvia Jean Jenkinson. For services to the community in Bosley, Cheshire. (Macclesfield, Cheshire)

Mrs Julie Jennings. Formerly manager, Children, Young People and Families, Royal National Institute of Blind People. For services to Children with Special Educational Needs and Disabilities. (London)

Gideon Jewel. Global president Lear Corporation. For services to the Automotive Industry and charity. (Kenilworth, Warwickshire)

Peter John Sverre Johansen. Formerly chief executive Officer and president London Taxi Company. For services to the Automotive Industry and charity. (Sutton Coldfield, West Midlands)

Sqn Ldr (Retd) George Leonard Johnson, DFM. For services to World War II Remembrance and the community in Bristol.

Ms Mary Elizabeth (Moya) Johnston. Group vice president OEM Businesses, Survitec Group Ltd. For services to Economic Development in Northern Ireland. (Belfast)

Ms Rosemary Johnston. For services to Music. (London)

Mrs Veryan Stella Johnston. Formerly Executive director, Human Resources, Newcastle University. For services to Higher Education.

Brian Jones. For services to Glassblowing. (Sunderland, Tyne and Wear)

Mrs Clara Audrey Jones. For services to the Women's Institute and to the community. (Llangefni, Anglesey)

Professor Fiona Jones. Professor of Rehabilitation Research Kingston University and St. George's University, London. For services to Stroke Rehabilitation. (London)

Ms Jennifer Jones. Founder and manager Inspired Foundations. For services to Adoption.

Dr Nikita Kanani. General Practitioner and chief Clinical Officer NHS Bexley Clinical Commissioning Group. For services to Primary Care. (London)

Dr Serbjit Kaur. Dentist Leicestershire. For services to Dentistry. (Leicester, Leicestershire)

Stephen James Keeler. Operations manager Employment Agency Standards, Department for Business, Energy and Industrial Strategy. For services to Employment Rights. (Watford, Hertfordshire)

Dr Kenna Kennedy. For services to Promotion of the Gaelic Language Music and Gaelic Medium Education. (Pollokshields, Glasgow)

Mrs Marion Helen Kerley. For services to the community in Andover, Hampshire. (Andover, Hampshire)

Daniel Stuart Kerry. For services to Women's Hockey. (Shabbington, Buckinghamshire)

Asif Amir Khan. For services to Architecture. (London)

Dr Shah Noor Khan. For services to the Muslim community and Community Cohesion. (Leeds, West Yorkshire)

Christopher Richard Kilroy, DL. For services to charity and the community in Bedfordshire. (Oakley, Bedfordshire)

Christopher Peter Kirk. Deputy District commissioner Perth and Kinross District. For services to the Scouting Movement. (Perth, Perth and Kinross)

Daniel Rayner Kruger. Chairman Only Connect and the West London Zone for Children and Young People. For services to charity. (London)

Vikas Kumar. For services to the Arts and Culture. (Gateshead, Tyne and Wear)

Michael Eric Lambell, JP. For services to the Magistracy and to St.John Ambulance. (Dartford, Kent)

Mrs Patricia Yvonne Angela Lamour. For services to Diversity. (London)

Mrs Diane Lampard. For services to Equestrianism. (Oakham, Rutland)

Ms Fiona Margaret Larg. Chief Operating Officer and secretary University of the Highlands and Islands. For services to Education in Scotland. (Nairn)

Maurice William Lee. For services to Scouting in County Fermanagh Northern Ireland. (Kesh, Fermanagh)

Professor Christopher Terence Lewis. For services to Marine Science and Promoting Scientific Collaboration in the South West.

Charles Gething Lewis. For services to the Samaritans and the community in Herefordshire. (Ross-on-Wye, Herefordshire)

Miss Patricia Liddiard. For services to Young People in the UK and Abroad and to the community in Woodford Wells.

Ernest Ian Lindley. Foster Carer Doncaster. For services to Children and Families. (Doncaster, South Yorkshire)

Richard Howard Charles Lindley. For voluntary and charitable services. (London)

Mrs Christine Linnitt. Formerly head, Holywell Primary School, Loughborough. Elected Member of the Headteacher Board for the East Midlands and Humber. For services to Education. (Northamptonshire)

David John Lipman. For services to Liberal Judaism and the Jewish community in Nottingham. (Caythorpe, Nottinghamshire)

Ms Susan Lister. For services to Equality Diversity and the Arts in Yorkshire. (York, North Yorkshire)

Mrs Carolyn Little. Chair, Support in Mind Scotland. For services to Mental Healthcare. (Dumfries)

Miss Denise Katherine Llewellyn. Formerly Executive Nurse director Aneurin Bevan University Health Board. For services to Nursing in Wales. (Tumble, Carmarthenshire)

Ms June Martha Marshall Logan. For services to Disability Sport. (Craigavon, Armagh)

David Eric Long. For services to UK charities. (London)

Dr Michael Paul Loosemore. For services to Sports Medicine. (Wendover, Buckinghamshire)

Mrs Anne Irene Love. Volunteer manager, Western Health Social Care Trust. For services to the community in Northern Ireland. (Limavady, Londonderry)

Derek Charles Lowden. Administrative Officer Working Age Benefits, Department for Work and Pensions. For services to the Department for Work and Pensions and the community in Teddington, Middlesex. (London)

Ms Alison Jayne Lowe. For services to the Fashion Industry. (London)

Professor Rebecca Jane Lunn. Professor University of Strathclyde. For services to Science, Technology, Engineering and Mathematics. (Renfrewshire)

Professor Richard Mark Lyon. Consultant in Emergency Medicine The Royal Infirmary of Edinburgh. For services to Emergency Healthcare. (Edinburgh)

William John Mcleod Reid MacKie. Formerly Convenor Peterhead Port Authority. For services to the Fishing Industry. (Peterhead, Aberdeen)

The Reverend Roderick MacLeod. For services to the Gaelic Language and voluntary service in Argyll. (Inveraray, Argyll and Bute)

Chris MacMeikan. For services to the Music Festival and Live Events Industry. (London)

Angus Stuart MacPherson. For services to the community in Wiltshire. (Swindon, Wiltshire)

Mrs Isabella Macgregor MacRae. Community Councillor, Dores and Essich. For services to the community in Inverness and the Highlands. (Dores, Inverness-shire)

Alun David Maddox. For services to charity and Education. (Rhondda Cynon Taff)

Mrs Sandra Elizabeth Major. Formerly Senior Caseworker to Jo Cox, MP For parliamentary services and service to the community in Batley and Spen, West Yorkshire. (West Yorkshire)

Ms Angela Patricia Malone. For services to Wheelchair Curling. (Glasgow)

Tarek Fouad Malouf. Founder Hummingbird Bakery. For services to Baking and Confectionery. (London)

Mrs Jennifer Ann Marshall. Principal, Belmont Nursery School, Londonderry. For services to Education. (Eglinton, Londonderry)

Professor Leo Martin. Chairman St. Margaret of Scotland Hospice, Clydebank. For services to Healthcare and Education. (Giffnock, Renfrewshire)

Mrs Isabel Jane Alexandra Martinson. Executive chairman, Considerate Constructors Scheme. For services to Business. (Stratford on Avon, Warwickshire)

Mrs Marjorie Maskrey. For services to the community in Birkenhead, Merseyside.

Dr Mark Mason. Formerly chief executive Officer Mubaloo. For services to the Digital Economy. (Bristol)

Mrs Mary Elizabeth Matthews. For services to the Girl Guides and to The Duke of Edinburgh Award Scheme. (Alloa, Clackmannanshire)

Neil Peter May. Senior Research Fellow UCL and director Sustainable Traditional Buildings Alliance. For services to Sustainability and Energy Efficiency in Buildings and Communities. (High Wycombe, Buckinghamshire)

Thomas William Mayberry. For services to Heritage. (Taunton, Somerset)

David McAllister. Chairman Lanarkshire Branch, SSAFA. For voluntary service to Service Personnel. (Strathaven, South Lanarkshire)

ORDER OF THE BRITISH EMPIRE, CIVIL

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MBE

Mrs Laura McCartney. Assistant director, Employment Services, Disability Action. For services to Disabled People and their Families in Northern Ireland. (Rosetta, Belfast)

Dr John Pender McClure. Chairman the Scottish Cot Death Trust. For services to Paediatric Healthcare. (Ayr, Ayrshire and Arran)

Miss Linda Ann McConnell. Founder The Symphony of Dreams Charitable Trust. For services to charity. (Scotstoun, Glasgow)

Eric James McGraw. Founder and lately managing Editor Inside Time. For services to the Rehabilitation of Prisoners in England and Wales. (Taunton, Somerset)

Ms Catrina Ann McHugh. For services to Disadvantaged Women through Theatre. (Newcastle upon Tyne, Tyne and Wear)

Pastor John McKee. Pastor New Life City Church and director of City Life Centre. For services to the community in the Shankill and Falls area in Belfast. (Belfast)

Mrs Philippa Jane McKerrow. For services to Guiding in London and the South East. (London)

James Crawford McLaren. Chair Quality Meat Scotland. For services to the Farming Industry in Scotland. (Crieff, Perth and Kinross)

Mrs Valerie Jean McLea. For services to the community and Assisting Policing in Royal Wootton Bassett. (Swindon, Wiltshire)

Dr Sharon Elizabeth Anne McMurray. For services to Children with Literacy Difficulties and to those with Special Educational Needs. (Hillsborough, Down)

Mrs Mary Elizabeth McNulty. Headteacher, St. Roch's Primary and Hearing Impaired School. For services to Education and the Deaf community in Glasgow. (Bearsden, Dunbartonshire)

Mrs Christine Mary Meadows. Foster Carer, Islington Council. For services to Children and Families. (London)

Councillor Paul Stewart Metcalfe. For voluntary service to RNLI in Eastbourne. (Eastbourne, East Sussex)

Mohammad Ajman (Tommy) Miah. Chef and Restauranteur. For services to the Hospitality Industry and charity. (Edinburgh)

Mrs Loraine Midda. Head of Member Services (Lords), Parliamentary Digital Service. For parliamentary service and charitable service to Haven House Children's Hospice, Woodford Green, Essex.

Frederick Milles. Executive Officer Ministry of Defence. For services to Defence.

Mrs Irene Milne. Higher Executive Officer, Ministry of Defence. For services in Support of Military Operations. (Watford, Hertfordshire)

Mrs Katherine Ann McKenzie Milne. For voluntary service Abroad. (Elgin, Moray)

Robert John Mitchell. Emeritus Curator St. Andrews Botanic Garden. For services to Horticulture and Horticultural Education in Scotland. (Elie, Fife)

Mrs Vera May Mitchell. Volunteer, Plymouth Hospitals NHS Trust. For services to NHS Patients. (Plymouth, Devon)

Andrew Moffat. Assistant Headteacher Parkfield Community School, Birmingham. For services to Equality and Diversity in Education. (Solihull, West Midlands)

The Honourable Rosamond Mary Monckton. For voluntary and charitable services to People with Learning Disabilities and their Families in the UK and Abroad. (Dallington, East Sussex)

Mrs Beryl Eileen Moppett. For services to the community in Solihull, West Midlands. (Solihull, West Midlands)

David Frederick Morlidge. For services to the Arts and the community in Bolton. (Bolton, Greater Manchester)

Mrs Roberta Margaret Morris. Formerly Deputy chief Operating Officer, Aneurin Bevan University Health Board.

Majid Mukadam. Transplant Surgeon Queen Elizabeth Hospital, Birmingham. For services to Transplantation Patients. (Birmingham, West Midlands)

Ms Johann Cathy Muldoon. For services to Business and Architecture. (Ballymoney, Antrim)

Miss Nicola Ann Murdoch. Chief executive Defence Medical Welfare Service. For services to Armed Forces Personnel and their Families. (Farnham, Surrey)

Colin George Mustoe. Chairman Senator International. For services to Manufacturing and charity in North West England. (Ribchester, Lancashire)

Ms Helen Elizabeth Myers. Assistant Headteacher The Ashcombe School, Dorking, and Chair, London Branch Association for Language Learning. For services to Education.

Pritpal Singh Nagi, DL. For services to Business and charity in Staffordshire. (Newcastle under Lyme, Staffordshire)

Stuart Martin Nagler, DL. For voluntary service in Hertfordshire. (Radlett, Hertfordshire)

Philip Neame. Trustee and Deputy chairman The Ulysses Trust. For voluntary service to Reserve Forces and Cadets. (Malmesbury, Wiltshire)

Stephen Edward Newbound. For services to the Cabinet Office and No 10 Downing Street. (London)

Michael Nicholas. For services to the Fire and Rescue Service and BAME community in London. (London)

Peter Arthur Nicol. For services to the Highland Games the Economy and voluntary service in the North of Scotland. (Aboyne, Aberdeenshire)

Professor Jane Elizabeth Nixon. Deputy director Clinical Trials Research Unit, University of Leeds. For services to Health Research. (Bingley, West Yorkshire)

Brian David Noble. For services to Rugby League and charity.

Mrs Joanne Noble. Prison Officer Specialist (Health Care), HM Prison Manchester. For services to Prisoners' Health. (Bury, Greater Manchester)

Ms Pranee Nou. For services to Humanitarian Aid and International Development. (Gravesend, Kent)

Leonard John Nye. For services to Charitable Fundraising. (London)

Mrs Caroline Anne Oakley. Formerly director of Nursing (Quality and Patient Experience), Hywel Dda University Health Board. For services to the Nursing Profession and NHS Wales. (Tenby, Pembrokeshire)

Fergal Joseph O'Brien. For services to Social Work Practice. (Mullaghbawn, Armagh)

John O'Brien. For services to Youth Initiatives in the UK and Abroad. (Shrewsbury, Shropshire)

Ms Erin O'Connor. For services to Fashion and charity. (London)

Dr Simon O'Donovan. Clinical Lead Young Onset Dementia Service, Cardiff and Vale University Health Board. For the Development of Mental Health Services for Older People. (Rhoose, Vale of Glamorgan)

Miss Eunice Olumide. For services to Broadcasting The Arts and charity. (Edinburgh)

Mrs Elizabeth Anne O'Reilly. Chair of Governors, Greenway Primary and Nursery School, Hertfordshire. For services to Education. (Berkhamstead, Hertfordshire)

Mrs Angela Gwen O'Sullivan. County commissioner for Mid Glamorgan, St. John Ambulance. For voluntary service to First Aid. (Aberdare, Mid Glamorgan)

Stephen Peter Oxlade. Executive Principal Reigate and Coulsdon College. For services to Education. (Epsom, Surrey)

Nitin Palan. For services to Interfaith Relations. (London)

Mrs June Heather Parkinson. For political and public service. (Breaston, Derbyshire)

Miss Anjna Morarji Patel. Principal Officer Road Safety and Parking, Sandwell Council. For services to the Parking Profession. (Perton, Staffordshire)

Mrs Sazeda Patel. For services to the community in Blackburn. (Blackburn, Lancashire)

Mrs Kathleen Mary Whitmore-Payne. Foster Carer, Cornwall Council. For services to Children and Families. (Newquay, Cornwall)

Gerald John Peck. For services to Policing and local communities. (Burton on Trent, Staffordshire)

James Ernest Perry. For services to the community in Ballymena Northern Ireland. (Ballymena, Antrim)

Mrs Susan Carolyn Phelps. Operations director Wales, Alzheimer's Society. For services to People with Dementia in Wales. (Pontyclun, Mid Glamorgan)

Mrs Elizabeth Burton-Phillips. Founder, DrugFAM. For services to People who Experience Drug Addiction and their Families. (Twyford, Berkshire)

Jonathan Harry Phipps. Chairman D-Day Revisited. For services to D-Day Veterans. (Parkgate, Cheshire)

Mrs Amanda Jane Piper. Foster Carer, Suffolk County Council. For services to Children and Families. (Barnby, Suffolk)

John Andrew Plant, JP. For services to Business and the community in the North of England. (Marsh Lane, Derbyshire)

John Raymond Cochrane Pollock. For charitable services to the community. (Coleraine, Londonderry)

Mrs Alison Porter. Higher Executive Officer, Department for Work and Pensions. For services to the Department for Work and Pensions and to the community in Taunton. (Taunton, Somerset)

Richard Archer Porter. For services to the community in Glasgow. (Glasgow)

Mrs Pamela Mary Posnett. Leader, Melton Borough Council and Member, Leicestershire County Council. For services to Local Government. (Melton Mowbray, Leicestershire)

Ms Lisa Joanne Pursehouse. For services to Sport Charity Engagement and Community Development. (West Bridgford, Nottinghamshire)

Mrs Jean Hamilton Purves. For services to Girlguiding and the community in Moffat, Dumfriesshire. (Largs, Ayrshire and Arran)

Sean Rafferty. For services to Broadcasting. (London)

Dr Bharti Rajput. Director Sole Body Soul. For services to Podiatry and the Economy in Dundee. (Dundee)

Dr Khalid Rashed. Consultant in Stroke Services Yeovil Hospital. For services to Stroke Care in Somerset. (Tintinhull, Somerset)

Miss Gugulethu Sophia Mbatha-Raw. Actress. For services to Drama. (Oxfordshire)

Jonathan Rea. For services to Motorcycle Racing. (Castletown, Isle of Man)

Dr John Rooney Richards. Director Kilbryde Hospice. For services to Palliative Care in South Lanarkshire. (Stirling, Stirling and Falkirk)

Mrs Amanda Jane Richardson. Chief executive, The PACE Centre, Aylesbury and Founder-chairman, Action Cerebral Palsy. For services to Special Educational Needs. (Steeple Claydon, Buckinghamshire)

Ms Margot Roberts. (Margaret Mrs. Huddlestone), lately Administrative director, Northern Ireland Medical and Dental Training Agency. For services to Medical and Dental Education.

Ms Penny Roberts. Founder and Chair of Governors St. Luke's Church of England School, Hampstead, London. For services to Education. (London)

Mark Roscrow. Director (Procurement Services) NHS Wales. For services to Public Healthcare Procurement in Wales. (Nantgarw, Cardiff)

Mrs Susan Helen Ross. Vice president, British Exporters Association. For voluntary service to UK Exports. (London)

Mrs Jacqueline Rowbottom. Foster Carer, Cheshire West and Chester Council. For services to Children and Families. (Chester, Cheshire)

Dr Kevin Rowland. Facilitator in Systems and Services Sandwell Metropolitan Borough Council. For services to Special Educational Needs and Disabilities. (West Bromwich, West Midlands)

Robin Bernard Rush. For services to charity. (Aylsham, Norfolk)

Jonathan Charles Rushton. For services to Mountain and Cave Rescue in North Yorkshire. (Bedale, North Yorkshire)

Mrs Sylvia Russell. Chair, Lanark Community Development Trust. For services to the community and Heritage in Lanarkshire. (Lanark, Lanarkshire)

John Robert Ryan. For services to Art. (London)

Stephen John Ryder. For services to the Highland Games the Economy and voluntary service in Perthshire. (Crieff, Perth and Kinross)

Asif Sadiq. For services to Policing and the community in London. (London)

ORDER OF THE BRITISH EMPIRE, CIVIL

ORDER OF THE BRITISH EMPIRE

MBE

Ms Wendy Jane Sadler. For services to Science Engineering Communication and Engagement. (Llandaff North, Cardiff)

Nicholas Mark Sales. Chief Engineer Valent Applications Ltd. For services to Defence. (London)

Richard Salmon. Senior Executive Officer Ministry of Defence. For services to Defence. (London)

Ms Adele Emily Sande. For services to Music. (London)

Trevor Martin Sapey. For services to The Mary Rose Museum and Disabled and Disadvantaged People in Portsmouth and the South East. (Southsea, Hampshire)

Miss Ruth Joan Sara. For services to Young People in the South West of England. (Bath, Somerset)

David Sherrard Sawyer. For services to charity and the community in Brighton. (Brighton, East Sussex)

Timothy Sayer. For services to Art and Philanthropy. (London)

Ms Dorina Isabella Scott. Headteacher Beavers Community Primary School, Hounslow. For services to Education. (London)

Mrs Jacqueline Catherine Scott. For services to Children and the community in Sheffield, South Yorkshire. (Sheffield, South Yorkshire)

Ms Louise Baxter-Scott. Scams Team manager National Trading Standards. For services to Protecting Vulnerable People from Financial Abuse. (Eastbourne, East Sussex)

Dr Cherith Semple. Macmillan head and Neck Clinical Nurse Specialist South Eastern Health and Social Care Trust. For services to Nursing. (Newtownards, Down)

Mrs Ishbel Sewell. For services to the community in Aldbourne, Wiltshire. (Aldbourne, Wiltshire)

Tejinder Kumar Sharma. For services to Hindi Literature and to Community Cohesion in London. (London)

Mrs Denise Shaw. Formerly Chair of Governors, Outwoods Primary School. For services to Special Educational Needs and Disabilities. (Burton-on-Trent, Staffordshire)

Ms Sandie Shaw. Singer. For services to Music. (Oxfordshire)

Edward Christopher Sheeran. For services to Music and charity. (London)

Ms Emma Sheldon. For services to Exports. (Stockport, Greater Manchester)

Mrs Deborah Shelley. Centre manager, Bootle Church of England Team Ministry. For services to the Church and the community in South Sefton. (Waterloo, Merseyside)

The Reverend Canon Anthony Michael Shepherd. For services to the Church and the community in Harrogate North Yorkshire. (Harrogate, North Yorkshire)

Grahame Shepherd. Chairman Service Children in State Schools. For voluntary service to the Children of Military Personnel. (Bedale, North Yorkshire)

Ms Peggy Sherwood. Formerly president Jewish Gay and Lesbian Group. (London)

Mrs Michele Shirlow. Chief executive, Food Northern Ireland. For services to the Food and Drink Sector in Northern Ireland. (Newtownards, Down)

Christopher Kevin Shurety. For services to Music. (London)

Keith David Simons. For services to Jewish Prisoners and the Jewish community in Pinner Middlesex. (London)

Douglas Ian Mowat Simpson. Pharmaceutical Journalist Kent. For services to Pharmaceutical Journalism. (London)

Mrs Georgina Felicia Tutuaa Bondzi-Simpson. Chair of Governors, Kingsbury High School. For services to Education. (London)

Mrs Dawn McCarthy-Simpson. Director, ***Producers*** Alliance for Cinema and TV. For services to Exports. (Brough, East Riding of Yorkshire)

Mrs Elizabeth Rosemary Skelcher. Formerly assistant director of Economic Development, City of London Corporation. For services to Business Relations and Development in London. (London)

Miss Ruby Smith. For services to Charitable Fundraising and Young and Elderly Vulnerable People in Sheffield South Yorkshire. (Sheffield, South Yorkshire)

Ms Amanda Jane Southwick. Principal Marchbank Free School, Darlington, County Durham. For services to Education. (Darlington, Durham)

Brian Allen Spencer. For services to Mountain Rescue in Cumbria. (Keswick, Cumbria)

Dr Shobba Srivastava. For voluntary service to Community Cohesion in North East England. (South Shields, Tyne and Wear)

Dr Alan Campbell Stanfield. For services to Curling. (Nairn)

Alan Neil Russell Stannah. Joint chairman Stannah Lifts Holdings Ltd. For services to British Manufacturing. (Chichester, West Sussex)

Brian Leslie Russell Stannah. Joint chairman Stannah Lifts Holdings Ltd. For services to British Manufacturing. (Wimborne, Dorset)

Mrs Margaret Carol Stannard. Volunteer, Oak Field School and Specialist Sports College, Nottingham. For services to Special Educational Needs. (Nuthall, Nottinghamshire)

Malcolm Richard Stanton. Acting head Protective Equipment Group, London Fire Brigade. For services to the Safety of Firefighters and the Protection of the Public. (Gillingham, Kent)

Gwyn Starkey. For services to the Lesbian Gay, Bisexual and Transgender Community in Greater Manchester. (Bury, Greater Manchester)

Richard David Stevens. For services to the community in Hastings East Sussex. (Hastings, East Sussex)

Barry Stickings. Formerly Chair Micro and Anophthalmic Children's Society. For services to Children with Visual Impairments. (Broadstairs, Kent)

James Stretton. Formerly chairman Lammermuir Festival. For services to the Arts, Finance and charity in Scotland. (Haddington, East Lothian)

Mrs Alison Sykes. For services to Troubled Families in Dearne, South Yorkshire. (Rotherham, South Yorkshire)

Graham Taylor. For services to Forestry. (Hereford, Herefordshire)

Jonathan Francis James Taylor. Formerly Headmaster Bootham School, York. For services to the York Independent State School Partnership. (Truro, Cornwall)

Professor Richard Hamilton Taylor. Visiting Professor in Civil Engineering University of Bristol. For services to Engineering. (Portishead, Bristol)

Mrs Patricia Lorraine Thomas. HR and Redeployment Adviser, Transport for London. For services to Transport in London and the community. (London)

Capt Winston Thomas. Owner Pembrey Airport. For services to Aviation in Wales. (Llanelli, Carmarthenshire)

Dr Elizabeth Claire Thompson. Formerly Senior Policy Adviser Wellcome Trust. For services to Science. (Royston, Hertfordshire)

Bernard Oliver Tickner. For services to Horticulture and to Wildlife Conservation in Suffolk. (Bury St Edmunds, Suffolk)

Hugh Robert James Totten. For services to the community in Northern Ireland. (Lisburn, Antrim)

David Brian Treadwell. For voluntary service to the community in Acocks Green Birmingham. (Birmingham, West Midlands)

Richard Treble. Chief Scientific Adviser LGC. For services to the Advancement of Drug Forensics. (London)

Duncan Tree. Head of Policy and Performance Volunteering Matters. For services to Social Care. (Brighton, East Sussex)

Richard Michael Twemlow. For services to Scouting in Wirral. (West Kirby, Merseyside)

Vernon Chandrasiri Udugampola. For services to Humanitarian Aid particularly in Sri Lanka and the UK. (London)

Tariq Zamir Usmani. Founding Chair Better Community Business Network. For services to Community Cohesion. (Beaconsfield, Buckinghamshire)

Robert David Uttley. For services to the community in Calder Valley and Todmorden West Yorkshire. (Todmorden, West Yorkshire)

The Reverend June Vaughan. For services to the community in Aberfan Young People and the Red Cross. (Merthyr Tydfil)

Norman Veitch. For services to Glassblowing. (Dartington, Devon)

Deepak Verma. For services to the Arts. (London)

Ms Jean Margery Vidler. Secretary Kingston Environment Centre and director, Green Futures Festivals. For services to the community in Kingston upon Thames. (London)

Willem Patrick Visscher. For services to the Craft of Parchment and Vellum Making. (Ivybridge, Devon)

Councillor Alberta Margaret Mallard Waddington. For services to the community in the West Midlands. (Sutton Coldfield, West Midlands)

Brian Wilfred Walker. Headteacher West Park School, Derby. For services to Education. (Derbyshire)

Mrs Carol Walker. Director, Somme Association. For services to Commemoration and Reconciliation. (Belfast)

Mrs Catherine Walker. War Poets Collection Curator, Edinburgh Napier University. For services to Education, Heritage and Public Engagement. (Edinburgh)

Mrs Dawn Walker. Senior Executive Officer, Ministry of Defence. For services to Defence. (London)

Ms Helen Mary Walker. For services to Heritage and the community in Ealing. (London)

Mrs Louise Ann Walkiden. Foster Carer, Hertfordshire County Council. For services to Children and Families. (Hoddesdon, Hertfordshire)

Timothy John Walkiden. Foster Carer Hertfordshire County Council. For services to Children and Families. (Hoddesdon, Hertfordshire)

Alan Robert Waltham. Leader North Lincolnshire Council. For services to Local Government. (Brigg, Lincolnshire)

Col Michael Robert Lorne Ward. Honorary Treasurer Combat Stress. For voluntary service to Veterans. (London)

Simon Christian Iliffe Watkin. Office for Security and Counter-Terrorism Home Office. For services to Border Security. (Maidstone, Kent)

Mrs Janet Watson. Deputy Headteacher, Queen Elizabeth's School, Wimborne, Dorset. For services to Education. (Wimborne, Dorset)

Andrews Dennis Webb. School secretary London School of Economics. For services to Higher Education and to the community in East Anglia. (Cambridgeshire)

Mrs Gail Eileen Webb. Education consultant and lately head of Learning Improvement, Leeds Local Education Authority. For services to Education. (Wirral, Merseyside)

Mrs Janet Elizabeth Wheatley, DL. For services to Voluntary Action Rotherham and the community in Rotherham, South Yorkshire. (Eckington, Derbyshire)

Ms Fiona Deborah Joyce Whimster. Headteacher The Lincoln St. Giles Nursery School. For services to Education and Community Cohesion in Lincolnshire. (Lincoln, Lincolnshire)

Richard Henry Whitehouse. For services to Cave and Mountain Rescue Organisations.

Mrs Una Maria Wiatrek. Senior Executive Officer, Scotland Lead, Devolution Strategy, Advice and Legislation Team, Department for Work and Pensions. For services to the Department for Work and Pensions. (Falkland, Fife)

Miss Kate Wickham. Managing director GATE7 Ltd. For services to Exports and Outward Investments. (Newcastle upon Tyne, Tyne and Wear)

Mrs Etheleen Mildred Wigley. Founder, Children First Derby Charity. For services to Vulnerable Children in Derby. (Littleover, Derbyshire)

Dr John Alasdair Wilson. Consultant Gastroenterologist Fife Health Board. For services to Healthcare. (Cupar, Fife)

Ms Jennifer Woods. Associate director Widening Participation, Kingston University. For services to Widening Access to Higher Education. (London)

Mrs Iona Margaret Worthington. For voluntary political service. (Bury, Greater Manchester)

Oladele Woye. Executive Officer Department for Work and Pensions. For services to the Department for Work and Pensions and to the community in East London. (London)

Mrs Mary Hunter Yapp. For services to Art through the Albany Art Gallery, Cardiff and charitable services in Wales. (Cardiff, South Glamorgan)

John Melville Young. Formerly president Homeless World Cup. For services to Sport and Social Entrepreneurship. (Edinburgh)

Robert James Barton Young. Chair Board of Governors, Foyle College and Governor, Ebrington Primary School. For services to Education in Northern Ireland.

BRITISH EMPIRE MEDAL

BEM

Mrs Bula Chakravarty-Agbo. For services to the Arts within the community in South London. (London)

Ajaz Ahmed. Mentor Mosaic Network and Council Member / Advisory Board Member, Huddersfield University. For services to Young People. (Huddersfield, West Yorkshire)

Mrs Patricia Obiageli Aiyenuro. For services to Sport in the London Borough of Camden.

Anthony Francis Edwin Lister Aldridge. For services to the community in Ealing London. (London)

Mrs Julie Ann Alford. For services to Young People in Holt, Norfolk. (Holt, Norfolk)

Mrs Noor Jahan Ali. Senior Buying manager, World Foods, Wm Morrison Supermarkets Plc. For services to Diversity in the Retail Industry. (Leeds, West Yorkshire)

Ronald William Allison. For services to Athletics. (London)

James Campbell Anderson. Honorary president 1st Stonehouse Company. For services to the Boys' Brigade and the community in Stonehouse, Lanarkshire. (Larkhall, Lanarkshire)

Mrs Marjorie Atkinson. For services to the community in Great Hale, Lincolnshire. (Sleaford, Lincolnshire)

Henry Stephen Austin. For services to the Boys' Brigade in Tonbridge and North West Kent. (Tonbridge, Kent)

Ms Catherine Rachel Bache. Founder Secret Garden Outdoor Nursery. For services to Early Years Play and Education in Fife. (Cupar, Fife)

Olayinka Idris Bada. Designated Detention Officer Metropolitan Police. For services to Policing. (London)

Reginald John Bailes. For services to Sport and the community in Old Trafford Manchester. (Old Trafford, Greater Manchester)

Mrs Felicity Alice Bailey. Teaching assistant, Sir Harry Smith Community College, Peterborough. For services to Education. (Whittlesey, Cambridgeshire)

Bryan Logan Bain. Volunteer Nairn Citizens' Advice Bureau. For services to the community in Nairn. (Auldearn, Nairn)

Dr Michael Bandar. Entrepreneur. For services to Young Entrepreneurs in the West Midlands. (Birmingham, West Midlands)

Christopher Luke Bannister. For services to the community in Newton and Clifton Lancashire. (Preston, Lancashire)

Miss Beryl May Barcroft. For services to Young People and the community in Forsbrook Staffordshire. (Stoke on Trent, Staffordshire)

Fergus Allan Barklie. For services to Tennis. (Ballymena, Antrim)

Richard Frank Barugh. For services to the community in Easingwold North Yorkshire.

Leonard Arthur Bates. For services to the community in Acton Trussell Bednall and Teddesley Hay, Staffordshire. (Acton Trussell, Staffordshire)

Mrs Valerie Jean Bell. For services to the community in Huddersfield and Kirklees, West Yorkshire. (Huddersfield, West Yorkshire)

Mrs Joan Bellis. For services to charity and to the community. (Holt, Wrexham)

Mrs Pamela Irene Berry. For services to the community in Delph, Greater Manchester. (Saddleworth, Greater Manchester)

Miss Valerie Black. For services to the community in Cookstown County Tyrone. (Cookstown, Tyrone)

Graham Charles Bland. For services to The Fire Fighters' Charity and the community in Nottinghamshire. (Mapperley, Nottinghamshire)

Mrs Carol Margaret Bratty. President, Hardwicke and District Branch, Royal British Legion. For voluntary service to ex-Service Personnel. (Quedgeley, Gloucestershire)

Paul James Breen. For charitable services to the Aberdeen Royal Infirmary Therapeutic Roof Garden. (Bridge of Don, Aberdeen)

Mrs Pamela Joan Britton. Caretaker, Stifford Clays Medical Practice, Essex. For services to Healthcare. (Grays, Essex)

Mrs Glenda Margaret Brocklehurst. Manager, Early Years Projects, Stockport Metropolitan Council. For services to Children and Families. (Knutsford, Cheshire)

Mrs Susan Brook. For services to the community in Llanfrynach and Cantref. (Brecon, Powys)

Mrs Florence Elizabeth Broughton. For services to Disabled People in Abingdon, Oxfordshire. (Abingdon, Oxfordshire)

Miss Grace Brown. For voluntary service to the community in Langholm Ewes and Westerkirk. (Langholm, Dumfries and Galloway)

Ian Elliott Brown. For services to Badminton. (Scone, Perth and Kinross)

Mrs Margaret Elizabeth Mary Brown. For services to Music in Northern Ireland. (Ballycastle, Antrim)

Mrs Mary Young Brownlie. For services to the community in Broughton and Upper Tweeddale. (Broughton, Tweeddale)

Dr Melanie Bruce. Clinical Psychologist Starfish Plus. For services to Children and Families in Norfolk. (Fakenham, Norfolk)

Mrs Brenda Margaret Bryden. For voluntary service to Wrexham Maelor Hospital and the community in Wrexham. (Rhosnesni, Wrexham)

Mrs Eileen Fiona Buchan. Management Team Chair, Peterhead Unit, Sea Cadet Corps. For voluntary service to Young People. (Peterhead, Aberdeenshire)

Mrs Joan Bunn. For services to Citizens' Advice Bureau and the community in Nuneaton, Warwickshire. (Nuneaton, Warwickshire)

Mrs Denise Burgin. Sessional Supervisor, ParentLine Scotland. For services to the Welfare of Children and their Families. (Earlsferry, Fife)

Roger John Burnett. For services to the community in Scarborough. (Malton, North Yorkshire)

Clifford Keith Burns. For services to the community in Newtownards County Down. (Belfast)

Graham Edward Bushill. For services to Young People in Crewe. (Crewe, Cheshire)

James Anthony Fowell Buxton. For services to the community in Yeovil Somerset. (Yeovil, Somerset)

Miss Henrietta Millicient Campbell. Vice president Royal British Nursing Association. For services to Disabled Registered Nurses. (London)

Mrs Elizabeth Marilyn Campbell. For services to the Girlguiding in Northern Ireland. (Belfast)

Ms Evelyn Rebecca Canavan. For services to Mental Health. (London)

Alistair Cassie. For services to the community in Ballater Aberdeenshire. (Ballater, Aberdeenshire)

Allan Caswell. For services to the community in Bayston Hill Shropshire. (Shrewsbury, Shropshire)

Mrs Chrystine Sarah Claire Chalk. For voluntary service to Save the Children. (London)

William Chambers. For services to Football and the community. (St Anns, Nottinghamshire)

Mrs Carol Margaret Chapman. Member, St. John Fellowship Cheshire. For voluntary service to St. John Ambulance. (Warrington, Cheshire)

Ms Helen Chapman. Grade 7 Ministry of Defence. For services to Defence. (London)

Alan Alexander Clarke. For services to the community in Northern Ireland through Dance Education. (Belfast)

Mrs Jean Clarke. For services to Riding for the Disabled Association, Northern Ireland. (Ballymena, Antrim)

Mrs Morag Allan Coates. For services to Young People in Darlington. (Darlington, Durham)

Connal Murray Cochrane. Director The Cochrane Foundation. For services to the community in Alva, Clackmannanshire. (Clackmannanshire)

John James Cochrane. For services to Sport and the community in Northern Ireland. (Craigavon, Armagh)

Mrs Lillian Cook. Co-Owner, Perth and Dundee Tuition Centres. For services to Education. (Doune, Perth and Kinross)

Richard Neville Kenneth Copas. For services to Young People in Holt Norfolk. (Holt, Norfolk)

Mrs Jean Roberta Corliss. Treasurer and Operations manager, Soar Valley Bus. For services to Rural Community Transport. (Sutton Bonington, Nottinghamshire)

Mrs Avril Cotterill. For services to the community in Haughton, Staffordshire. (Haughton, Staffordshire)

Lee Grant Cracknell. For services to Disability Sport in Essex. (Bicknacre, Essex)

Andrew Frederick Craig. For services to the Armed Services and the community in Fleetwood Lancashire. (Fleetwood, Lancashire)

Miss Rosalind Cramp. For services to Disability Sport in Hertfordshire. (Letchworth, Hertfordshire)

Miss Mandy Cunningham. For services to Bowling. (Belfast)

Joseph Henry Curry. For services to Charitable Fundraising in County Tyrone. (Cookstown, Tyrone)

Ms Natasha Dalton. Tutor City College Peterborough. For services to Further Education. (Peterborough, Cambridgeshire)

Mrs Ellen Marie Delaney. For services to the community in Fordbridge, Solihull. (Solihull, West Midlands)

Mrs Mary Diamond. For services to Cancer Support. (Londonderry)

Ms Marianne Rose Diller. For services to the community in Halesowen West Midlands. (Halesowen, West Midlands)

Mrs Ruby Eva Ditcher. For services to the community in Tavistock, Devon and Callington, Cornwall. (Callington, Cornwall)

Mervyn John Dougan. For services to Older People in Northern Ireland. (Collone, Armagh)

Mrs Margaret McCall Driscoll. For services to the community in Burnmouth, Berwickshire. (Eyemouth, Berwickshire)

Mrs Pamela Joyce Drummond. For voluntary service. (Lisburn, Antrim)

William Thomas Duperouzel. For services to charity and the community in Bedfordshire. (Leighton Buzzard, Bedfordshire)

Mrs Rachel Ehrentreu. For services to the Vulnerable and Elderly members of the Jewish community in North West London.

Mrs Barbara Ann Elliott. For services to Young People, charity and the community in Llangattock and Crickhowell. (Crickhowell, Powys)

Christopher Elwell. Director Half Moon Theatre. For services to Theatre and Young People. (London)

Brian Wynn Evans. For voluntary service in the Scottish Borders. (Scottish Borders)

Ms Andree Falla. For services to the Girl Guides and other charities. (Stotfold, Bedfordshire)

Dean Faulkner. Bandmaster Isle of Sheppey St. John Ambulance Band. For voluntary service to St. John Ambulance. (Sheerness, Kent)

Mrs Uma Nalayini Fernandes. For voluntary service to Community Healthcare in Middlesex. (London)

Timothy Fogden. For services to charity and the community in Bury St Edmunds Suffolk. (Bury St. Edmunds, Suffolk)

Mrs Barbara Evelyn Forrai. For services to charity in the UK and Russia. (London)

Mrs Zoe Frais. For services to Young People and the community in Alnwick, Northumberland. (Alnwick, Northumberland)

Mrs Mary Alison Freemantle. For services to the community in Bishop's Waltham, Hampshire. (Bishop's Waltham, Hampshire)

Mrs Beatrice Evelyn Frost. For services to UK National Heritage. (Hailsham, East Sussex)

Mrs Lilian Elsie Fuller. For services to Elderly People in Ash, Surrey. (Aldershot, Hampshire)

Barry Anthony Furness. Chairman Fareham Branch, RAF Association. For voluntary service to ex-Service Personnel. (Fareham, Hampshire)

Mrs Margaret Elizabeth Galbraith. For services to Foster Care in Northern Ireland. (Strabane, Tyrone)

Mrs Shirley Galsworthy. For services to Elderly People and the community in St. Albans, Hertfordshire. (St. Albans, Hertfordshire)

Mrs Priscilla Lyons Gamble. For voluntary service to the community in County Fermanagh, Northern Ireland. (Lisbellaw, Fermanagh)

Mrs Eileen Anne Gardner. Art Tutor. For services to Adult Education and the Arts in Fife. (Newport-on-Tay, Fife)

Richard Adrian Giles, JP. For services to the community in Pewsey Wiltshire. (Pewsey, Wiltshire)

Phillip Robert Gillespie. For charitable services in Northern Ireland. (Ballymena, Antrim)

Alastair Gilmore. For services to Higher Education and to the community in Antrim Northern Ireland. (Carrickfergus, Antrim)

Robert Edward Glasgow. Secretary Cockenzie and Port Seton Amateur Radio Club. For services to Amateur Radio, the community and charity in South East Scotland. (Port Seton, East Lothian)

Mrs Sheena Mhairi Glover. For services to Music and charity in Angus. (Arbroath, Angus)

Mrs Doreen Golding. For services to charity and the Pearly Kings and Queens Society. (London)

Richard Jeremy Golland. For services to Business and charity. (Brookmans Park, Hertfordshire)

Mrs Hilary Nan Goodall. For services to the community in Blackburn with Darwen, Lancashire.

David (Bill) Gordon. Ranger Peak District National Park. For services to Wildlife, particularly the Protection of the Ring Ouzel.

Samuel Johnston Gray. Organist and Choirmaster Ballyholme Presbyterian Church, Bangor, Northern Ireland. For charitable services. (Holywood, Down)

Mrs Joan Thelma Green. Chair, Homestart Craigavon. For services to Children and Families in Northern Ireland. (Waringstown, Armagh)

Dr Linda Helene Greenwall. Dentist Hampstead Healthcare Ltd. For services to the Dental Profession in the UK and Abroad. (London)

Steven Barry Greenwood. Special chief inspector British Transport Police. For voluntary service to Policing. (London)

Raymond Griffiths. Secretary Birmingham Branch, SSAFA. For voluntary service to ex-Service Personnel. (Birmingham, West Midlands)

Mrs Urszula Krystina Gudiens. For services to Charitable Fundraising. (Moor Park (Northwood), Hertfordshire)

Ms Mary Ishbel Haggarty. Secretary Arrochar and Tarbert Community Council. For services to the community in Arrochar, Tarbet and Ardlui, Argyll. (Arrochar, Dunbartonshire)

Ms Patricia Hall. For services to the community. (Workington, Cumbria)

Mrs Eileen Alicia Hamilton. For services to the community in Northern Ireland. (Dromore, Down)

Martyn Charles Hamlin. Disability Employment Adviser Devon Cornwall and Somerset, Department for Work and Pensions. For services to the community in Norton Sub Hamdon, Somerset. (Norton Sub Hamdon, Somerset)

Frank Leslie Hancock. For services to Golf and the community. (Newcastle Under Lyme, Staffordshire)

Mrs Louisa Esther Harbottle. Prison Visitor, HM Prison Frankland. For services to Prisoners. (Blaydon, Tyne and Wear)

Franklyn Harris. Learning Ambassador Learning and Work Institute. For services to Adult Learning and Skills. (London)

Mrs Josephine Harris. For services to charity and the community in Lincoln. (Lincoln, Lincolnshire)

Mrs Marian Jean Harris. Musical director, Milford Haven Amateur Operatic Society. For services to Music and Amateur Community Theatre in Pembrokeshire. (Milford Haven, Pembrokeshire)

Noel Harris. For services to charity and the community in Lincoln. (Lincoln, Lincolnshire)

Kenneth Harvey. Head of Service Children with Disabilities, Central Bedfordshire Council. For services to Children and Young People. (Biggleswade, Bedfordshire)

Anthony John Hawkins. For voluntary service to Disabled People in Ceredigion. (Ceredigion)

Mrs Marie Hawthorne. Escort for Lord-Lieutenant Cadets, Northern Ireland Reserve Forces and Cadets Association. For voluntary service to the Army Cadet Force. (Belfast)

Miss Rachel Hayes. Head of Membership and Events Regen SW. For services to Women in the Energy Sector. (South Molton, Devon)

Mrs Erika Roswitha Hayward. Founder, Timbertown, Maidenhead. For services to Education. (Maidenhead, Berkshire)

Dr Samantha Georgina Healy. Campaign director the 5 percent Club, QinetiQ. For services to Apprenticeships and Graduate ***Programmes*** in the Defence Industry. (Winchester, Hampshire)

Mrs Elizabeth McRae Hendry. For services to Clydebank Golden Jubilee Hospital. (Glasgow)

Miss Melanie Hipwood. Security Operations manager Department for International Development. For services to Public Administration. (Sittingbourne, Kent)

David Hugh Hodge. For services to the community in Cockfield Suffolk. (Bury St Edmunds, Suffolk)

David Allen Hogarth. For services to Elderly People in Westminster London. (London)

Mrs Mary Holman. For services to the community in Ditchling, East Sussex. (Ditchling, East Sussex)

Ms Deborah Ann Holme. For services to Dance and Young People in Essex. (Chelmsford, Essex)

Christopher John Houlgate. Volunteer. For services to Southrepps Commons. (Southrepps, Norfolk)

Mrs Elizabeth Hueston. Writer. For services to the community in Portglenone, County Antrim. (Ballymena, Antrim)

Mrs Margaret Rees-Hughes. Community Non-Officer (Independent Member), Hywel Dda University Hospital Board. For services to the NHS in Wales. (Llanelli, Carmarthenshire)

Mrs Mary Hugo. For services to the community in Manaton, Devon. (Newton Abbot, Devon)

Neil Andrew Christopher Hulme. Conservation Adviser Sussex Branch, Butterfly Conservation. For services to Wildlife Conservation. (West Sussex)

Mrs Muriel Anna Hunt. For charitable services in Oxford. (Oxfordshire)

Hugh Arthur Hutchinson. Captain 1st Vale of Leven Boys' Brigade. For services to the Boys' Brigade and the community in Vale of Leven. (Clydebank, Dunbartonshire)

Miss Felicity Jane Irons. For services to Rush and Heritage Crafts. (Bedford, Bedfordshire)

Ashley Norman Jackson. Landscape Watercolourist. For services to Art. (Holmfirth, West Yorkshire)

Mrs Valerie James. For services to Older People and to the community. (Seven Sisters, Neath Port Talbot)

Edward James Jenkins. For services to the community in Dinas Powys. (Powys, Vale of Glamorgan)

Mrs Jennifer Carol Johns. For voluntary service in Portsmouth, Hampshire. (Southsea, Hampshire)

Colin Johnson. Operations assistant the Conservative Party. For political service. (London)

Mrs Gloria Elizabeth Johnson. For services to the community in Measham, Leicestershire. (Wem, Shropshire)

Ian Johnson. For services to the community in Skelton North Yorkshire. (Saltburn, North Yorkshire)

Frank Jonas. For services to the community in Portsmouth. (Portsmouth, Hampshire)

Capt David Cledlyn Jones. For services to Anglo-German relations and World War II Education. (Pennard, Swansea)

Ronald William Godfrey Jones. Chairman Bassaleg and Rhiwderin Branch, Royal British Legion. For voluntary service to ex-Service Personnel and their Families. (Newport, Gwent)

Mrs Mary Kasey. For voluntary service to Save the Children. (Epsom, Surrey)

Mrs Janet Margaret Kempson. Manager, Centre Place Family Centre, Southend on Sea, Essex. For services to Children and Families. (Rayleigh, Essex)

Miss Janet Dawn Kerridge. For services to the community in Walsham le Willows Suffolk. (Bury St Edmunds, Suffolk)

Mrs Jane Kett. For services to the Girl Guides in Grimsby. (Grimsby, Lincolnshire)

Miss Lorna Elizabeth Key. For services to the community in Little Totham Essex. (Little Totham, Essex)

Suraj Bhan Khandelwal. Chairman and managing director S&A Drapers Ltd and Secure Deposit Ltd. For services to Business and the community in Leicester. (Birstall, Leicestershire)

Mrs Ann Georgina Khoshbin. For services to Education. (Blackpill, Swansea)

Mrs Ibolya Violet Knill. For services to Holocaust Education and Interfaith Cohesion. (Leeds, West Yorkshire)

Vinod Mathuradas Kotecha. For services to the Asian community in North London. (Watford, Hertfordshire)

Gavin Richard Lambert. Head of Information Department National Crime Agency and chairman of Trustees, Different Strokes. For services to Law Enforcement and Young People. (Horley, Surrey)

Alan James Wilson Langton. For services to the community in Mapperley and Arnold Nottinghamshire. (Mapperley, Nottinghamshire)

Ronald Peter Lavers. For services to the community in the Rame Peninsula Cornwall. (Torpoint, Cornwall)

Miss Celia Jane Leatt. For services to the community in Bristol. (Westbury-on-Trym, Bristol)

Dr Rudolf Oscar Leavor. For services to the Jewish community and Interfaith Relations in Bradford West Yorkshire. (Bradford, West Yorkshire)

Norman Lee. For services to Football and Young People in Tameside. (Hyde, Greater Manchester)

The Reverend Jane Mary Legh. For voluntary service in Derbyshire. (Ashbourne, Derbyshire)

James George Francis William Leslie. For voluntary service to Police Welfare in Northern Ireland. (Ballymena, Antrim)

Mrs Gaynor Ann Lewis. For services to charity and the community in Rowsley, Derbyshire. (Matlock, Derbyshire)

Mrs Linda Lewis. Volunteer, West Durrington Phoenix Youth Group. For services to Young People.

Mrs Noreen Mary Lewis. Lead Nurse, Cardiff and Vale University Hospital Board. For services to Haematology Nursing in South Wales. (Newport)

Edwin Horace Lintott. For services to the community in Stedham West Sussex.

Harvey Arthur Lawrence Lloyd. For services to the community Mountain Rescue, Mountaineering and Heritage in Wales. (Caernarfon, Gwynedd)

Harry Lodge. President and chairman Wakefield Angling Club, and Executive Committee Member, Newmillerdam Country Park. For services to Angling. (Wakefield, West Yorkshire)

Jacqueline Longden. Formerly manager The BLESMA Elizabeth Frankland Moore Home, Blackpool. For services to Veterans. (Blackpool, Lancashire)

John William Lord. For services to Flintknapping. (King's Lynn, Norfolk)

Geoffrey Philip Lynch. For services to Disabled People and the community in Waterlooville and Havant Hampshire. (Waterlooville, Hampshire)

Ian Bradley MacDonald. For services to Citizens' Advice Bureau and the community in Lisburn. (Lisburn, Antrim)

Joe Mahon. For services to charity and Cross Community Relations in Fermanagh. (Irvinestown, Fermanagh)

Mrs Janice Main. Volunteer and lately Governor, Stag Lane Junior School, Edgware. For services to Education. (London)

Mohammed Tauqeer Malik. Councillor Aberdeen City Council. For services to the community in Aberdeen. (Aberdeen)

Edward Marcus. Chairman Maysfield Support Group. For services to the Cancer Fund for Children. (Belfast)

Ms Dorothy Mary Markham. Director Cairn Mhor Childcare Partnership. For services to Children, Young People and their Families in Fife. (Falkland, Fife)

John Bernard George Marsden. For services to the community in Tickhill South Yorkshire. (Doncaster, South Yorkshire)

Mrs Anne Isabel Masino. For voluntary service to Young People through the UK Scout Association. (Argyll and Bute)

Ms Margaret Anne Mason. For services to the Friends of Thetford Forest and Heritage in Suffolk.

Mrs Margaret Mather. Secretary, Inveraray Highland Games. For services to the community in Inveraray. (Inveraray, Argyll and Bute)

Samuel James Mawhinney. Director Denholm Fish Selling Company Ltd. For services to the Fishing Industry and community in County Down. (Newtownards, Down)

Mrs Elizabeth McCann. For services to Criminal Justice. (Ballyclare, Antrim)

Mrs Mary McCarthy. For voluntary service. (Portaferry, Down)

Ian McDonnell. For services to the community in the Ards Peninsula Northern Ireland. (Newtownards, Down)

Mrs Mary McGowan. First Aid Volunteer, British Red Cross. For voluntary service to First Aid in Aberdeen.

Miss Elaine McHaffie. Volunteer North East Sensory Service, Aberdeen Branch. For services to People with Disabilities and charity. (Aberdeen)

Frank McHugh. Group Scout Leader 33rd Ayrshire Scout Group. For services to the Scouting Movement and the community in East Ayrshire. (Dalmellington, Ayrshire and Arran)

Ms June McIntosh. Deputy Charge Nurse Edinburgh Cancer Centre. For services to Young People with Cancer and to charity in Edinburgh. (Edinburgh)

Mrs Iris Ann Hume King McNab. Secretary, Friends of Victoria and Whyteman's Brae Hospitals. For services to charity in Kirkcaldy, Fife. (Kirkcaldy, Fife)

Mrs Jacqueline Fraser McNairn. For services to Young People and the community in Pathhead, Midlothian. (Pathhead, Midlothian)

James Duncan McKay McNeill. For services to the community in Broughshane and the Glens Northern Ireland. (Ballymena, Antrim)

Brian Medhurst. For services to the community in Yelverton Devon. (Yelverton, Devon)

David Meldrum. For services to Rothesay Brandanes Amateur Football Club Argyll and Bute. (Rothesay, Argyll and Bute)

Mrs Iffet Anwar Mian. Founding Member, All Pakistan Women's Association Birmingham Branch. For charitable and community service. (Birmingham, West Midlands)

Andrew Johnston Michie. For services to the Safety of Outdoor Adventure Activities. (Clackmannan, Clackmannanshire)

Mrs Sabina Miller. For services to Holocaust Education and Interfaith Cohesion. (London)

Roger Graham Millns. For services to the community in Audlem Cheshire. (Crewe, Cheshire)

Arthur Alexander Mitchell. For voluntary service to the Ex-Service community in Lisburn. (Lisburn, Antrim)

David Henry Montgomery. Member Ballymena Combat Cancer Group. For services to Cancer Sufferers in Northern Ireland.

Dr Roger Philip Morgan. For voluntary service to the Arts in Herefordshire. (Ross on Wye, Herefordshire)

Mrs Sally Elizabeth Morris. For services to the community in Islip, Northamptonshire. (Kettering, Northamptonshire)

Mrs Barbara Liddle Mortimer. Formerly secretary, Gateshead Division, SSAFA. For voluntary service to ex-Service Personnel. (Newcastle-upon-Tyne, Tyne and Wear)

William John Mulroe. For services to charity and the community in Featherstone West Yorkshire. (Pontefract, West Yorkshire)

Dr Sohail Munshi. General Practitioner Five Oaks Family Practice, North Manchester. For services to Primary Care. (Greater Manchester)

Brian Edward Murphy. Special Constable Cumbria Constabulary. For services to Policing. (Brampton, Cumbria)

Anthony Cecil Nelson. For services to the community in Sheringham Norfolk. (Sheringham, Norfolk)

Stephen Newman. Shepperton Lock and Weir Keeper Environment Agency. For services to Inland Waterways. (Shepperton, Surrey)

Andrew Norton. For services to the community in Hinton St. George Somerset. (Hinton St George, Somerset)

Dennis Cyril Norton. Founder Norton Collection. For services to Community Heritage in Bromsgrove, Worcestershire. (Worcestershire)

Miss Cara O'Donnell. Co-Founder SAMS. For services to charity in Glasgow. (Glasgow)

Cornelius Peter O'Hare. Caretaker Southern Regional College, Newry West Campus. For services to Further Education in Northern Ireland. (Newry, Down)

Mrs Eileen O'Sullivan. Volunteer, Age Exchange, Blackheath. For services to Education. (London)

Dr Ruth Padday. General Practitioner Hedge End Medical Centre. For services to Healthcare and Young People in Hampshire. (Botley, Hampshire)

Mrs Catherine Helena Mary Palmer. For charitable services to The Fire Fighters' Charity in the North West. (Pendlebury, Greater Manchester)

Roy William Palmer. For services to charity and the community. (Llandrindod Wells, Powys)

Mrs Janet Parry. For services to the community and Local Government. (Vale of Glamorgan)

Mrs Margaret Ann Parry. For services to the community in Chobham, Surrey. (Chobham, Surrey)

John Henry Paterson (Johnny Pat). For services to Charitable Fundraising and the community in Hull East Riding of Yorkshire.

Michael John Pattie. For services to charity in Dumfries and Galloway. (Dumfries)

Mrs Mary Ellen Phillips. Director, Motherwell and Wishaw Citizens' Advice Bureau. For services to the community in Lanarkshire. (Wishaw, Lanarkshire)

Mrs Margaret Ann Pick. For voluntary service to Save the Children. (Oxshott, Surrey)

Mrs Judith Elizabeth Powell. For services to Operation Christmas Child, Meltham, West Yorkshire. (Holmfirth, West Yorkshire)

Clifford John Powis. Paramedic Welsh Ambulance Service NHS Trust. For services to Emergency Care. (Abertillery, Gwent)

Raymond John Radmall. For services to the community in Pagham West Sussex. (Bognor Regis, West Sussex)

Mrs Marie Rafferty. For services to the community in Newry and Mourne. (Newry, Down)

Mrs Alice Victoria Rankin. Owner, Baker's Oven Cafe. For services to the community in Newarthill, North Lanarkshire. (Bellshill, Lanarkshire)

George Alan Ranyard. For services to charity. (Skegness, Lincolnshire)

Mrs Glenys Diane Raybould. Founder, Rhondda Breast Friends. For voluntary service to People with Breast Cancer. (Porthcawl, Bridgend)

Andrew Howard Riley. For services to the community in Northwood Hills Middlesex. (London)

Miss Agnes Margaret Ringland. Formerly Postmistress Crossgar Post Office. For services to the community in Crossgar, County Down. (Crossgar, Down)

Gordon Roach. For services to the community in Winstone Gloucestershire. (Cirencester, Gloucestershire)

Jeremy Roberts. Formerly Deputy Headteacher Rhyl High School. For services to Education and the community in Rhyl. (Rhyl, Denbighshire)

Philip James Rusk. For services to charitable and voluntary work in the local community. (Birmingham, West Midlands)

Mrs Fiona Florence Russell. Shop Volunteer, Capability Scotland. For services to charity in Edinburgh. (Edinburgh)

Alexander Douglas Ruthven. Trustee Therapet. For voluntary service to the community in Edinburgh and the Lothians. (Edinburgh)

Mrs June Beryl Sadler. For services to the community in Sutton Coldfield, West Midlands. (Sutton Coldfield, West Midlands)

Mohinder Singh Sangha. Member Board of Jathadars, Sikh Council. For services to the community in Leicester. (Rushey Mead, Leicestershire)

Daniel Joseph Savage. Chairman Brookvale Care Home for the Disabled. For services to Disabled People. (Greater Manchester)

David John Sayers. For services to the community in Henfield West Sussex. (Henfield, West Sussex)

Mrs Amanda Jane Scales. Learning Ambassador, Learning and Work Institute. For services to Adult Learning and Skills. (Brighton, East Sussex)

Robert Philip Scott. For services to Young People through the Scout Association. (Randalstown, Antrim)

Mrs Elaine Scriven. For services to the community in Bradford, West Yorkshire. (Lancashire)

Mrs Prudence Bridget Scurfield. For services to Fundraising for Save the Children. (Petersfield, Hampshire)

Graham Scutt. For services to Rugby. (Solihull, West Midlands)

Allan Henry Searle. For services to the community in Stogursey Somerset. (Bridgwater, Somerset)

Mrs Maureen Pearl Selley. For services to Local History. (Yelverton, Devon)

Mrs Trudi Shaw. Executive Officer, Ministry of Defence. For voluntary service. (London)

Mrs Sandra Irene Showell. Teacher, Peter Symonds College, Winchester. For services to Education. (Winchester, Hampshire)

Kandiah Sivayogaiswaran. For services to the Midlands Tamil Cultural Association and to Young People in Birmingham. (Sutton Coldfield, West Midlands)

Alan David Skews. For services to the community in Callington Cornwall. (Callington, Cornwall)

Mrs Gillian Kathleen Smith. Founder and manager, Gooseberry Bush Day Nursery, Camborne, Cornwall. For services to Children and Families. (Penzance, Cornwall)

Mrs Teresa Maria Smith. Chair and Trustee, Sheffield Unit. For voluntary service to the Sea Cadet Corps. (Sheffield, South Yorkshire)

Mrs Ann Miriam Squirrell. Founder, Mid-Suffolk Axis. For services to People with Physical and Sensory Disabilities in Mid-Suffolk. (Stowmarket, Suffolk)

Gary George Stack. Constable West Midlands Police. For services to Policing and the community. (Birmingham, West Midlands)

Roy Stephen. For services to the Malayalee Association UK Knanaya Catholic Association and to the community in Swindon, Wiltshire. (Swindon, Wiltshire)

Miss Ann Stewart. For voluntary service to the Arts Healthcare and Steam Railway Preservation in London, Edinburgh and Derby. (Kirkcaldy, Fife)

Mrs Margaret Stewart. Guide Leader and Volunteer. For services to the community in Aughnacloy, County Tyrone. (Aughnacloy, Tyrone)

Mrs Priscilla Carol Stirling. For services to Youth Sport in Carrickfergus. (Ballyclare, Antrim)

Mark Richard Stockdale. Volunteer Hull Children's University. For services to Education. (Kingston upon Hull, East Riding of Yorkshire)

Mrs Helen Stoodley. Formerly Sergeant, Metropolitan Police. For services to Policing and Youth Engagement in South West London. (West Byfleet, Surrey)

Duncan Struthers. For services to the community in Hillingdon London. (Stapleton, Bristol)

Alan Frederick Sturgeon. For services to Rugby. (Lisburn, Antrim)

Mrs Christine Helen Sutherland. For services to the community in Banff and Buchan. (Fraserburgh, Aberdeenshire)

Mrs Pauline Anne Sykes. For services to the community in Rawcliffe, East Riding of Yorkshire. (Goole, East Riding of Yorkshire)

Christopher Syrus. Founder SYRUS Consultancy C.I.C. For services to Further Education. (London)

Dennis Taylor. Higher Executive Officer ***Programme*** Management Officer, Data Science, Department for Work and Pensions. For services to the Department for Work and Pensions Digital Group and Charitable Fundraising. (Fellgate, Tyne and Wear)

Miss Marie Taylor. Area Standard Bearer Royal Naval Association. For services to Veterans and the community in York. (York, North Yorkshire)

Mrs Mary Olivia Tebble. For voluntary service to Wildlife Conservation and the community in East Lothian. (North Berwick, East Lothian)

Mrs Hilary Gwyneth Terry. Youth Leader, Olney Holiday Bible Club. For services to the community in Olney, Buckinghamshire. (Olney, Buckinghamshire)

David Paul Thomas. For services to charity in Africa and Pastoral Care in the Fire Service in Wales. (Llandysul, Ceredigion)

Mrs Margaret Yvonne Thompson. For services to the community in Shareshill, Staffordshire. (Shareshill, Staffordshire)

Samuel James Thompson. For voluntary service to the community and ex-Service Personnel in Portadown. (Portadown, Armagh)

Mrs Linda Ann Thornton. For services to Young People in Dorset through the Creation of the John Thornton Young Achievers Foundation. (Bournemouth, Dorset)

Richard Derek Tilney. For services to the community in Malmesbury Wiltshire.

John Tivnan. Councillor Torpoint Town Council. For services to Local Government and the community. (Torpoint, Cornwall)

David Noel Tod. Vice chairman Scottish Fisheries Museum. For services to Preserving the Heritage of the Scottish Fishing Industry. (Cellardyke, Fife)

Mrs Ruth Tomkins. Fundraiser, Dementia UK. For charitable services to People with Dementia and their Carers. (Burwash, East Sussex)

Nigel James Travis. For services to Boxing and the community. (Worsley, Greater Manchester)

Miss Ruth Marie Truelove. Reading assistant and Governor Stepney Primary School, Hull and Volunteer, National Literacy Trust. (Hull, East Riding of Yorkshire)

Hugh Tulip. For services to Cricket and the community. (Alnwick, Northumberland)

Michael Tuohy. Volunteer Crisis at Christmas. For services to Homeless People in London. (Brookmans Park, Hertfordshire)

Neville Brian Turner. For voluntary service to Young People in Leicester. (Leicestershire)

Mrs Bessie Underwood. For services to Elderly People in Castleton, North Yorkshire. (Whitby, North Yorkshire)

Mrs Effie Walker. School Crossing Patrol Warden, Colgrain Primary School. For services to Education and the community in Helensburgh, Argyll and Bute. (Helensburgh, Argyll and Bute)

Miss Nicola Wallis. For services to Youth Music. (London)

Mrs Maureen Violet Wallwork. For services to the community in Washington, Tyne and Wear. (Washington, Tyne and Wear)

Mrs Caroline Mary Ward. For services to the community in Winchester, Hampshire. (Winchester, Hampshire)

Mrs Catherine Brigid Waters. Formerly Matron, Central Criminal Court. For services to the Welfare of Court Users. (London)

Mrs Jean Mary Watkins. For services to Elderly People in Frimley and Camberley, Surrey and Farnborough, Hampshire. (Frimley, Surrey)

Sister Annie Grace Watt. For services to Peace and Reconciliation in Larne. (Belfast)

Mrs Carol June Wheeler. For voluntary service to County Hospital, Pontypool. (Cwmbran, Torfaen)

Peter Wilkinson. For services to Music. (Stoke Bishop, Bristol)

Graham Wilson. For services to Forestry. (Brockenshurst, Hampshire)

Mrs Susan Margaret Wilson, JP. For services to the community in Chellaston, Derbyshire. (Oakwood, Derbyshire)

Martin Charles Windle. For services to Football and the community. (Sheffield, South Yorkshire)

Mrs Eileen Mary Wright. Volunteer, Bournemouth Hospital Charity, Royal Bournemouth and Christchurch Hospitals NHS Foundation Trust. For services to Healthcare and charity. (Bournemouth, Dorset)

DIPLOMATIC SERVICE AND OVERSEAS LIST

KNIGHTS BACHELOR

Frank Lowy. A.C. chairman, Westfield Corporation. For services to business and philanthropy.

Trevor Steven Pears, CMG. Executive chairman of the Pears Family Charitable Foundation. For services to philanthropy.

ORDER OF ST MICHAEL AND ST GEORGE

DCMG

Ms Shan Elizabeth Morgan, CMG. Former Deputy permanent Representative, UK Representation to the European Union. For services to UK interests in the European Union.

KCMG

Jonathan Michael Howard Faull. Former director general in the European Commission. For services to UK relations with the European Union.

CMG

Asif Anwar Ahmad. HM Ambassador Manila, Philippines. For services to British interests in South East Asia.

Mrs Madeline Alessandri. Director, Foreign and Commonwealth Office. For services to British foreign policy.

Edward Alexander Bannister, QC. Former Eastern Caribbean Supreme Court Commercial Court Judge. For services to justice in the Eastern Caribbean.

Mark Rainer Bowden. United Nations secretary-General's Deputy Special Representative UN Resident and Humanitarian Coordinator, and UN Development ***Programme*** Representative for Afghanistan. For services to humanitarian assistance.

Dr Carolyn Browne. HM Ambassador Astana, Kazakhstan. For services to British foreign policy.

Ms Christine Mary Chinkin. Director Centre for Women, Peace and Security, London School of Economic and Political Science. For services to advancing women's human rights worldwide.

Howard Ronald Drake, OBE. High commissioner, Ottawa, Canada. For services to UK/Canada relations.

John Christopher William (Matthew) Kidd. High commissioner Nicosia, Republic of Cyprus. For services to UK/Cyprus relations.

Stephen Lillie. Formerly director Asia Pacific Foreign and Commonwealth Office. For services to UK relations with the Asia Pacific region.

Charles Tito Powell. Director Real Instituto Elcano. For service UK/Spanish relations.

Mark Leslie Stephens. Former British Council Country director Egypt; now Regional director, South Asia. For services to UK/Egypt cultural relations.

ORDER OF THE BRITISH EMPIRE

DBE

Ms Barbara May Frost. Chief executive WaterAid. For services to the provision of safe water, sanitation and hygiene in developing countries.

KBE

The Rt Hon Stephen Rothwell O'Brien. United Nations under-secretary General for Humanitarian Affairs and Emergency Relief Coordinator. For services to the United Nations and humanitarian affairs.

CBE

Peter James Budd. Director Arup and Partners Ltd, and Deputy chairman of the China Britain Business Council. For services to promoting British trade in China.

OBE

Rupert Joe Fairfax Ainley. First secretary British Embassy, Beijing, China. For services to UK energy security and to UK-China relations.

Mrs Justine Iris Bryer. Co-Founder and president, The European Union Youth Orchestra. For services to arts, culture, youth, education and international relations.

Colin Edward Church. Former Executive chairman Rhino Ark. For services to conservation, the environment and the community in Kenya.

Professor Philip Cotton. Vice Chancellor of the University of Rwanda. For services to education in Rwanda.

Richard Michael Beresford Croker. Deputy head of Mission Juba, South Sudan. For services to British interests in South Sudan.

Mrs Ginny Anne Ferson. Deputy Governor of Bermuda. For services to child safeguarding in the British Overseas Territories. (no address )

Keith Green. Counsellor Foreign and Commonwealth Office. For services to British/Colombian relations.

John Neville Hare. Founder of Wild Camel Protection Foundation. For services to conservation of the wild camel in Mongolia and China.

Patrick Lamb. Formerly Arabian Peninsula Iraq Department Foreign and Commonwealth Office. For services to supporting the Government Legal Service.

David John Mepham. UK director Human Rights Watch. For services to Human Rights.

Dr Sarah Pape. Consultant Plastic Surgeon Royal Victoria Infirmary Newcastle upon Tyne. For services to the treatment of burns patients in the UK and Romania.

Nigel Graham Peters. Director Development Aid, British Expertise International. For services to UK export promotion in Eastern Europe and Central Asia.

David James Spencer. First secretary Foreign and Commonwealth Office. For services to national security.

Miss Thorhilda Mary Vivia Abbott-Watt. HM Ambassador Ashgabat, Turkmenistan. For services to British foreign policy.

Dr Jaswindar Singh Wouhra. Chair Institute of Directors, West Midlands, and director and Company secretary, East End Foods plc. For services to business and international trade.

John Sutherland Yates. Head of Strategy Performance and Insight, British Council. For services to the UK's international and cultural relationships.

MBE

Ms Francesca Therese Andrews. Legal Directorate Foreign and Commonwealth Office. For services to Human Rights and the Rule of Law.

Nigel Barclay. Attache ***Agriculture*** and Fisheries, UK Representation to the European Union. For services to UK relations with the European Union and Belgium.

Dr Richard George Cooke. Staff Scientist Smithsonian Tropical Research Institute. For services to archaeology and the understanding of ancient Central American civilization.

Brian Kenneth John Dallamore. Chair of Trustees of the British School Jakarta. For services to education and sport in Indonesia.

Edward Guy Dru Drury. Head of Confederation of British Industry China. For services to promoting British business in China.

Richard Empson. President of the British Society in Uruguay. For services to UK interests and the British community in Uruguay.

Nicholas David John Eyre. Educator British Council, Spain. For services to the global teaching of the English Language.

Matthew Fairey. Second secretary Foreign and Commonwealth Office. For services to national security.

Ty Francis. Executive vice president and Group Publisher Ethisphere Institute. For services to promoting business in Wales.

George Arthur Fromow. Senior Medical Laboratory Scientific Officer Gibraltar. For services to Haematology.

Ms Lucy Elizabeth Glenn. Deployment manager Foreign and Commonwealth Office. For services to national security.

Mrs Elizabeth Anne Guillebaud. Great Lakes Outreach. For services to development in Burundi.

Simon Mark Guillebaud. International director Great Lakes Outreach, Bujumbura, Burundi. For services to development in Burundi.

Mrs Amy Denise Hathaway. Project director, Forever Angels, Mwanza, Tanzania. For services to providing interim and community care for abandoned and vulnerable infants in Mwanza.

Antony Gordon Hawksworth. Comedian and writer. For services to disadvantaged children in Moldova.

William Martin Howard. Volunteer. For services to education in India.

Ms Kate Hubbard. First secretary Foreign and Commonwealth Office. For services to international security.

Barry Leahey. Managing director Playdale Playgrounds Ltd. For services to UK trade and investment and exports.

Anthony Douglas Leo. Radio Station manager (Retired) St. Helena. For services to the community of St. Helena.

Reece Andrew Bolton-Locke. Human Resources manager Foreign and Commonwealth Office. For services to national security.

Ms Cicily Icena Malone. Coordinator Alternative Secondary Education ***Programme***, British Virgin Islands. For services to education, the community and the Church in the British Virgin Islands.

Ms Annabel Mehta. President of Non Governmental Organisation Apnalaya. For services to the community and underprivileged in Mumbai, India.

Daniel Murphy. National Crime Agency Liaison Officer Lagos, Nigeria. For services to combating organised crime in Nigeria.

Charles Pierce. Head of Geography and Social Science at Malapoa College Vanuatu and head of Social Science at the Vanuatu Institute of Teacher Education. For services to education in Vanuatu.

Ms Philippa Mary Vernon-Powell. Field director New Life Mexico. For services to disadvantaged children in Puerto Vallarta, Mexico.

Tahmina Rahman. Regional director ARTICLE 19 Bangladesh and South Asia. For services to freedom of expression and the right to information in Bangladesh.

Mrs Kathleen Rees. Formerly chief executive Officer, The Haven, Wolverhampton. For services to the protection of women and child victims of domestic violence in the West Midlands and overseas.

Alfred William Reoch. Former chief commissioner Gibraltar Scouts. For services to Gibraltarian Scouting, the Anglican community, and Drama.

Graham Neil Akeroyd Shaw. Chairman British Chamber of Commerce, Kenya. For services to the promotion of British business in Kenya.

Nathan Nicholas Albert Fred Stagno. International Hockey Umpire Gibraltar. For services to international hockey.

Ms Lynn Caron Stanier. Founder Their Future Today, Sri Lanka. For services to the community in Sri Lanka.

Andrew Taunton. British Consular Agent Pichincha Province, Ecuador. For services to British interests in Ecuador.

Dr Colin Alfred Tourle. Medical Services Worldwide. For voluntary medical work overseas.

Andrew Walter Bougourd Ross Weir. Chair British Chamber of Commerce, Hong Kong. For services to British commercial interests overseas.

Wai Kee Kenny Yau. Secretary Royal British Legion and Hong Kong Ex-Servicemen's Association. For services to ex-servicemen in Hong Kong.

BRITISH EMPIRE MEDAL

BEM

Peter Thomas Frank Bickmore, BEM. Organiser, British Veterans of Vis, Croatia. For services to the commemoration of the Adriatic Campaign in World War II.

Mrs Teresa Ann Brown. Personal assistant to the head of Department of International Trade, British Embassy Bucharest, Romania. For services to the British community in Romania.

Mrs Annie English. Volunteer Fundraiser for Elche Children's Care Home, Spain. For services to child welfare.

Ms Emma Kirstie Guilbaud. Volunteer. For services to the centenary commemorations of the Battle of Nery.

John Edward Kiddell. Volunteer. For services to the British community in Madrid and local charities.

Mrs Jean Anderson Lazzara. Chair of Lady Harriet Bentinck Trust, Naples, Italy. For services to the British community in Naples.

Wilston Scotland. Coach Montserrat. For services to youth and sports development in Montserrat.

Ms Sylvia Georgina Tatnell. Local Councillor Alicante, Spain. For services to the community in Alicante.

Ms Vyona Jean Young. Inclusion manager Special Education Needs, St. Helena. For services to the community, particularly to special needs education, in St. Helena.

COOK ISLANDS

ORDER OF THE BRITISH EMPIRE

OBE

The Reverend Tuaine Ngametua. For services to the community.

MBE

Mrs Pani Iokopeta Ben. For services to the community.

BRITISH EMPIRE MEDAL

BEM

Saitu Marsters. For services to the community.

Mrs Keu Mitchell. For services to the community.

GRENADA

ORDER OF THE BRITISH EMPIRE

CBE

Victor Robinson Ashby. For services to Education.

OBE

Ms Maureen Veronica Wilson. For services to Education.

MBE

Francis L. Mahon. For services to business.

BRITISH EMPIRE MEDAL

BEM

Mrs Anne Austin. For services in the field of Health and Community Work.

Mrs Ann Greaves. For services in the field of Social Work.

GUERNSEY

ORDER OF THE BRITISH EMPIRE

OBE

Judge John Russell Finch. For services to the Judiciary in Guernsey.

MBE

Mrs Lilian Bale. For services to Fostering in Guernsey.

BRITISH EMPIRE MEDAL

BEM

Mrs Beatrice Vivien Webber. For services to the Blind in Guernsey.

ISLE OF MAN

ORDER OF THE BRITISH EMPIRE

MBE

Mrs Suzanne Mary Harding. For services to the Isle of Man Samaritans.

Mrs Trudi Jane Williamson. For services to the community on the Isle of Man.

BRITISH EMPIRE MEDAL

BEM

Mrs Julia Helen North. For services to the Manx Community.

JERSEY

KNIGHTS BACHELOR

William Bailhache. For services to The Crown and the community in Jersey.

ORDER OF THE BRITISH EMPIRE

MBE

Brian Heath. For services to the Jersey Probation and After-Care Service.

Paul Tucker. For services to Scouting in Jersey.

Mrs Carole Ann Rose Penfold. For services to the community through the League of Friends.

BRITISH EMPIRE MEDAL

BEM

Mrs Patricia Robson. For services to Art in Jersey.

Mrs Carole-Anne Janet Robins. For services to the community.

PAPUA NEW GUINEA

KNIGHTS BACHELOR

Sang Chung Poh, MBE. For services to commerce and to the community through supporting charities and healthcare particularly the Papua New Guinea Kidney Foundation.

Nathaniel Poya. For services to the community and business including as chairman of the Papua New Guinea Ports Corporation.

ORDER OF ST MICHAEL AND ST GEORGE

CMG

Ms Betty Palaso, OBE. For her leadership role in the public service as head of the Internal Revenue Commission.

Jacob Weis. For service to commerce particularly investment, banking and business development.

ORDER OF THE BRITISH EMPIRE

KBE

Charles Watson Lepani, CBE. For distinguished public service in the enhancement of the nation's foreign relations trade with Australia, and important communications.

The Right Reverend Girege Wenge. For services to the community and to the Lutheran Church of Papua New Guinea through his leadership Ministry roles as Bishop and head of the Church.

CBE

Derek Michael Jepson. For services to commerce and to the community.

Mrs Josephine Kiak, BEM. For services to education and to women's development.

Robert W. Moore. For services to commerce and to the community through supporting healthcare.

The Honourable Don Mumeyupe Sawong, MBE. Judge in the National and Supreme Courts. For services to the community and to the judiciary.

OBE

Mrs Emma Judith Faiteli. For public service in manpower ***planning*** and pay policy.

Daryl Holmes. For services to health through support for YWAM Medical Ships.

Vele Kagena. For services to ***agriculture*** and livestock training.

James Kendeyagl. For service to local government and land mediation.

Michael Koisen. For services to finance management especially in connection with credit unions.

Paulias Korni. For public service in information extension.

Malcolm Leslie Lewis. For services to business and to the community.

Kenneth Mulligan. For services to the community and to rural healthcare through YWAM Medical Ships.

Pus Kera Nui. For services to business and to the community.

Scott Gregory O'Reilly. For services to commerce and to the community.

Max Hufanien Rai. For public service in foreign relations and trade.

Michael Anthony Wheeler. For services to ***agriculture*** particularly in coffee development.

Kenankege H. Wickramaratne. For public service in civil works management.

MBE

Lepokon Andu. For services to the Village Court and to the community.

Isaac Baikuru. For services to rural healthcare.

Colin Robert Benton. For services to ***agriculture***.

Mrs Regina Nua Boma. For services to general health and to women's development.

Michael Lawrence Butler. For services to rural aviation and to the environment.

Francis Maganbogl Dama. For services to business and to the community.

Ingwai Dire. For service to local government and to the community.

Mrs Rosemary Fabian. For services to rural healthcare.

Teddy Igu. For services to education and to the community.

Mrs Ruth Kange. For services to Southern Highlands provincial administration.

The Reverend Kila Kilarupa. For services to the United Church.

Dibilngga Kulang. For services to local government and to land mediation.

Piuk Lasela. For services to the Church and to the community.

Mrs Annette Leva. For services to education.

Luso Lolan. For services to the community.

Simon Mamot. For services to local government.

Apakure Mogia. For services to education.

Ludger Mond. For services to Simbu provincial administration.

Peter O'Donohoe. For services to commerce and to business training.

Arai Pula. For public service.

Eric Sinebare. For public service.

Ezekiel Mark Vene. For services to sport and to Government House.

Thomas Bare Yoba. For public service.

Brett Aaron Young. For services to business and to the community.

BRITISH EMPIRE MEDAL

BEM

James Bai. For services to local government and to the community.

Senior Sgt Dage Dumop. For services to the community and to the Police Force.

Mrs Margaret Kaile. For services to rural healthcare.

John Tugunde Kari. For services to rural healthcare.

Masa Kia. For services to the community.

Sebastian Komba. For services to the community.

Senior Sgt Fiona Banie Kovingre. For services to the Royal Papua New Guinea Constabulary.

Mrs Lina Willie Kua. For services to rural healthcare.

The Reverend Ravu Magani. For services to the United Church.

Mrs Ellen Mana. For services to rural healthcare.

Phillip Max Meauri. For services to youth development and to the Church.

James John Mintik. For services to community development.

Gilford Nelson. For services to Government House.

Mrs Serah Poiya. For public service.

Mrs Helen Rupa. For services to State Owned enterprises.

Dellis Sause. For services to the community.

Stephen Show. For public service.

Tim Taesa. For public service.

Amos Tami. For services to the Catholic Church.

Samson Walizopa. For services to the community.

Chief Sgt Jack Sanson Wek. For services to the Royal Papua New Guinea Constabulary.

Senior Sgt Maryanne Yabara. For services to the Royal Papua New Guinea Constabulary.

ORDER OF THE BRITISH EMPIRE

CBE

Col Joseph Ben, MBE. Papua New Guinea Defence Force.

OBE

Col Siale Diro. Papua New Guinea Defence Force

MBE

Cdr (Navy) Mozart Vanamos. Papua New Guinea Defence Force

BRITISH EMPIRE MEDAL

BEM

WO Joseph Ikime. Papua New Guinea Defence Force

WO Karukuru Laho. Papua New Guinea Defence Force

Chief WO Joel Sorigi. Papua New Guinea Defence Force

WO James Pinia Taule. Papua New Guinea Defence Force

Chief WO Dubbo Smith Yonny Papua New Guinea Defence Force.

QUEEN'S POLICE MEDAL

QPM

Chief Superintendent Norman Kambou. Royal Papua New Guinea Constabulary.

Superintendent Jim Namora. Royal Papua New Guinea Constabulary.

Chief Sgt Maria Euga. Royal Papua New Guinea Constabulary.

SAINT LUCIA

ORDER OF THE BRITISH EMPIRE

CBE

Dr George Martin Christopher Didier. For services to Health Care.

OBE

Ms Denise Joyce Auguste M. B.E. For services to Music Education.

Daren Julius Sammy. For services to Sports.

MBE

Gerald Cyril. For Public Service.

Teddyson John. For services to Music.

Peter Josie. For services to ***Agriculture***.

Mrs Sylvia Eroline Lamontagne. For outstanding contribution to the Business Sector.

BRITISH EMPIRE MEDAL

BEM

Thomas Daniel. For services to Education.

Trevor Levi Ansel Daniel. For services to Sport.

Ms Francillia Jackson. For services to the Community.

Kenty Candius Pamphile. For services to the Community.

Ms Veronica Phillips. For services to the development of Early Childhood Education.

SOLOMON ISLANDS

ORDER OF THE BRITISH EMPIRE

OBE

Frank Vincent Prendergast. For services in the field of policing and community development.

Emeritus Archbishop Adrian Thomas Smith. For services to the Church and to community development.

MBE

Jack Houtarau. For services to rural and community development.

Mrs Grace Kilua. For services in the field of nursing and community development.

Mrs Merle Hilly Ramo. For services to nursing and to the community.

Mrs Greenpa Sibinyunyu Sibi. For services to nursing and community development.

BRITISH EMPIRE MEDAL

BEM

Mrs Roana Japhet Belo. For services to nursing and to the community.

Ashwant Kumar Dwivedi. For services to community development.

Mrs Miriam Tigita Houanimae. For services to nursing and to the community.

Billy Mae. For services to vocational rural training and to community development.

Thomas Manehunitai. For services to education the Church and to rural community development.

Chief Clement Rojumana. For services to rural and community development.

Li Kwok Wing. For services to commerce and to community development.

TUVALU

ORDER OF THE BRITISH EMPIRE

OBE

Tito Isala M. B.E. For Public and Community Service.

MBE

Poopu Asuelu. For Public and Community Service.

Lagasia Malona. For Public and Community Service.

Teniku Talesi. For Public and Community Service.

BRITISH EMPIRE MEDAL

BEM

Mrs Maike Tausi. For Public and Community Service.

Maukuku Tealofi. For Public and Community Service.

Ekueta Telava. For Public and Community Service.

MILITARY DIVISION - ROYAL NAVY

ORDER OF THE BATH

KCB

Vice Admiral Simon Robert Lister, CB, OBE.

CB

Surgeon Vice Admiral Alasdair James Walker, OBE, QHS.

Rear Admiral Simon Paul Williams, CVO.

ORDER OF THE BRITISH EMPIRE

CBE

Rear Admiral John Robert Hamilton Clink, OBE.

Rear Admiral Timothy Miles Lowe.

Brig Richard Anthony Winchcombe Spencer, OBE, ADC. Royal Marines.

OBE

Commodore Richard Mark Allen. Royal Navy

Capt Mark John Cameron. Royal Navy

Col Michael John Tanner. Royal Marines

Cdr James Wyper. Royal Navy

MBE

WO 1 Logistician (Catering Services) Wayne Burbury.

Lt Cdr Simon James Church. Royal Navy

WO 1 Engineering Technician (Marine Engineering) Iain Cunningham.

CPO Air Engineering Technician (Avionics) Andrew Smyth Fleming.

Lt Deborah Daphne Harmer. Royal Navy

Leading Logistician (Writer) Claire Hughes.

Lt Cdr (Acting Cdr) James Alistair Delange Kirkwood. Royal Navy

Cdr Robert Graeme Spence. Royal Navy

Cdr Stephen Michael Thomas. Royal Navy

Cdr Michael Leslie Wood. Royal Navy

QUEEN'S VOLUNTEER RESERVES MEDAL

QVRM

Sgt David Holman. Royal Marines Reserve

MILITARY DIVISION - ARMY

ORDER OF THE BATH

CB

Maj Gen Mark Jarvis Gaunt.

Maj Gen John Robert Patterson.

ORDER OF THE BRITISH EMPIRE

CBE

Col Michael Robert Butterwick.

Col William Pemble Owen English.

Brig Colin Thomas McClean, MBE.

Brig Tom Richardson Copinger-Symes, OBE.

Brig Ralph William Wooddisse, MBE, MC.

OBE

Lt Col Hamish George Gordon Cormack, MBE. The Duke of Lancaster's Regiment.

Lt Col Christopher David Davies, MBE. The Princess of Wales's Royal Regiment.

Lt Col Jamie Ian Hartley. The Rifles

Col Thomas Jonathan Murray.

Col Andrew Keith Robinson.

Col Christopher John Strathern Rose.

Col Khashayar Dominic Sharifi.

Lt Col Jason Sheffield. Royal Tank Regiment

Col Jonathan Roderick Henry Timmis.

Lt Col Richard George Walker. Corps of Royal Engineers

MBE

Maj Levi Vincent Ashley. The Royal Logistic Corps

Maj John Mark Barry. The Rifles

Maj Richard Allan Bell. Royal Corps of Signals

Maj Denis Burton. The Royal Welsh Army Reserve.

Maj Kevin Charles Cammack. Royal Regiment of Artillery

Maj David Campey. Corps of Royal Engineers

Col Frances Elizabeth Castle.

Cpl Arun Lewis Cofax. Corps of Royal Engineers

Lt Col Dominic Martin Lyall Cooper. The Royal Logistic Corps

Capt Richard John Crane. The Royal Logistic Corps

Capt Anthony Angelo Davies. Corps of Royal Engineers

WO Class 2 Marc David Elliott. Corps of Royal Engineers

WO Class 1 Gavin Arran Emmerson. The Royal Logistic Corps

Acting Maj Simon William Everett. The Royal Irish Regiment

Lt Col Alison Helen Falcon. The Royal Logistic Corps Army Reserve.

Lt Col Nicholas Mark Gee. Royal Regiment of Artillery

Maj Prembahadur Gurung. The Royal Gurkha Rifles

Capt Andrew Haines. Royal Regiment of Artillery Army Reserve.

Capt Tobias Robin Sanford Harris. The Parachute Regiment

Cpl Andrew Craig Harrison. Corps of Royal Engineers

Maj William Derek Hodgkinson. The King's Royal Hussars

Acting Cpl Amber Rose Hollands. Royal Army Medical Corps

Lt Col Stephanie Lotte Eleanor Louise Jackman, TD. The Royal Logistic Corps, Army Reserve.

Maj Ami Jones. Royal Army Medical Corps Army Reserve.

Acting Lt Col Norman Owen Jones, ARRC. Queen Alexandra's Royal Army Nursing Corps, Army Reserve.

Maj Pauline Murray-Knight. Adjutant General's Corps (Staff and Personnel Support Branch)

Acting Lt Col Anthony Thomas Lamb. Combined Cadet Force

Lt Col Catherine Charlotte Anne Livingstone. Royal Army Medical Corps Army Reserve.

Maj Paul Logie. Corps of Royal Electrical and Mechanical Engineers

Maj James William Lyons. Army Air Corps

Maj David Robert MacKlin. The Rifles

WO Class 1 Iain Crichton Martin. The Royal Logistic Corps

WO Class 2 Rolf Alan Mason. Royal Regiment of Artillery

Cpl Jessica Layla Masterman. The Royal Logistic Corps

Lance Cpl Rossa Dominick McPhillips. Intelligence Corps Army Reserve.

Local WO Class 2 David Malcolm Mills. Irish Guards

Capt Ian David Stokes. Royal Regiment of Artillery

WO Class 2 Karen Ann Styles. Adjutant General's Corps (Staff and Personnel Support Branch)

Maj Fergus Keegan Sullivan. Corps of Royal Electrical and Mechanical Engineers

Maj William John Tower. Coldstream Guards

Capt Richard Simon Wood. The Parachute Regiment

Lt Col Nicholas Robert Edward Woolgar. The Royal Lancers

ROYAL RED CROSS

ARRC

Maj Jennifer Ann Buck. Queen Alexandra's Royal Army Nursing Corps

Capt Rosemary Godfrey. Queen Alexandra's Royal Army Nursing Corps Army Reserve.

QUEEN'S VOLUNTEER RESERVES MEDAL

QVRM

Maj Paul Harry Jackson. General List Army Reserve.

Sgt Hayley Elizabeth Just. Corps of Royal Engineers Army Reserve.

Col Mark Christopher Sheridan.

Staff Sgt Careen Gillian Thorn. The Royal Logistic Corps Army Reserve.

MILITARY DIVISION - ROYAL AIR FORCE

ORDER OF THE BATH

CB

Air Vice-Marshal Malcolm Andrew John Brecht, CBE. Royal Air Force.

Air Vice-Marshal Edward Jackson Stringer, CBE. Royal Air Force.

ORDER OF THE BRITISH EMPIRE

CBE

Group Capt Stephen Alec Bentley. Royal Air Force

Air Commodore Dawn Allison McCafferty. Royal Air Force

OBE

Wing Cdr Gareth John Bryant. Royal Air Force

Wing Cdr Mark Thomas Dunlop. Royal Air Force

Wing Cdr James Alexander Freeborough. Royal Air Force

Wing Cdr Andrew Massie. Royal Air Force

Wing Cdr Elizabeth Joan Nicholl. Royal Air Force

Wing Cdr Michael John Edward Sutton. Royal Air Force

MBE

WO Anthony Joseph Barker. Royal Air Force

Sqn Ldr Darren Bassett. Royal Air Force

WO Alan Roy Butterfill. Royal Air Force

Wing Cdr David Charles Cox. Royal Air Force Volunteer Reserve (Training)

Flt Sgt Mark James Elliman. Royal Air Force

Sgt Alan Albert Fenney. Royal Air Force

Sgt Matthew Ian Foster. Royal Air Force

Sqn Ldr Adrian Morris. Royal Air Force

WO Michael George Morris. Royal Air Force

Sqn Ldr Hugh John Warr Nichols. Royal Air Force

Flt Lt Derek Vincent Oldham. Royal Auxiliary Air Force

WO Adrian Mark Paton. Royal Air Force

WO Michelle Smith. Royal Air Force

ROYAL RED CROSS

ARRC

Cpl Clare Louise Harvey. Royal Air Force

Flt Lt Laura Jane Hodson. Royal Auxiliary Air Force

QUEEN'S VOLUNTEER RESERVES MEDAL

QVRM

Sgt Philip Baden Bower. Royal Auxiliary Air Force

Senior AC Shane Victor Staniforth. Royal Auxiliary Air Force Overseas Territories Police and Fire Service Medal

Moustafa Kemal. Chief inspector Sovereign Base Areas Police, Cyprus.

SUNDRIES

QUEEN'S POLICE MEDAL

QPM

ENGLAND AND WALES

Ian Fred Birkin. Temporary Sergeant Nottinghamshire Police.

Roger Brown. Constable Derbyshire Constabulary.

Mrs Debra Cooper. Constable, Metropolitan Police Service.

Mrs Michelle Sarah Dunn. Deputy chief Constable, Hertfordshire Constabulary.

Nigel Paul Hatten. Detective Sergeant Gloucestershire Constabulary.

Mrs Karen Judith Manners. Deputy chief Constable, Warwickshire Police.

Ms Alison Newcomb. Deputy assistant commissioner Metropolitan Police Service.

Paul Nicholls. Constable Essex Police.

Ms Tracy O'Hara. Detective Constable Merseyside Police.

John O'Hare. Chief Superintendent Greater Manchester Police.

Mrs Hilary Jane Sawyers. Chief Constable, Staffordshire Police.

Amerjit Singh. Detective Sergeant Cambridgeshire Constabulary.

Mrs Kathryn Somerville. Temporary Detective Sergeant, Nottinghamshire Police.

Alun Maxwell Thomas. Chief Superintendent British Transport Police.

Mrs Karen Warner. Detective Inspector, North Yorkshire Police.

David Whalley. Neighbourhood Sergeant Merseyside Police.

Ms Sue Williams. Detective chief Superintendent Metropolitan Police Service.

SCOTLAND

Johnny Gwynne. Deputy chief Constable Police Scotland.

Ms Gillian Imery. Chief Superintendent Police Scotland.

NORTHERN IRELAND

Nigel Forsythe. Detective chief Superintendent Police Service of Northern Ireland.

William Thomas Colin Monteith. Detective Sergeant Police Service of Northern Ireland.

Douglas Gareth Wilson. Sergeant Police Service of Northern Ireland.

OVERSEAS

Edward Louis Yome. Commissioner of Police Royal Gibraltar Police.

QUEEN'S FIRE SERVICE MEDAL

QFSM

ENGLAND AND WALES

Ms Caroline Louise Anderson. Temporary Watch manager Devon and Somerset Fire and Rescue Service.

David Edward Curry. Chief Fire Officer Hampshire Fire and Rescue Service.

Adam John Eckley. Acting chief Fire Officer Essex Fire and Rescue Service.

Brian Hawes. Watch Commander Suffolk Fire and Rescue Service.

SCOTLAND

Ms Linda Coughlan. Watch manager Scottish Fire and Rescue Service.

Kenneth Simmons. Watch manager Scottish Fire and Rescue Service.

Andrew Watt. Group manager Scottish Fire and Rescue Service.

QUEEN'S AMBULANCE SERVICE MEDAL

QAM

ENGLAND AND WALES

Neil Le Chevalier. Director of Operations South West Ambulance Service NHS Foundation Trust.

Paul Liversidge. Director North East Ambulance Service NHS Foundation Trust.

Robin Petterson. Clinical Support Officer Welsh Ambulance Service NHS Trust.

Tony Rossetti. First Responder Officer Welsh Ambulance Service NHS Trust.

SCOTLAND

Lewis Campbell. General manager for East Central Division Scottish Ambulance Service.

NORTHERN IRELAND

George Stott. Training Officer Northern Ireland Ambulance Service.

**Load-Date:** June 16, 2017

**End of Document**



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**Byline:** Megan Tatum

**Highlight:** Brilliant supermarket buyers, exceptional entrepreneurs, maestro marketers and the cleverest of creatives, the Top New Talent awards 2017 this week celebrated an astonishing diversity of young talent working across the food and drink industry

**Body**

Adam Forrest

Age: 25

Job title: Account manager

Works at: Pladis Global

What sets Forrest apart from peers is his versatility. Starting as an ingredient technologist back in 2013 he then became sole developer of Jacob's Ciabatta Crackers, a brand now worth £3.6m, while developing a brand new product trialling protocol in the business. He then moved to sales where he has once again had a significant impact becoming the top sales performer in 2015. A "calming manner" and excellent presentation skills "combined with his pro-activity and determination to over achieve, has seen him deliver some outstanding results above and beyond that expected of him at his level," said testimonials. On top of that "he has always been so willing to learn and keen to take on constructive feedback - showing his maturity and drive for improvement."

Adam Thompson

Age: 30

Job title: Commercial director

Works at: Rebel Kitchen

Joining health brand Rebel Kitchen in 2015 peers say that Thompson has been largely responsible for the exponential growth the business has seen in that time, building a team up from five to 26 people and adding £4m in sales. His ***strategic*** direction also saw the business switch to 100% organic without increasing end prices to consumer, and acquire the Unoco brand in 2016, with four "thriving" product ranges now in its portfolio and products now sold in over 20 global markets. Testimonials say "his desire to constantly push boundaries led to the launch of our most ambitious product yet, Mylk, a plant based drink that tastes just like real dairy" while he has nurtured a "progressive work culture" thriving under his leadership.

Alex Wright & Jack Scott

Age: 25 and 27

Job title: Co-founders

Works at: Dash Water

Making its debut into grocery in May ethical soft drink brand Dash Water, which uses wonky fruit and veg in its recipes, was the work of its "extraordinarily talented and super affable" founders Wright and Scott. Building on their joint background in farming the entrepreneurs were partly inspired by the highly topical plight of industry food waste in forming the brand, taking advice from charity Feedback before putting together a business ***plan***, securing investment, creating recipes and selling the brand into the likes of Selfridges, Planet Organic and Daylesford. "All of this while harnessing a great cause in turning wonky fruit and veg into infusions that would have otherwise gone to waste." In only a few months the pair from zero stockists to 350, and sold 100,000 drinks in their first three months alone.

Andrew Sweeney

Age: 32

Job title: Director

Works at: OOMF!

As big name cereal brands are crunched under foot in the ongoing price war it takes a brave start-up to venture in with something new. That didn't deter Sweeney though, the "driving force" behind the success of OOMF!, a high protein oats brand he founded in 2011 with brother Robert. Quickly securing listings in Waitrose and Holland & Barrett, before catching the attentions of Tesco and Sainsbury's, as well as Spar, the range is now "one of the fastest growing breakfast cereals in the UK" with Sweeney the "pioneer behind the innovation" that also landed the duo one of The Grocer's New Product Awards.

Anna Krettmann

Age: 25

Job title: Wine buyer

Works at: Lidl UK

Trained by former TNT winner Ben Hulme (now Lid's international head of wine and spirit buying) Krettmann has risen quickly through the ranks to take sole responsibility for the discounter's UK wine category, co-ordinating its award winning core range and bi-monthly wine cellar offer. She "has gone from strength to strength," says one testimonial. "From increasing the core range by nearly 50% to listing unique wines such as Tokaji Late Harvest" as well as overseeing its most successful Wine Cellar of the year yet with a Hungarian focussed collection. "Further proof that Lidl is succeeding as a challenger wine competitor under Anna."

Ben Vear

Age: 28

Job title: Head of sales

Works at: Emily Crisps

Since securing a first class degree in business management and economics Vear has worked his way from Winstones ice-cream (where he "drove the business to become one of the fastest growing ice-cream brand in 2012") to Mars, and then Bear Nibbles "showcasing his ability to work successfully at both blue chip and SME companies." Most recently peers say "he has been instrumental" in the success of both smoothie brand Savse, where he oversaw a 600% year on year increase in listings, and then Emily Crisps where it is a similar story. "Being somebody who engages consistently with the best talent, Ben is undoubtedly the best I have dealt with," says one testimonial. "If I could clone him, I could place a Ben Vear weekly and would be very wealthy as every business would be lucky to have him."

Charlotte Reynolds

Age: 27

Job title: Founder and director

Works at: Blooming Food Ltd.

Reynolds has stopped at nothing in her quest to carve out a career in food. From dreaming up new award-winning products while still at university, to working as a beekeeper in France, swotting up on the food industry in China and attending ***agricultural*** conferences in Singapore. Most recently she turned a dissertation on pulses into a piece of global innovation. Her lupin crisps saw her win first place in a global innovation competition, travel to Turkey and Chicago to showcase the concept, appear on the front page of magazines, and speak at national industry conferences - all while qualifying with a first class honours degree and being voted 'Student of the Year' at Harper Adams University.

Charlotte Whittle

Age: 30

Job title: Customer Marketing Manager

Works at: Mars Petcare

Having started out in sales Whittle has rattled through the ranks at Mars, progressing through European Brand Management and innovation, before a move into Customer Marketing and responsibility for some of the brands core customers where she has showcased "an immense passion for fmcg and business growth." In that role she has grown sales across her territory by 10 per cent and increased product distribution by 16%, before leading the creative process across cat treat brand Dreamies. "In the face of adversity and ambiguous times through company restructures, Charlotte has continued to show her passion and enthusiasm for the industry and company, and continues to gain knowledge across the sector to become a well-rounded FMCG professional," says one testimonial.

Colin Buckingham

Age: 30

Job title: Digital Marketing manager

Works at: Birds Eye, Nomad Foods Europe

Social media may not be the most natural fit for frozen fish but a smooth operator like Buckingham proves it can be done. And done brilliantly. He sets "logical parameters for production costs and ***produces*** breakthrough content, with clear agency leadership and a successful application of media spend," says one testimonial from a senior colleague." Only a quick scroll through the brand's lively Twitter feed demonstrates Buckingham's creativity and skill with social content, and with digital marketing more broadly. In fact, so successful have his efforts been that "there are indicators ROI for social has surpassed TV, perhaps the first instance of this in fmcg food and drink marketing."

Darren Beale

Age: 34

Job title: Founder

Works at: Musclefood.com

Launching online health food retailer back in 2013 founder Beale was in a prime spot to capture the growing appetite for high protein products in grocery. With turnover now exceeding £50m and 53,000 items sold off its website daily the entrepreneur has ***produced*** an unending stream of innovation from what he claimed was the world's first Protein Pizza to its Live Clean Range and Easy Cook stir-fry's. Now the founder is muscling into the high street too with products already stocked in over 300 Musgrave-owned c-stores in Ireland, and listings recently confirmed in Sainsbury's Local, Co-Op and Spar. Popular with Olympians and Premiership footballers growth at the business shows zero sign of slowing down, with an ever growing social following too of more than one million.

Emily Herrero

Age: 33

Job title: Commercial manager

Works at: oomi brand, Winterbotham Darby

Herrero doesn't take no for an answer. Customers that fail to pick up her calls are liable to find the commercial manager on their doorstep convincing them in person and this same "impatience, persistence and urgency" drove her to develop brand new noodle brand oomi from scratch, a 'next generation' gluten free noodle made from sustainably sourced fish. From concept, to product to listings in Tesco, Ocado and Morrisons Herrero "doesn't understand the meaning of resting on her laurels and listings are just the start" with the businesswoman also turning her attentions to alternative protein brand Vivera, quickly achieving UK listings in Sainsbury's, Ocado and Waitrose. Quite simply "Emily is one of the most talented and inspiring people I have worked with."

Franek Smith

Age: 28

Job title: Trader

Works at: Dunns

From his base at pulse and seed processor Dunns, one of the oldest ***agricultural*** businesses in the UK, Smith has clearly developed exceptional relationships with his customers. "An outstanding young person" that has "continually impressed me with his can do attitude and ability to complete multiple complex tasks in a fast and accurate manner," says one, of their dealings with the young trader. Not only managing the day to day sales of the core commodities demanded by his customers Smith also oversees crop processing, grower contracts, open days and staff management within the business, a heavy workload that reflects his huge competence.

Georgina Pattison

Age: 33

Job title: Commercial director

Works at: Deliciously Ella

From blog to recipe books to energy balls launching in the major supermarkets the Deliciously Ella brand has gone from strength to strength, and making a "massive contribution" to its success is commercial director Pattison. Establishing and managing its retailer relationships, securing lucrative listings and developing launch ***plans***, all with only a small team behind her, Pattison has led "with enthusiasm and efficient use of time." A head for figures and a "great leader" to boot, "without Georgina, we wouldn't be in 3,000 stores and with revenues in the millions, achieved in less than 12 months from launch," say her colleagues.

Hywel Evans

Age: 25

Job title: Bitter, Ale and Craft Beer Buyer

Works at: Asda

Joining Asda less than two years ago Evans has already had a "significant impact" on the business. The recent graduate has driven a 20% year on year rise in sales of stout at the retailer, helped coordinate its strategy for craft beer, secured ongoing relationships with niche brewers and start-ups, while gaining widespread media coverage for the range. More than 450 stores now boast a 'craft beer shop' in their aisles thanks to Evans and if that weren't enough he has also championed the mults' charitable Holiday hunger project too, providing meals to impoverished children outside term time. Evans "lives and breathes ASDA qualities and is driving excellence in our Graduate development ***program*** - a true role model," said a testimonial.

Jethro Holman

Age: 27

Job title: Beer Training & Events Manager

Works at: Fourpure Brewing Co.

What Holman doesn't know about beer isn't worth knowing. At only 22 he became the UK's youngest certified beer sommelier and now works as an expert advisor for industry (and amateur beer lovers too) training up staff and senior leaders at London pub chain Young's, and travelling across the UK meeting managers, chefs and marketing teams for Bryon Burger. Asked to help the restaurant chain mark its tenth birthday in July Holman even brewed his own beer perfectly matched to their burgers which was canned and made available at all of their 69 restaurants. As a result not only is Holman a "key member of the Fourpure team" but he's a "well established and respected voice within the brewing industry" before he's hit 30 netting awards and accolades.

Jonathon Thorn

Age: 32

Job title: CEO

Works at: Pioneer Foods UK

From assistant account to the "successful and inspirational CEO" of a £53m turnover business, it's been a meteoric rise for Thorn. Under his leadership the private label cereal manufacturer has had brand new processing facilities installed, and had significant investment into its NPD capabilities, with innovation across wheat biscuits, packaging and gluten free. This dynamism culminated in the acquisition of the Fruit Bowl brand in August 2016, a move to a new 220,000 sq. ft facility and a change of name from Bokomo Foods, to Pioneer Foods. "Through this incredible journey, Jonathon has excelled as a real leader, motivating the team on a daily basis," says one testimonial. He has "consistently impressed with his ability to empathise with colleagues" and acts as an "inspirational role model for all employees, showing them there are no limits to what hard work, dedication and talent can achieve."

Julia Crorkin

Age: 25

Job title: Food Service and Out of Home Sales Manager

Works at: Mallow & Marsh

With only three months of work experience elsewhere Crorkin hit the ground running at confectionery start-up Mallow & Marsh. Building its entire food service and out of home sales section from scratch she has evolved into an instrumental cog in the business learning fast, nurturing vital relationships and - crucially - growing accounts by a staggering 1,000% since her arrival. "She's diligent, hardworking, has fantastic commercial acumen to get things over the line, is bright, driven and a completely unique sales person," is the glowing praise from colleagues, who emphasise Crorkin puts "customer service at the heart of everything she does and is tirelessly focused on delivering for the customer."

Kane O'Flaherty

Age: 29

Job title: Head of creative

Works at: Piccolo Foods

Vibrant, colourful, distinctive design characterises organic baby food brand Piccolo and that's all down to the skills of its creative maestro O'Flaherty. Trained up by leading design agency Big Fish before a stint at Metcalfe's and then Itsu, the designer joined Piccolo in its early days working with his two co-founders to secure investment and tasked with setting the brand apart in the competitive baby food category. And what he delivered "is a real tribute to his talent," say his peers. "What O'Flaherty has done with Piccolo is cleverly combine gorgeous illustrations that he has brought to life - therefore engaging the parents, whilst also putting the essential touch of fun that nursery brands need."

Kate Clark

Age: 28

Job title: Customer operations leader

Works at: Proctor & Gamble

In a business with more than 100,000 employees it can be hard to stand out. But in her six years at fmcg power player P&G Clark has risen steeply through the ranks promoted through four different roles, in three different locations, each with increasing responsibility, influence and promotion. Now leading its customer supply chain team in Ireland, and convenience and discount channels in the UK one testimonial calls her "extremely commercially savvy" coupled with "a real talent for developing people" acting as a leader in the supplier's Diversity and Inclusion scheme too. Another adds Clark is "simply best in class in her peer group and far beyond in many ways. She is knowledgeable, collaborative and ***strategic*** in everything she does and engages everyone around her on the best solutions."

Kirsty Henshaw

Age: 32

Job title: Founder and Managing Director

Works at: Kirsty's and Kirsty's Kids Kitchen

Described as "tenacious" and "hard-working" with "the enviable business acumen of being able to identify gaps in a saturated market" Henshaw set up her first brand at only 22, winning backing for her Worthenshaw's ice-cream concept from not one, but two Dragons in the form of Peter Jones and Duncan Bannatyne. So successful was her pitch in fact it's now, quite literally, taught in schools on the A-level business syllabus. In 2012 the entrepreneur rebranded to Kirsty's with its Kirsty's Kitchen brand now the only gluten, wheat, and dairy free chilled ready meal for children available in the UK, sold in 3,000 supermarkets, and bringing in annual sales of more than £6m. "Kirsty's personal integrity, open-mindedness and willingness to listen to others, giving measured consideration to their thoughts and opinions is one of her greatest assets; but ultimately, she has the strength of character and leadership skills to make and take responsibility for all business decisions."

Lisa Thompson

Age: 23

Job title: HR assistant

Works at: Burton's Biscuits

Part of a busy HR team overseeing more than 2,000 employees at Hertfordshire biscuit supplier Burtons, Thompson has showed a natural aptitude for the role. "Always challenging herself to develop" and questioning the how, what and why of the food and drink business "she has demonstrated fast track skill development" and "exceptional" skills in supporting employees," say colleagues, backed up by a solid intellect demonstrated in securing a first class degree immediately prior to joining the company. Undoubtedly," adds one testimonial, "she will go far" in fmcg.

Louisa Wild

Age: 35

Job title: National account manager

Works at: Broadland Wineries

"Passionate, creative and tenacious" Wild is no one tricky pony. Within her first five months at Broadland Wineries she'd secured brand new listings in one of the mults, and has followed up with 20 more, and three new national accounts. She's dreamed up NPD too with her concept TrimVin - low-calorie, lighter-alcohol - launched in September. "If a product isn't in the Broadlands portfolio, and the business agrees the opportunity is there, I have it created," says the national account manager, who has also thrived in sales and marketing roles at Refresco Gerber. "Whether it is finding new ways to engage with buyers by creating a portfolio of concepts, or number crunching scenarios ahead of the annual wine duty increases, [Wild] has a positive approach, is keen to find solutions and create long term relationships with our customers," said one testimonial.

Louisa Pickup

Age: 26

Job title: General Store Manager

Works at: Asda, Reddish branch

Passionate about retail since she was a teen Pickup has kicked off her career with a laser focus. After working at Asda from the age of only 16, she returned straight into stores after university as section leader, moving between three different stores in the Manchester region across various roles before securing a spot on the retailer's prestigious graduate scheme and being promoted twice in quick succession. Only two years after that Pickup achieved her ambition to become a GSM at the mults' Reddish branch - the youngest ever in the Manchester area. "A strong a team player that "takes time to listen to others" the young GSM "has an infectious personality and engages [with] those around her in a very natural way," said a senior colleague. Her "future looks bright."

Marcus A Proudfoot

Age: 26

Job title: Director

Works at: G W Proudfoot Limited

Looking after 180 employees across five branches of the family supermarket chain, Proudfoot might be the youngest in the company to take on such responsibility but he's proven himself more than up to the job. Described as "hugely passionate and driven" the director is a highly capable project leader, with successes that include the recent redevelopment of a pub into the fifth new opening of 2016, with the store now showing "excellent performance" year on year. Proudfoot "has a sharp mind, is dynamic and engaging and cares passionately about our team and the business," said one testimonial. Not only does he deliver "great results" but he brings "great personality, warmth and true values-led leadership to the business."

Matthew Ashton

Age: 33

Job title: Head of marketing and communications

Works at: Palmer & Harvey

Since joining wholesaler Palmer & Harvey Ashton has carved out a "unique and irreplaceable niche for himself" within the company. Recently promoted to a new role leading marketing and communications he now manages a large ***strategic*** department driving the development of a number of significant PR and event initiatives, as well as playing an instrumental role in the successful launch of a new company website in 2017 to thousands of retailers, collating work across e-commerce, channel development, IT and category departments. With a "very friendly, yet professional manner" he is described as "collaborative, communicative and diligent," even taking time to spearhead the #DeliveringHope campaign this year using P&H vans to find missing people.

Nicholson Boyd

Age: 28

Job title: Owner

Works at: Pickles

In 2016 Boyd took a rundown discount shop shifting detergent and instant coffee for a quid and turned it into (surely) the poshest grocer in Hackney. Stocking craft beers, artisanal breads and local Bermondsey honey Pickles is a haven for foodies looking to stock up on premium groceries in a painfully hip setting, with a pizzeria and coffee bar tacked on too. Northern Irish Boyd is the driving force behind its success and takes its food credentials seriously, living in Italy for a spell to learn the art of pizza making and consulting numerous coffee experts too to find the perfect blend. Opening to rave reviews his destination grocer reflects an entrepreneur clued up on just where the industry is heading. And all before he hits 30.

Sophie le Saint

Age: 25

Job title: Retail marketing executive

Works at: Pizza Express

When high street brand Pizza Express rebranded its supermarket range in March 2016 Le Saint was an "instrumental" force, joining up its marketing approach across retail outlets and restaurants, and products too, delivering a "well-executed and effective" relaunch, complete with special seasonal recipes and ranges. Crucially, her hard work, and skilful strategy helped nudge an additional 192,000 shoppers to pick up Pizza Express in the supermarkets over the following year. And what's more, the cross-channel marketing approach she championed is "beginning to deliver significant results" and act as a "driver of overall sales and profit growth across the channel."

Sven Dejean

Age: 28

Job title: Senior Manager Performance and Governance, Procurement Centre of Excellence

Works at: Coca Cola European Partners

When the $27bn merger between Europe's three biggest Coca Cola bottling plants was announced in 2015 procurement specialist Dejean saw it as a huge opportunity. Making the move from Spain to the new UK HQ he not only "showed great initiative" but a clear passion for his work, and plenty of ambition to boot. That hasn't stopped since, with the young manager frequently taking on extra tasks and activities voluntary "because they are the right thing to," says one testimonial, developing a sound knowledge of the complex business that belies his years and using that to ensure he "excels in his tasks."

Theadora Alexander

Age: 27

Job title: Founder

Works at: Young Foodies

Having left her role as Propercorn's Operations and Strategy director in 2016 Alexander set out to create a way to help other fast growing food and drink brands strategise. The result was Young Foodies, a portal for young grocery brands sharing wisdom on everything from operations to finance to products, set up using Alexander's own cash and spare hours at the weekend. The Young Foodies community now boasts the likes of Pip & Nut, Mallow & Marsh, and Savse, running events, workshops, and meetups to pool know-how. Alexander "is one of the best examples of what makes the food and drink industry such a fantastic place to ply your trade," said those that have worked with her. "Her positivity and optimism is ubiquitous. It isn't easy creating the next big thing, so it's nice to know you have someone like Theodora fighting your corner."

Victoria Cartmill

Age: 25

Job title: Assistant Product Development Manager

Works at: U.M.I Foods

A fantastic work ethic sees "bubbly, talented and bright" Cartmill couple her full-time role at U.M.I Foods with studying for a business Masters. Buoyed by an extensive knowledge of the industry borne from work alongside major food ***producers*** she has collaborated across a number of NPD projects for the supplier, overhauling internal processes and boosting profit margins, all while extending - and improving - its pre-prepared vegetable range. In fact, over the past 12 months Cartmill has had no less than 18 successful product launches, all now being sold in the mults nationwide. "Her collaborative approach," tenacity, and organisation skills are all praised in testimonials, with one adding that her "infectious energy and inspiring passion make her a delight to work with."

Zak Manhire

Age: 33

Job title: Commercial manager

Works at: Costa Coffee

Manhire is a multi-skilled operator. Starting out as a sales executive in the merchandise division at the AA he earned three promotions in four years to head up a £6m portfolio, all while founding and exiting three non-food start-ups of his own. Having managed the big four grocery accounts for the business he segued into a head of sales role at hot drinks brand Drink Me Chai where he opened up a brand new area of business, ***producing*** EBITDA double digit growth, and then moving to king of the coffee shop Costa as commercial manager heading up a multi-million pound portfolio. Described as a "talented, tenacious sales professional" Manhire "possesses a rare talent for big picture thinking and quickly identifies opportunities and makes great connections."

Four years ago The Grocer unveiled grocery's loudest ticking timebomb.

As too many skilled workers headed for retirement from the industry, far too few young people were being recruited to fill in the gaps left behind - a trend that threatened to derail the booming sector.

And so our Top New Talent awards was born, intended to showcase both the huge opportunities this £200bn+ industry offers but also the diversity of young talent already making waves within its three million-strong workforce.

Each year since we've unearthed a plethora of super talented young business executives, both passionate about their roles in the industry, and hugely ambitious to rise through its ranks. And 2017 was no exception.

Gathered in the vaults of the Royal Society of Arts on Monday - in front of a select group of CEOs and managing directors from leading grocery retail players as well as sponsors The Advocate Group and InventaBrand and winners from previous years - the class of 2017 were presented with their trophies by Adam Leyland, editor of The Grocer.

"This is my favourite event in The Grocer calendar," said Leyland. "It's incredibly inspiring. And significantly that's because it's about people. We're celebrating here the next generation of superstars in food and drink. You're making your way, with aplomb, in this endlessly fascinating, constantly changing, highly challenging and hugely important industry. And there can be no greater thrill than to witness the journey you are on."

The winners - whose dizzying career paths are captured over the next eight pages - included buyers, entrepreneurs, product developers, marketers and store managers - and that's to name only a few of the dizzying diversity of roles represented in the class of 2017. And it's diversity that is one of the great strengths of TNT, said Leyland.

"We immediately realised what a hugely successful event this was from the very first class, back in 2013. It was the buzz in the room, these brilliant young things, excited to be here and working in grocery, and seeing them seize the opportunity of this event with both hands.

"It isn't just about celebrating. At TNT there is a mutual respect and an appreciation of the value of hooking up with and hanging out with high achievers in other roles. As much what you have in common - drive and ambition, making waves and making a difference - Top New Talent is a networking event like no other, in which new friends and useful contacts can be made, fuelled by a powerful combination of adrenaline, social media and booze!"

How did the 33 make the TNT list?

Kicking off in August a record number of entries flooded in for TNT 2017. Backed up by facts, figures and glowing testimonials every single entry was carefully judged before a final selection of the top 33 were decided upon. Competition was high and many excellent nominations failed to make the cut. But there is always TNT 2018...

A ll of you are here for a really good reason. You're here because you're the next leaders of this amazing industry. The fact you're all in this room is incredible. A massive well done. However what that means is you're going to go through some growing pains and that's good, because growth and comfort do not co-exist. Make sure you utilise your peers, utilise the best people in the room and around you to go through those growing pains with you and broaden your shoulders. Look out for the common thread among you. Use tonight to remember why you're here and what that means. How do we take this industry forward in a way that drives it into the future, in terms of innovation, in terms of passion and in terms of our customers? Because the more customer-focused, relationship-focused and people-focused you are, the further you'll go. That's always the difference. Not only are you intelligent, thoughtful and considerate, look how you're all able to manage relationships, manage people, put people first in the way you talk to them, in the way you collaborate and think about leadership.

I started my career with Nestle Purina on 6 June 1983. That was over 34 years ago - before these outstanding candidates were even born. And I still remember in my first week, as a trainee in sales, a meeting with a territory manager who was supposed to be training me. His first words were, 'Wayne what on earth have you joined this business for? This industry is not going to exist, these roles are not going to exist. You're coming into a function which is a dying breed.' But 34 years on I'm still here. And that prediction is as wrong today as it was then.

Similarly frozen food has been written off more times than I've had hot dinners. But Birds Eye is growing.

So while it's true you're all facing a massive amount of change in this industry, the future is safe with you. You've got huge amounts of drive, ambition and authenticity. And these qualities will stand you in great stead as you tackle today's challenges and turn them into opportunities.

Julia Crorkin

Age: 25 Job title: Foodservice and out of home sales manager Works at: Mallow & Marsh

With only three months of work experience elsewhere, Crorkin hit the ground running at confectionery startup Mallow & Marsh. Building its entire foodservice and out-of-home sales section from scratch, she has evolved into an instrumental cog, learning fast, nurturing vital relationships and - crucially - growing accounts by a staggering 1,000% since her arrival. "She's diligent, hardworking, has fantastic commercial acumen to get things over the line, is bright, driven and a completely unique sales person," is the glowing praise from colleagues, who emphasise Crorkin puts "customer service at the heart of everything".

Kate Clark

Age: 28

Job title: Customer operations leader

Works at: Procter & Gamble

In a business with more than 100,000 employees it can be hard to stand out. But in her six years at fmcg power player P&G, Clark has risen steeply through the ranks cementing her reputation among colleagues as a "rising superstar." She has been promoted through four different roles, in three different locations, each with increasing responsibility and influence. Now leading its customer supply chain team in Ireland and convenience and discount channels in the UK, she is described in one testimonial as "extremely commercially savvy", while also displaying "a real talent for developing people".

Not only that but Clark also acts as a leader in the supplier's Diversity and Inclusion scheme. Another adds that Clark is "simply best in class in her peer group and far beyond in many ways. She is knowledgeable, collaborative and ***strategic*** in everything she does and engages everyone around her on the best solutions".

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Buoyed by an extensive knowledge of the industry borne from working alongside major food ***producers***, she has collaborated across a number of NPD projects for the mushroom specialist, overhauling internal processes and boosting profit margins, all the while extending - and improving - its growing pre-prepared vegetable range. In fact, over the past 12 months Cartmill has had no less than 18 successful product launches, all now being sold in the mults nationwide and many receiving national awards and plaudits. "Her collaborative approach," tenacity, and organisational skills are all praised in testimonials, with one adding that her "infectious energy and inspiring passion make her a delight to work with".

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The digital marketing manager sets "logical parameters for production costs and ***produces*** breakthrough content, with clear leadership and a successful application of media spend" says one senior colleague. A quick scroll through the brand's lively Twitter feed demonstrates his creativity and skill with social channels turning a grocery staple into a source of wit and shareable content, experimenting with fish finger Snapchat filters and genuinely engaging with its customers.

So successful have his efforts been that "there are indicators that ROI for social has surpassed TV, perhaps the first instance of this in fmcg food and drink marketing," adds the colleague.

Darren Beale

Age: 34

Job title: Founder

Works at: Musclefood.com

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Now the ambitious founder is muscling into the high street too, with products already stocked in over 300 Musgrave-owned c-stores in Ireland, and listings recently confirmed in Sainsbury's Local, the Co-op and Spar. Popular with Olympians and Premiership footballers, the growing business shows zero sign of slowing down, with an ever-growing social following too of more than one million.

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Since joining P & H, Ashton has carved out a "unique and irreplaceable niche for himself". Recently promoted to a new role leading marketing and communications, he now manages a large ***strategic*** department driving significant PR and event initiatives, as well as playing a key role in the successful launch of a new website in 2017 to thousands of retailers, collating work across e-commerce, channel development, IT and category departments.

Theadora Alexander

Age: 27 Job title: Founder Works at: Young Foodies

Having left her role as Propercorn's operations and strategy director in 2016, Alexander set out to help other fast-growing food and drink brands strategise. The result was Young Foodies, a portal for young grocery brands sharing wisdom on everything from operations to finance to products. Young Foodies now boasts the likes of Pip & Nut, Mallow & Marsh, and Savse, running events, workshops, and meetups. "Her positivity and optimism are ubiquitous," say those who have worked with her. It isn't easy creating the next big thing, so it's nice to know you have someone like Theadora fighting your corner."

Jethro Holman

Age: 27

Job title: Beer training & events manager

Works at: Fourpure Brewing Co

What Holman doesn't know about beer isn't worth knowing. At only 22 he became the UK's youngest certified beer sommelier (a level of expertise only accredited in the UK since 2011) and now works as an expert advisor to both industry and amateur beer lovers alike. Managing training at London-based brewer Fourpure Brewing Co. Holman trains up senior leaders at London pub chain Young's, while travelling across the UK meeting managers, chefs and marketing teams for British restaurant chain Byron Hamburgers too.

Asked to help the business mark its 10th birthday in July, he even brewed his own beer, perfectly matched to their burgers, which was canned and made available at all of its 69 restaurants. As a result, not only is Holman a "key member of the Fourpure team" but he's a "well established and respected voice within the brewing industry" before he's even hit 30, while netting awards and accolades." Including this one.

Kirsty Henshaw

Age: 32

Job title: Founder and MD

Works at: Kirsty's and Kirsty's Kids' Kitchen

Described as "tenacious" and "hard-working" with "the enviable business acumen of being able to identify gaps in a saturated market", Henshaw set up her first brand at only 22, winning backing for her Worthenshaw's ice cream concept from not one but two Dragons in the form of Peter Jones and Duncan Bannatyne. So successful was her pitch it's now, quite literally, taught in schools on the A-level business syllabus. Kirsty's Kids Kitchen brand is now the only gluten-, wheat-, and dairy-free chilled ready meal for children available in the UK, is sold in 3,000 supermarkets, and brings in annual sales of more than £6m. "Kirsty's personal integrity, open-mindedness and willingness to listen to others is one of her greatest assets; but ultimately, she has the strength of character and leadership skills to make and take responsibility for all business decisions," says one testimonial.

Emily Herrero

Age: 33

Job title: Commercial manager

Works at: Oomi noodles, Winterbotham Darby

Herrero doesn't take no for an answer. Customers who fail to pick up her calls are liable to find the commercial manager on their doorstep, convincing them in person, and this same persistence drove her to develop brand new noodle brand Oomi from scratch, a 'next generation' gluten-free noodle made from sustainably sourced fish and listed by Tesco, Ocado and Morrisons. She has now turned her attention to alternative protein brand Vivera, now in Sainsbury's, Ocado and Waitrose.

Anna Krettmann

Age: 25 Job title: Wine buyer Works at: Lidl UK

Trained by former TNT winner Ben Hulme (now Lidl's international head of wine and spirit buying), Krettmann has risen quickly through the ranks to take sole responsibility for the discounter's UK wine category, co-ordinating its award-winning core range and bi-monthly wine cellar. She "has gone from strength to strength" says one testimonial. "From increasing the core range by nearly 50% to listing unique wines such as Tokaji Late Harvest" as well as overseeing its most successful Wine Cellar of the Year yet with a Hungarian collection. "Further proof that Lidl is succeeding as a challenger wine competitor under Anna."

Adam Forrest

Age: 25

Job title: Account manager

Works at: Pladis Global

What sets Forrest apart from peers is his versatility. Starting as an ingredient technologist back in 2013, he then became sole developer of Jacob's Ciabatta Crackers, a brand now worth £3.6m, while developing a brand new product-trialling protocol.

He then moved to sales where he became "an astute member of the team from day one" managing multiple accounts and becoming the top sales performer in 2015 while receiving internal accolades for his performance. A "calming manner" and excellent presentation skills "combined with his proactivity and determination to over-achieve have seen him deliver some outstanding results above and beyond that expected of him at his level" say testimonials. On top of that "he has always been so willing to learn and keen to take on constructive feedback - showing his maturity and drive for improvement."

Catherine Fendt

Age: 22

Job title: Marketing executive

Works at: Spar UK

Since joining Spar as a graduate in 2016 Fendt has fast become a linchpin of its marketing team. Described as "capable, diligent and collaborative" she has juggled multiple creative projects from day one and "works brilliantly with the wider team." Managing the symbol group's award winning 'Shop & Win' campaign over the past 12 months Fendt worked across traditional and digital media delivering the multifaceted campaign's best results yet with a voucher redemption rate of 21% and an increase in basket spend of 14%. The young marketing executive has also taken a fresh look at its multi-million pound POS budget delivering brand new ideas for retailers. "Catherine has the wonderful ability of taking complex projects and making them look simple to manage. She has proven that she is able to work with people across the organisation to deliver solutions that always have the customer at their heart."

Hywel Evans

Age: 25

Job title: Bitter, ale and craft beer buyer

Works at: Asda

Joining Asda less than two years ago, Evans has already had a "significant impact". The recent graduate has driven a 20% year-on-year rise in sales of stout at the retailer, helped co-ordinate its strategy for craft beer, secured ongoing relationships with niche brewers and startups, while gaining widespread media coverage for the range. More than 450 stores now boast a 'craft beer shop' in their aisles thanks to Evans and he has also championed the charitable Holiday Hunger project.

Sven Dejean

Age: 28 Job title: Senior manager performance & governance Works at: CCEP

When the $27bn merger between Europe's three biggest Coca-Cola bottling plants was announced in 2015, procurement specialist Dejean saw it as a huge opportunity. Making the move from Spain to the new UK HQ he not only "showed great initiative" but a clear passion for his work, and plenty of ambition to boot. That hasn't stopped, with the young manager frequently taking on extra tasks and activities voluntarily "because they are the right thing to do," according to one testimonial, while developing a sound knowledge of the complex business that belies his years, and using that to ensure he "excels in his tasks".

Charlotte Reynolds

Age: 27

Job title: Founder and director

Works at: Blooming Food

Reynolds has stopped at nothing in her quest to carve out a career in food. From dreaming up new award winning products while still at university to working as a beekeeper in France, swotting up on the food industry in China and attending ***agricultural*** conferences in Singapore, most recently she turned a dissertation on pulses into a piece of global innovation. Her lupin crisps saw her win first place in a global innovation competition, travel to Turkey and Chicago to showcase the concept, appear on the front page of magazines, and speak at national industry conferences - all the while qualifying with a first class honours degree and being voted Student of the Year at Harper Adams University.

Now Reynolds is set to take all that know-how and put it into practise as she prepares to launch start-up Blooming Food into the market in 2018, with her first range of products. It might be early days but the entrepreneur is "definitely one to watch."

Marcus A Proudfoot

Age: 26

Job title: Director

Works at: GW Proudfoot

Looking after 180 employees across five branches of the family supermarket chain, Proudfoot might be the youngest in the company to take on such responsibility but he's proven himself more than up to the job. Described as "hugely passionate and driven", the director is a highly capable project leader, with successes that include the recent redevelopment of a Scarborough pub into the chain's fifth store, with the new branch now showing "excellent performance" year on year after only six months in business. Proudfoot "has a sharp mind, is dynamic and engaging, and cares passionately about our team and the business," says one testimonial. Not only does he deliver "great results" but he brings "great personality, warmth and true values-led leadership to the business." The director "deserves broader recognition for his achievements." Well, here it is.

Louisa Pickup

Age: 26

Job title: General store manager

Works at: Asda, Reddish branch

PWorking at Asda from the age of 16, Pickup returned straight after university as section leader, moving between three different stores in the Manchester region across various roles before securing a spot on the retailer's prestigious graduate scheme and being promoted twice in quick succession. Two years later Pickup achieved her ambition to become a GSM, at Asda Reddish. "A strong team player" with an "infectious personality...who takes time to listen" her "future looks bright."

Franek Smith

Age: 28 Job title: Trader Works at: Dunns

From his base at pulse and seed processor Dunns, one of the oldest ***agricultural*** businesses in the UK, Smith has clearly developed exceptional relationships with his customers. "An outstanding young person" who has "continually impressed me with his can-do attitude and ability to complete multiple complex tasks in a fast and accurate manner" says one of their dealings with the young trader. Not only managing the day-to-day sales of the core commodities demanded by his customers, Smith also oversees crop processing, grower contracts, open days and staff management within the business.

Georgina Pattison

Age: 33

Job title: Commercial director

Works at: Deliciously Ella

From viral blog to bestselling recipe books to its own energy balls launching into the major supermarkets in 2016, there's no doubt the Deliciously Ella brand has gone from strength to strength.

And making a "massive contribution" to that runaway success is its commercial director Pattison. Establishing and managing its retailer relationships from the outset, securing lucrative listings and developing launch ***plans***, all with only a small team behind her, Pattison has led "with enthusiasm and efficient use of time." She has a head for figures and is a "great leader" to boot, say colleagues "Deliciously Ella is a start-up and the choices we make through our commercial strategy are critical for the future success of the business. Without Georgina, we wouldn't be in 3,000 stores and with revenues in the millions, achieved in less than 12 months from launch."

Kane O'Flaherty

Age: 29

Job title: Head of creative

Works at: Piccolo Foods

Vibrant, colourful, distinctive design characterises organic babyfood brand Piccolo and that's all down to the skills of its creative maestro O'Flaherty. Trained up by leading design agency Big Fish before a stint at Metcalfe's and then Itsu, the designer joined Piccolo in its early days working with its two co-founders to secure investment. Tasked with setting the brand apart in the competitive babyfood category what the head of creative delivered "is a real tribute to his talent" say his peers. "What O'Flaherty has done with Piccolo is cleverly combine gorgeous illustrations that he has brought to life - therefore engaging the parents - with the essential touch of fun that nursery brands need." In other words lend the brand a vital USP in a "heavily dominated market congested with bright colours and simplistic design.

Adorned with O'Flaherty's design work the brand hit revenues of £3m in its second year alone.

Sophie le Saint

Age: 25

Job title: Retail marketing executive

Works at: Pizza Express

When Pizza Express rebranded its supermarket range in March 2016, Le Saint was an "instrumental" force, joining up its marketing approach across retail, restaurants and products, delivering a "well-executed and effective" relaunch, complete with seasonal ranges. Her skilful strategy helped nudge an additional 192,000 shoppers to pick up Pizza Express in the supermarkets. And the cross-channel marketing approach she championed is driving sales.

Zak Manhire

Age: 33 Job title: Commercial manager Works at: Costa Coffee

Manhire is a multi-skilled operator. Starting out as a sales executive in the merchandise division at the AA, he earned three promotions in four years to head up a £6m portfolio, all the while founding and exiting three non-food startups of his own. Having managed the big four grocery accounts for the business, he segued into a head of sales role at hot drinks brand Drink Me Chai, where he opened up a brand new area of business, ***producing*** EBITDA double-digit growth, and then moving to Costa as commercial manager. Manhire "possesses a rare talent for big picture thinking and quickly identifies opportunities".

Louisa Wild

Age: 35

Job title: National account manager

Works at: Broadland Wineries

"Passionate, creative and tenacious", Wild is no ordinary NAM. Within her first five months at international wine supplier Broadland Wineries, she had secured a brand new listings in the big four only five months into the role , and has followed up with 20 more since, as well as securing three new national accounts. She's dreamed up NPD too with her concept TrimVin - low-calorie, lighter-alcohol - launched in September.

"If a product isn't in the Broadlands portfolio, and the business agrees the opportunity is there, I have it created," says the national account manager, who has also thrived in sales and marketing roles at Refresco Gerber.

"Whether it is finding new ways to engage with buyers by creating a portfolio of concepts, or number crunching scenarios ahead of the annual wine duty increases, [Wild] has a positive approach, is keen to find solutions and create long term relationships with our customers," says one testimonial.

Charlotte Whittle

Age: 30

Job title: Customer Marketing Manager

Works at: Mars Petcare

Having started out in sales, Whittle has rattled through the ranks at Mars, progressing through European brand management and innovation, before a move into marketing and responsibility for some of the brand's core customers, where she has showcased "an immense passion for fmcg and business growth".

In that role she has grown sales across her territory by 10% and increased product distribution by 16%, before leading the creative process across cat treat brand Dreamies. "In the face of adversity and ambiguous times through company restructures, Charlotte has continued to show her passion and enthusiasm for both the industry and Mars Petcare, and continues to gain knowledge across the sector to become a well-rounded fmcg professional," says one testimonial. Whittle "is the most enthusiastic employee I have ever worked with," adds another.

Ben Vear

Age: 28

Job title: Head of sales

Works at: Emily Crisps

Since securing a first-class degree in business management and economics, Vear has worked his way from Winstones Ice Cream (where he "drove the business to become one of the fastest growing ice cream brands in 2012") to Mars and then Bear Nibbles, "showcasing his ability to work successfully at both blue chip and SME companies". Peers say "he has been instrumental" in the success of both smoothie brand Savse, where he oversaw a 600% year-on-year increase in listings, and Emily Crisps, where it is a similar story.

Alex Wright & Jack Scott

Age: 25 & 27 Job title: Co-founders Work at: Dash Water

Making its debut into grocery in May, ethical soft drink brand Dash Water, which uses wonky fruit and veg in its recipes, was the work of its "extraordinarily talented and super affable" founders Wright and Scott. Building on their joint background in farming, the entrepreneurs were partly inspired by the highly topical plight of industry food waste in forming the brand, taking advice from charity Feedback before putting together a business ***plan***, securing investment, creating recipes and selling the brand into Selfridges, Planet Organic and Daylesford. In only a few months the pair went from zero listings to 350.

Lisa Thompson

Age: 23

Job title: HR assistant

Works at: Burton's Biscuit Co

Part of a busy HR team overseeing more than 2,000 employees at Hertfordshire biscuit supplier Burton's (the manufacturer behind the iconic Jammie Dodger and Wagon Wheel) Thompson has shown a natural aptitude for the role during a time of radical restructuring within the business.

The young graduate is "always challenging herself to develop," say senior colleagues, by questioning the how, what and why of the business in order to better perform her own role. She has proven herself a quick learner too "demonstrating fast-track skill development" in her time with the business and "exceptional" skills in supporting employees.

Crucially this is backed up by a solid intellect demonstrated in securing a first-class degree immediately prior to joining the company. "Undoubtedly she will go far" in fmcg adds one testimonial.

Adam Thompson

Age: 30

Job title: Commercial director

Works at: Rebel Kitchen

Joining Rebel Kitchen in 2015, peers say Thompson has been largely responsible for the exponential growth the health brand has seen in that time, building a team up from five to 26 people and adding £4m in sales across its range of dairy free drinks and yoghurts. His ***strategic*** direction also saw the business switch to 100% organic in its products without increasing end prices to consumers and acquire the Unoco coconut water brand in 2016, with four "thriving" product ranges now in its portfolio and products sold in over 20 global markets. Testimonials say Thompson's desire to constantly push boundaries led to the launch of its most ambitious product yet too in the form of Mylk, a plant-based drink that "tastes just like real dairy." Under Thompson this sort of innovative thinking is positively encouraged with a "progressive work culture" and the brand is on track to achieve triple digit sales growth in its third year.

Jonathon Thorn

Age: 32

Job title: CEO

Works at: Pioneer Foods UK

From assistant account manager to the "inspirational CEO" of a £53m turnover business, it's been a meteoric rise for Thorn. Under his leadership the own-label cereal manufacturer has had new facilities installed and made significant investment in NPD capabilities. This dynamism culminated in the acquisition of the Fruit Bowl brand in August 2016. "Through this incredible journey, Jonathon has excelled as a real leader, motivating the team on a daily basis," says one testimonial.

Andrew Sweeney

Age: 32 Job title: Founder/Director Works at: Oomf

As big name cereal brands are crunched under foot in the ongoing price war, it takes a brave startup to venture in with something new. That didn't deter Sweeney though, the "driving force" behind the success of Oomf, a high-protein oats brand he founded in 2011 with brother Robert. Quickly securing listings in Waitrose and Holland & Barrett, before catching the attentions of Tesco and Sainsbury's as well as Spar, the range is now "one of the fastest growing breakfast cereals in the UK" with Sweeney the "pioneer behind the innovation", which also landed the duo one of The Grocer's New Product Awards.

**Load-Date:** November 29, 2017

**End of Document**



[***P8\_TA(2016)0091 2015 Report on the former Yugoslav Republic of Macedonia European Parliament resolution of 10 March 2016 on the 2015 Report on the former Yugoslav Republic of Macedonia (2015/2895(RSP))***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5RP3-61X1-F0YC-N1WY-00000-00&context=1516831)

Impact News Service

February 10, 2018 Saturday

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**Body**

Brussels: Official Journal of the European Union has issued the following notice:

P8\_TA(2016)0091

2015 Report on the former Yugoslav Republic of Macedonia

European Parliament resolution of 10 March 2016 on the 2015 Report on the former Yugoslav Republic of Macedonia (2015/2895(RSP))

(2018/C 050/10)

The European Parliament,

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| ? | having regard to the Stabilisation and Association Agreement between the European Communities and their Member States, of the one part, and the former Yugoslav Republic of Macedonia, of the other part (1), |

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| ? | having regard to UN Security Council resolutions 817 (1993) and 845 (1993), |

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| ? | having regard to the judgment of the International Court of Justice on the Application of the Interim Accord of 13 September 1995, |

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| ? | having regard to the Presidency Conclusions of the Thessaloniki European Council of 19-20 June 2003 concerning the prospect of the Western Balkan countries joining the Union, |

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| ? | having regard to the European Council?s decision of 16 December 2005 to grant the country the status of candidate for EU membership, and to the European Council conclusions of June 2008 and the Council conclusions of 15 December 2015, |

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| ? | having regard to the 12th meeting of the Stabilisation and Association Council between the country and the EU, held on 20 July 2015, |

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| ? | having regard to the Final Declaration by the Chair of the Vienna Western Balkans Summit of 27 August 2015 and the Recommendations of the Civil Society Organisations for the Vienna Summit 2015, |

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| ? | having regard to the Declaration of the High-Level Conference on the Eastern Mediterranean ? Western Balkans Route, held in Luxembourg on 8 October 2015, and the Leaders? Statement issued after the Leaders? Meeting on refugee flows along the Western Balkan Route, held in Brussels on 25 October 2015, |

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| ? | having regard to the OSCE/ODIHR Needs Assessment Mission Report of 27 November 2015, |

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| ? | having regard to the Commission?s Urgent Reform Priorities for the former Yugoslav Republic of Macedonia of June 2015, |

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| ? | having regard to the Recommendations of the Senior Experts? Group on systemic Rule of Law issues relating to the interception of communications revealed in Spring 2015, |

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| ? | having regard to the fifth meeting of the High Level Accession Dialogue, held in Skopje on 18 September 2015, |

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| ? | having regard to the Commission communication of 10 November 2015 entitled ?EU Enlargement Strategy? (COM(2015)0611), accompanied by the Commission staff working document entitled ?The former Yugoslav Republic of Macedonia Report 2015? (SWD(2015)0212), |

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| ? | having regard to the political agreement (the so-called ?Przhino Agreement?) reached between the four main political parties in Skopje on 2 June and 15 July 2015, |

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| ? | having regard to the 13th meeting of the EU-Former Yugoslav Republic of Macedonia Joint Parliamentary Committee (JPC) held in Skopje on 3-4 December 2015, |

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| ? | having regard to the conclusions of the European Council of 18 and 19 February 2016, |

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| ? | having regard to its previous resolutions on the country, |

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| ? | having regard to the work of Ivo Vajgl as the standing rapporteur on the country of the Committee on Foreign Affairs, |

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| ? | having regard to Rule 123(2) of its Rules of Procedure, |

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| A. | whereas the prospect of EU membership is a major incentive for further reforms, particularly with regard to the rule of law, the independence of the judiciary and the fight against corruption, and a source of hope for a prosperous future for young generations; whereas opinion polls show considerable public support for EU membership in the former Yugoslav Republic of Macedonia; |

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| B. | whereas the rule of law, media freedom, regional cooperation and good neighbourly relations are key elements in the EU enlargement process; |

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| C. | whereas the country has been a candidate for EU membership for ten years and is still considered among the most advanced candidates in terms of alignment with the acquis; |

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| D. | whereas (potential) candidate countries are judged on their own merits, and the speed and quality of the necessary reforms determine the timetable for accession; |

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| E. | whereas the Commission, supported by Parliament, has repeatedly called for the opening of accession negotiations, stressing the importance of negotiations as a key driver of the process of necessary reforms; |

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| F. | whereas the Council has been blocking progress in the country?s accession process partly owing to the unresolved name issue with Greece; whereas bilateral issues should not be used to obstruct the EU accession process but should be addressed in a constructive spirit as early as possible in the accession process, taking into account the principles and values of the UN and of the EU; |

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| G. | whereas there is consensus between the Commission, the Council and Parliament that the maintenance of the positive recommendation to open accession negotiations with the country shall be conditional on the full implementation of the June/July 2015 political agreement and substantial progress in the implementation of the Urgent Reform Priorities; whereas full implementation of the political agreement would create an environment in which there is a realistic prospect of a negotiated resolution of the name issue with Greece; |

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| H. | whereas the divisive political mentality, the lack of compromise and the collapse of dialogue took the form of a political crisis, which led to the boycott of the country?s parliament by the major opposition party and further undermined confidence in public institutions; whereas it is the shared responsibility of the government and the opposition to ensure sustainable political dialogue and cooperation, which are essential for the country?s democratic development, the pursuit of the European agenda and the common good of its citizens; |

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| I. | whereas the country is facing serious challenges relating to intercepted communications, which have underlined crucial shortcomings and concerns; whereas the recent political crisis has demonstrated the lack of an effective system of checks and balances within the Macedonian institutions and the need to increase transparency and public accountability, including adequate mechanisms for oversight of the main services and internal structures; |

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| J. | whereas full implementation of the political agreement by the leaders of the four main political parties is crucial for the stability of the country; whereas this agreement envisaged, inter alia, a way out of the political stalemate, the opposition?s return to parliament, the implementation of systemic rule of law reforms, the strengthening of good neighbourly relations, the resignation of the incumbent government and the Prime Minister at least 100 days before early parliamentary elections, the establishment of the Office of the Special Prosecutor and free and fair early parliamentary elections; |

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| K. | whereas some of the critical issues in the reform process are political influence in the media, the judiciary and public administration, corruption and the completion of the review of the Ohrid Agreement; |

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| L. | whereas the country has been coping with an unprecedented flow of refugees transiting through its territory; |

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| M. | whereas after more than 10 years, the country and Greece have mutually re-established bilateral visits at Foreign Minister level; |

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|  | 1. | Welcomes the four-party agreement of 2 June and 15 July 2015 and its facilitation by the Commissioner for Enlargement, three Members of the European Parliament and the EU mediator on the ground; urges the political parties to assume their respective responsibilities vis-à-vis the citizens and to ensure without delay the full, constructive and timely implementation of all their commitments in a sustainable and negotiated manner, including their commitment to strengthen good neighbourly relations, also in order to maintain the positive recommendation to open EU membership negotiations; urges them also to constructively engage in political dialogue and to pursue efforts to restore public trust in the institutions in order to maintain political stability and to accelerate the reform agenda to ensure the country?s Euro-Atlantic integration and a European perspective; |

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|  | 2. | Takes note of the fact that a number of obligations envisaged in the June/July 2015 Agreement have been fulfilled according to the agreed deadlines and objectives, but regrets the tendency to delay some of the commitments and some retrograde steps in relation to Urgent Reform Priorities; emphasises the aspects of the Agreement which refer to structural reforms, and the need for all parties to constructively engage in the Working Group convened by the EU mediator on a continuous basis and on the issues of implementing the agreement, even during the election period; calls on all parties to put the interests of the country before party interests and insists that an all-party agreement remains essential in order to fulfil all the elements of the June/July 2015 Agreement, which would put the country back on track towards the Euro-Atlantic perspective; welcomes the return to parliament of the main opposition party SDSM on 1 September 2015; welcomes the appointment of a Special Prosecutor on 15 September 2015 to lead independent and thorough investigations; notes that the amendments to the new electoral code, the law establishing the Inquiry Committee, the law on government and the law on the composition of the new State Election Commission were adopted with delay; |

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|  | 3. | Welcomes the commitment of the main political party leaders under the 2 June 2015 agreement to work towards strengthening good neighbourly relations as an essential element for bringing the country closer to the European Union; |

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|  | 4. | Notes that, according to the June/July 2015 Agreement, the new government was to be sworn in on 15 January 2016, 100 days before the agreed date for early parliamentary elections; takes note of the vote by the Macedonian Parliament on 23 February 2016 to set a new date for early parliamentary elections of 5 June 2016; regrets, however, that an opportunity was missed to find a consensus between all parties; recalls that these elections will in themselves be an important test for the democratic process of the country; insists that all the political parties make efforts to create the conditions for credible early elections and underlines the paramount importance of these elections being free, fair, in full compliance with international standards and in line with OSCE/ODIHR recommendations; |

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|  | 5. | Underlines the need to prepare the elections to the highest international standards, including ensuring free and fair election procedures and enhancing media freedom; expresses concern about the slow pace of the audit of the voters? list and media reform; emphasises that the State Election Commission must have full capacity to conduct its work and that a methodology for the audit of the voters? list should be agreed by all parties, with an agreed level of field checks to ensure legitimacy; underlines, moreover, the importance of all political actors respecting the results of the elections and actively taking part in parliamentary activities; notes the shared responsibility of the major political forces for the process of preparation of the elections; urges the international community to be present for election observation; |

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|  | 6. | Considers it of ***strategic*** importance to ensure continuity of support to the Macedonian progress towards EU membership; notes that the recommendation to open accession negotiations should be conditional upon the full implementation of the June/July 2015 political agreement and substantial progress on the implementation of the Urgent Reform Priorities; calls on the Council to address this issue at its earliest convenience after the early parliamentary elections, as indicated by the Commission; stresses the need to create the pre-conditions for democratic and fair elections, inter alia by the preparation of a reliable voters register and media freedom; welcomes the high level of alignment with the legislative acquis and the fact that the country has achieved some progress in the last year in 25 out of the 33 acquis chapters; |

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|  | 7. | Considers it essential for the democratic process that the Special Prosecutor be given full support to fulfil her agreed functions and maintain full autonomy, and all resources required to investigate any wrongdoings arising from the wiretaps; calls for an end to obstructions in the courts against referring evidence to the Special Prosecutor, and for support for amendments to the law in order to ensure her autonomous authority as regards witness protection with respect to the cases for which her office is responsible; |

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|  | 8. | Considers it essential for the democratic process that the Urgent Reform Priorities on systemic reforms on the rule of law and fundamental rights be implemented without delay; invites the Commission to report back to Parliament and the Council on the implementation of the political agreement and the Urgent Reform Priorities after the early parliamentary elections, and to give an assessment of the conduct of the elections; |

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|  | 9. | Underlines the key role of the country?s parliament in the democratic development of the country and as the forum for political dialogue and representation; calls for its legislative and oversight functions to be improved and strengthened; calls for the regular convening and smooth operation of the relevant parliamentary committees on interception of communications and on security and counterintelligence; notes that the deadlines in the Political Agreement for reports to be ***produced*** by parliamentary committees have not been met; calls for the finalisation of the recommendation of the committee of inquiry into the events which occurred in parliament on 24 December 2012; stresses the need to ensure the committee?s unhindered access to the necessary data, testimonies and technical assistance, and to provide credible parliamentary control of the work of the intelligence services, including the necessary checks and balances on the executive?s power; |

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|  | 10. | Is concerned about the very weak internal and external oversight and control of the intelligence services; calls urgently for the strengthening of the oversight role of the relevant institutions over these services and for full implementation of the recommendations of the Senior Experts? Group on systemic rule of law issues relating to the communications interception revealed in Spring 2015; |

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|  | 11. | Is concerned that the Macedonian public administration remains subject to political influence; urges the government to enhance professionalism, neutrality and independence at all levels and to ensure the full implementation of the principles of accountability, transparency and merit; calls on the competent authorities to implement in a sustainable manner the Law on Administrative Servants and the Law on Public Employees, in full compliance with the principles of transparency, meritocracy and equal representation, and to adopt a comprehensive public administration reform strategy for 2016-2020, including an action ***plan***, and a public financial management reform ***programme***; |

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|  | 12. | Underlines the need to enhance administrative capacity and inclusive and evidence-based policy-making in order to ensure effective implementation of policies and lines of accountability; calls for the development of a designated training ***programme*** for public administration staff; urges the Commission to provide assistance and exchange possibilities in this regard; |

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|  | 13. | Supports the government?s ***plans*** to increase accessibility to public services by prioritising the development of e-services; suggests that the government look for twinning opportunities and take stock of existing best practices; notes that e-services would reduce the bureaucratic burden for the state, for citizens and when doing business; considers, furthermore, that e-services would enhance the country?s economic performance and enable the transparency of the public administration and services to be increased; |

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|  | 14. | Notes the well-established legal framework and earlier measures as regards judicial reform, but deplores the cases of selective justice, particularly through the misuse of Article 353 of the Criminal Code; calls once again for political will to depoliticise the appointment and promotion of judges and prosecutors and to ensure the professionalism and independence of the Judicial Council; stresses the need for the efficient functioning, sufficient staffing and independence of administrative courts and for the capacities of the Academy for Judges and Prosecutors to be strengthened; calls for the preparation and proper consultation of stakeholders on a new 2015-2020 Judicial Reform Strategy and action ***plan***; |

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|  | 15. | Considers civil society to be well-organised but remains concerned about the difficult climate surrounding it and the public attacks by politicians and media on civil society organisations (CSOs); calls on the authorities not to discriminate against CSOs on any grounds such as political affiliation, religious views or ethnic composition; regrets the insufficient cooperation with CSOs, at both central and local levels, in policy and law-making; calls on the authorities to encourage CSOs to actively participate in the overview of the whole electoral process; urges the government to acknowledge the added value of the CSOs by consulting with them during the process of drawing up legislation and policy, to develop the relevant 2015-2017 action ***plan***, to establish the Council for Cooperation with CSOs, to facilitate the necessary dialogue and to include CSOs in policymaking in a regular and structured manner; notes with concern the violent clashes between protesters and police during the May 2015 demonstrations and calls on the government to ensure full respect for freedom of assembly; |

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|  | 16. | Reiterates that the authorities and civil society should take appropriate measures to achieve historical reconciliation in order to overcome the divide between and within different ethnic and national groups, including citizens of Bulgarian identity; |

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|  | 17. | Encourages the country to establish joint expert committees with its neighbours on history and education and to refrain from using educational materials which might contain offensive language towards other countries, with the aim of contributing to an objective, fact-based interpretation of history, strengthening academic cooperation and promoting positive attitudes in young people towards their neighbours; |

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|  | 18. | Welcomes the efforts made so far by the authorities to retrieve the relevant Yugoslav secret service archives from Serbia, and encourages them to finalise the process, which would mark an important step towards breaking with the Communist past and moving towards further democratisation, accountability and institutional strength; |

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|  | 19. | Remains concerned about widespread corruption, particularly in state and local administration, public procurement and political party financing; urges the government to fight corruption in a non-selective manner, to develop a credible track record on both prevention and prosecution of high-level corruption, and to ensure that all law enforcement and supervisory bodies have sufficient autonomy to act independently; takes note of the adoption of the law on whistleblower protection in November 2015 and urges the authorities to ensure its implementation in line with European standards; encourages independent CSOs and the media to bring corruption issues to light and support independent and impartial investigations and trials; stresses the need to strengthen the independence of the police, the Public Prosecutor?s Office and the State Commission for the Prevention of Corruption, and to reinforce the Interior Ministry?s staffing and technical capacities for fighting corruption; calls for enhanced scrutiny of potential conflicts of interest and of assets belonging to elected and appointed officials by establishing a central register of such public servants; |

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|  | 20. | Welcomes the fact that the police and the Public Prosecutor?s Office were reinforced in the fight against organised crime and that steps, including regional/international operations, have been taken to prevent and combat trafficking in human beings; commends the cooperation with neighbouring countries, EU Member States and Eurojust in taking down several organised crime networks; encourages further improvement of cooperation between law enforcement agencies, including those in neighbouring countries, and strengthening of the powers and resources of the courts and the Agency for Management of Confiscated Property; calls for the National Coordination Centre for the Fight against Organised Crime to be made operational and for the establishment of a sound track record on combating money laundering; commends the participation of the country in regional initiatives to fight the illegal trafficking of firearms and explosives; urges that cooperation in this field between the Commission and the Macedonian authorities, as well as governments in the region, should be stepped up further; |

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|  | 21. | Notes the important contribution to regional efforts to fight Islamic radicalism; encourages the development of a comprehensive strategy and action ***plan*** to prevent and counter radicalisation, in close cooperation with religious leaders and communities, and the pursuit of efforts to identify, prevent and disrupt foreign terrorist fighters; strongly reiterates the need for the government to define a common proactive strategy of foreign, security and defence policy, bearing in mind the current international terrorist threat; |

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|  | 22. | Urges that the investigations into the events at Kumanovo be fully completed; welcomes the declarations from political actors that the events at Kumanovo should not be linked with interethnic relations; |

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|  | 23. | Reminds the government and the political parties of their responsibility in shaping a culture of inclusion and tolerance; reiterates its call for the Anti-Discrimination Law to be aligned with the acquis as regards discrimination on grounds of sexual orientation and gender identity; notes that the new Anti-Discrimination Commission has only one female member and that its members were elected on the grounds of political affiliation to the ruling coalition, which raises the question of whether it can function in an impartial and effective manner; condemns the use of any kind of violence against the LGBTI community and reiterates its request that those responsible for such acts of violence be brought to justice; underlines the need to combat prejudices and discrimination on any grounds against the Roma, and to facilitate their integration and their access to the educational system and the labour market; welcomes the new Law on Combating Domestic Violence, but notes that it fails to recognise all forms of violence; urges the competent authorities to provide support services to victims of domestic violence and to allocate sufficient budget for the implementation of the gender equality strategy and action ***plan***; |

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|  | 24. | Reaffirms that the Anti-Discrimination Law should be amended to bring it into line with the acquis as regards all the categories of discrimination listed in Article 19 of the Treaty on the Functioning of the European Union; condemns hate speech against discriminated groups and calls for prompt, impartial and effective investigation and prosecution of all hate crimes and attacks targeting people for discriminatory reasons; |

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|  | 25. | Welcomes, in this context, the ?Pristina Declaration?, which calls upon governments and international, intergovernmental and civil society organisations to fully apply the principles of non-discrimination and equality when working and acting on promotion and respect of Roma rights and fighting anti-Gypsyism in the Western Balkans; |

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|  | 26. | Takes note of the progress made in improving respect for children?s rights; underlines the need to increase and monitor enrolment in early childhood development facilities, especially for the most vulnerable children; highlights the importance of improving inclusion of children with disabilities through integrated services; stresses the need to collect disaggregated and reliable data on the situation of Roma children and for legislative changes to prevent child marriage; emphasises the need for increased coordination among professionals to prevent and respond to violence against children; |

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|  | 27. | Notes with concern that interethnic coexistence remains fragile; calls on all political parties and CSOs to actively promote an inclusive and tolerant multi-ethnic and multi-religious society; stresses the need for a more proactive approach to strengthen coexistence and dialogue, and to achieve cohesion among the various ethnic, national and religious communities; reminds the government, institutions and party leaders of their commitment to fully implement the Ohrid Framework Agreement (OFA) and to complete its review, including policy recommendations; invites the Commission to report back to Parliament and the Council on the state of interethnic relations in the country and the implementation of the OFA; calls for better coordination of the ***strategic*** decentralisation ***programme*** for 2015-2020 and its action ***plan***; |

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|  | 28. | Recalls that education and cultural training can help to create tolerance and promote reconciliation among the various ethnic groups; reiterates the recommendation made in its previous resolution regarding integrated education, and calls on the government and the competent local authorities to ensure an open, transparent and inclusive process as regards the effective implementation of the Strategy for Integrated Education, by allocating sufficient funding and including CSOs in the process of its review and implementation; |

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|  | 29. | Calls on the authorities to ensure that the recommendations of the Ombudsman?s office and other advisory bodies are followed up by all state bodies in full respect of the law and of the principle of accountability, to ensure effective legal sanctions for non-compliance with the requests and recommendations of independent bodies and to ensure that the Ombudsman Law is amended to comply fully with the UN-defined Paris principles on the status and functioning of national institutions for the protection and promotion of human rights; |

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|  | 30. | Reiterates the importance of media freedom and independence as one of the core EU values and a cornerstone of any democracy; deplores the further deterioration of freedom of expression and media freedom; regrets, in this context, that in the index compiled by Reporters Without Borders the country has fallen from 34th place in 2009 to 117th in 2015; is very concerned about political pressure, hate speech, the continued polarisation, lack of independence and pluralism in the media, the widespread illegal wiretapping of journalists, the cases of violence and threats against journalists and intimidation and self-censorship, systemic political interference in the editorial policies and the poor professional and ethical standards of some journalists, as well as the absence of investigative and balanced reporting; |

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|  | 31. | Urges that steps be taken to enhance media freedom; calls on all parties to agree on an urgent media reform which will ensure an independent regulatory body and objective and professional reporting; urges the government to enforce transparent and objective criteria on public service announcements, and to ensure the transparent and non-arbitrary implementation of the new law on electronic communications and audiovisual media services, including the strengthening of the independence and capacity of the media regulator; calls for the members of the council of the audiovisual services regulator to be given full decision-making powers for appointments to that council and to the public service broadcaster on a non-partisan basis and in consultation with the associations of journalists; calls for the editorial and financial independence of the public service broadcaster to be ensured, along with full and equal access to the media for all political parties; calls, in the context of the upcoming elections, for a level playing field also as regards the media; |

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|  | 32. | Welcomes the good level of preparation for the development of a functioning market economy, including the simplification of the regulatory framework which has further eased the overall business environment; notes, however, that the weak enforcement of the rule of law, the inefficient judicial system, the large shadow economy and corruption are serious impediments to doing business; stresses that further strengthening legal certainty for foreign investors as well as domestic companies, avoiding discriminatory practices, strengthening administrative capacities and regulatory and supervisory agencies, and improving the quality of regulation, the rule of law and contract enforcement remain important challenges; calls, furthermore, for Article 353 of the Criminal Code on the misuse of official position and authority to be revised in line with the EU acquis and the principles of a market economy; encourages the removal of non-tariff barriers to trade; underlines the great potential and ***strategic*** advantage of ***agriculture*** and tourism in the further development of the country; |

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|  | 33. | Is concerned about the high level of public debt; calls for improved fiscal discipline and encourages the principle of balanced budget; calls for budgetary implementation and transparency to be improved; |

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|  | 34. | Welcomes the GDP increase of 3,9 % in real terms in the first quarter of 2015, but is concerned that unemployment remains high at 27,4 % and that labour market participation is very low, especially among young people and women; recalls that employment should not be influenced by political affiliation or used for pressure and intimidation of citizens during election campaigns, as pointed out by the OSCE/ODIHR; urges the government to set up functioning social dialogue, to pursue a policy to tackle long-term and structural unemployment, to promote economic policy cooperation, to better align education with labour market demands and to develop a targeted strategy on how to better integrate young people and women into the labour market; calls on the government to dedicate particular attention to improving the perspectives of young people; |

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|  | 35. | Is concerned about the increasing brain drain, especially among young people; takes note of the challenges faced by the country?s education system and emphasises the need for a comprehensive analysis in this respect; recommends ***strategic*** ***planning*** for future reforms and legislative changes through the involvement of student movements and organisations, in order to reduce the outflow of highly educated and professional people; with regard to the data and analysis of Eurostat and other international organisations, which indicate serious migration trends, especially among young people, recommends evaluating the 2013-2020 national strategy for networking, cooperation and reduction of the outflow of highly educated and professional people, and making records and statistics of these trends publicly available; |

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|  | 36. | Notes with concern the challenges faced by the country?s education system and emphasises the need for a comprehensive analysis in this respect; recommends ***strategic*** ***planning*** for future reforms and legislative changes with the involvement of the relevant student movements and organisations, enabling them to fully exercise their rights within this process; |

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|  | 37. | Urges the country?s Agency for Youth and Sport to acknowledge the role and support of, and to establish a permanent mechanism for cooperation with, the country?s National Youth Council; welcomes the process of creating a National Youth Strategy for 2016-2025 and emphasises the need to allocate proper funding for its implementation; |

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|  | 38. | Welcomes the ***plan*** to upgrade and modernise parts of the railway network and encourages the Macedonian authorities to continue to develop and further improve public transport in cooperation with the neighbouring countries; |

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|  | 39. | Regrets that energy targets have not been met with regard, in particular, to energy efficiency and the use of renewables, and calls for the swift adoption of the relevant action ***plans***; |

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|  | 40. | Stresses the need to make progress in opening up the internal electricity market, and to fully comply with the Energy Community Treaty; underlines the need to adopt national energy efficiency and renewable energy action ***plans***; is worried about the alarming air pollution levels and urges the government to act immediately in reducing air pollution, especially in urban areas; |

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|  | 41. | Reiterates its concern about the high levels of air and water pollution in the country; points out that significant efforts are needed in the field of the environment and in particular in the area of air quality; |

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|  | 42. | Welcomes the fact that the Food and Veterinary Agency has continued to update the systems for controlling imports of live animals and animal products, thus improving controls on the identification, registration and movement of animals; welcomes the enactment of additional legislation on the non-commercial movement of pets and zoo-technical issues, as well as new legislation on animal welfare; |

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|  | 43. | Remains concerned about the insufficient capacity to ***programme*** and absorb Instrument for Pre-accession assistance (IPA) funds; urges the government to strengthen the administrative and financing capacities in order to procure and implement EU funds properly and in a timely manner; calls on the Commission to closely monitor projects financed by the EU in order to avoid misuse of European public money for political and other inappropriate purposes; |

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|  | 44. | Notes that the country has been facing an unprecedented migratory flow, with over 500 000 persons transiting through in 2015; recognises that it has acted as a responsible partner in coping with the huge influx of migrants and refugees and in setting up effective border management measures; is aware of the increasingly tense situation at the border with Greece, and calls on the authorities to continue cooperation and coordination with the EU on migration issues; encourages the stepping-up of measures related to border management to combat illegal migration and human trafficking; notes the economic burden created by this influx; calls on the Commission to enhance support for border management capacity and allow access to the relevant EU instruments and ***programmes***; calls upon the competent authorities to avoid and refrain from any kind of actions, including violence and the use of force, which might discriminate against, and put at risk the lives of, refugees and migrants; notes that all relevant kinds of actions should be in line with EU values and principles and should respect the dignity of human beings and human life; encourages the competent authorities to enhance, with the EU?s help, reception and accommodation facilities, regional coordination and information exchange and effective border management, to extend law enforcement capacities and to combat trafficking in human beings; urges the country to do everything possible to ensure facilities for refugees and migrants, uphold humane conditions, refrain from violent pushbacks and ensure strict respect for the country?s own law and for international law on refugees and asylum; notes that the overall number of unfounded asylum applications filed in Schengen member countries has declined; recalls that special attention must be devoted to the vulnerable situation of refugee and migrant children and unaccompanied minors travelling across the country by providing them with basic services and ensuring outreach of social workers to provide appropriate protection; |

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|  | 45. | Considers that EU negotiations can only positively influence efforts towards resolving bilateral disputes, while also generating momentum and leverage as regards much-needed reforms, particularly in respect of the rule of law, the independence of the judiciary and the fight against corruption, strengthening multiethnic cohesion, and safeguarding the credibility of the EU?s enlargement policy; |

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|  | 46. | Commends the agreement with Greece on 11 confidence-building measures, mainly in the fields of education, culture, energy and internal affairs; notes that cooperation is the best confidence-building measure; welcomes as a positive sign the high-level consultations of the two Foreign Ministers in the respective capitals and the creation of a joint task force aimed at overseeing the implementation of the measures; invites both sides to build upon the outcome of these meetings and engage in further constructive discussion at a high political level, including on the implementation of the confidence-building measures, with a view to enriching bilateral cooperation and strengthening mutual trust; encourages both governments to use the momentum and take concrete steps towards further enhancing mutual trust, including with regard to the name issue; invites the Vice-President/High Representative (VP/HR) and the Commission to support the spirit of cooperation and develop new initiatives to overcome the remaining differences in line with the ruling of the International Court of Justice of 5 December 2011, in order to work, in cooperation with the two countries and the UN Special Representative, towards a mutually acceptable solution on the name issue and to report back to Parliament thereon; |

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|  | 47. | Underlines the importance of regional cooperation and believes that it is an essential element in the EU accession process, bringing stability and prosperity to the region; welcomes the country?s constructive role in regional and international cooperation, and its willingness to participate in high-level visits with neighbouring countries as a means of fostering regional cooperation; notes that open issues in relations with Bulgaria have remained and reiterates the importance of finalising the negotiations on a treaty on friendship, good neighbourliness and cooperation; reiterates its concern over the use of historical arguments in the current debate with neighbours, and welcomes any efforts towards joint celebrations of common historical events with neighbouring EU Member States; considers that this could contribute to a better understanding of history and good neighbourly relations; |

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|  | 48. | Welcomes the country?s active participation in the Western Balkans 6 connectivity agenda by endorsing the agreement on the regional core transport network and other commitments undertaken as part of the Berlin Process; invites the competent authorities to swiftly implement the ?soft measures? agreed during the Western Balkans Summit in Vienna in 2015 (e.g simplifying/aligning border-crossing procedures, railway reforms, information systems) before the next Western Balkans Summit, which will take place in 2016 in France; |

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|  | 49. | Invites the government to improve the overall level of alignment with the EU foreign policy as the rate of alignment (68 %) has remained low; invites the government to comply with the EU Common Positions on the integrity of the Rome Statute; |

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|  | 50. | Calls on the Commission and the Council to include the country in the EU macro-regional strategies for cooperation in South-East Europe; offers its congratulations on the successful completion of the Macedonian Presidency of the Central European Initiative; |

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|  | 51. | Is of the opinion that Macedonian membership of NATO could contribute to achieving greater security and political stability in South-East Europe; hopes for accession negotiations to be opened soon; recalls, however, that the EU and NATO accession processes are independent of each other; |

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|  | 52. | Instructs its President to forward this resolution to the Council, the Commission, the governments and parliaments of the Member States and the government and parliament of the country. |

(1)  OJ L 84, 20.3.2004, p. 13.

**Load-Date:** February 19, 2018

**End of Document**



[***May's dithering could lead to Brexit deal being 'meaningless waffle', says former Brexit minister - Politics live; Rolling coverage of the day's political developments as they happen, including the opening of the Lords debate on the EU withdrawal billSteve Baker's statement on leaked Brexit report - SummaryAfternoon summary***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5RHT-GC61-F021-63JR-00000-00&context=1516831)

The Guardian(London)

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**Byline:** Andrew Sparrow

**Body**

block-time published-time 6.07pm GMT

Afternoon summary

* Lord Bridges, the former Brexit minister, has delivering a withering assessment of the government's handling of Brexit, saying that Theresa May's failure to decide what she wants means the deal that ends up being agreed in October could be "meaningless waffle". (See 4.08pm.) He was speaking near the start of the two-day second reading debate for the EU withdrawal bill. More than 50 peers have now spoken. Another 130-odd are due to speak before the debate concludes tomorrow night, when the second reading is expected to be approved without a division.

1. One of Theresa May's key Brexit ministers has claimed that civil servants have never ***produced*** a correct economic forecast, and said he looks forward to continuing to prove the "horror story predictions" of economists wrong.
2. Labour MPs should oppose any Brexit deal that Theresa May puts to parliament this year in order to help trigger a general election and cause her downfall, Len McCluskey, the Unite general secretary, has said.
3. The Dutch government has called on Michael Gove to provide a clear vision for the European fishing industry for when the UK leaves the EU's common fisheries policy, amid growing insecurity in communities on both sides of the Channel.
4. Britain's four biggest accountancy companies are facing fresh scrutiny, with the head of the industry watchdog calling for the competition regulator to investigate their auditing activities following the collapse of Carillion.
5. The EU has given Britain and eight other states until next Friday to show how they will comply with EU air pollution laws or face the European Court of Justice.
6. Theresa May will attempt to reset her relationship with China in a vital three-day trip this week, leading the largest-ever UK trade delegation, comprising 50 business leaders.
7. Claire Kober, the Labour leader of Haringey Council, is quitting after condemning "sexist and bullying" behaviour during a bitter party battle over a controversial redevelopment scheme.
8. MSPs have passed a law to ensure women make up at least half the board members for all public authorities. As the Press Association reports, the Scottish parliament voted by 88 to 28 in favour of the gender representation on public boards (Scotland) bill, with opposition from the Conservatives. The legislation sets the benchmark of having females make up a minimum of 50% of non-executive members by 2022. It will apply to colleges, universities and some public bodies including health boards, enterprise agencies, the Scottish Police Authority and the Scottish Fire and Rescue Service.
9. The Scottish Labour party has published its tax proposals, including a new 50p top rate of tax, higher taxes for the wealthy and £960m more in spending.

That's all from me for today.

Thanks for the comments.

block-time updated-timeUpdated at 6.07pm GMT

block-time published-time 5.54pm GMT

Strugeon says government should publish Brexit impact report in full

Here is the full statement from Nicola Sturgeon, Scotland's first minister, on the leaked Brexit impact report. She said:

The UK government's own analysis makes clear that leaving the EU will, in all circumstances, harm the economy of every nation and region in the UK - and underlines the case that remaining in the single market and customs union is the best way to minimise that economic harm.

When the Scottish government published our own impartial analysis a few weeks ago, showing an extreme Brexit could cost each person in Scotland £2,300 a year, the Tories accused us of scaremongering - now we find out that behind the scenes they agreed with us.

The prime minister must now agree to publish this analysis in full, and any other analyses which they are concealing from the people of these islands.

Time is running out and the chaos in Downing Street must end. Theresa May must face down the hard Brexiteers around her - and put jobs and living standards front and centre of the Brexit negotiations by remaining in the single market and customs union.

block-time published-time 5.45pm GMT

Rees-Mogg hints he could compromise over Brexit transition if there is clarity over 'end point'

And while we're on the subject of Jacob Rees-Mogg, the Tory MP and chair of the European Research Group, the Conservative group pushing for a hard Brexit, has described Philip Hammond, the chancellor, as "a semi-detached member of the cabinet". Speaking on his ConservativeHome "Moggcast" podcast, he said:

The chancellor seems to me to have become a semi-detached member of the cabinet, opposing policy from within it and not following the norms of collective responsibility.

More surprisingly, Rees-Mogg also hinted that he might might be able to water down his objections to the proposed terms of the Brexit transition. Last week he told David Davis at the Commons Brexit committee that if the transition involved the UK having to accept EU laws (as the EU says it will), the UK would end up as a "vassal state". At the end of last week, appearing on the BBC's Brexitcast post (here, with the relevant clip starting at 12.45 minutes in) he also made it clear that he strongly objected to the idea of EU law taking primacy during the transition. But on Moggcast he said that, if he knew where the transition was going to end up, he might find it easier to compromise over the transition.

If we know where we are going at the end of it, there are many things that Eurosceptics such as me could accept in a genuine implementation with a clear end point that are very troubling if we don't know the end point.

Jacob Rees-Mogg Photograph: Yui Mok/PA

block-time published-time 5.21pm GMT

In the House of Lords debate Sir Menzies Campbell, the former Lib Dem leader, accused the Tory MP Jacob Rees-Mogg, who has called for the Lords to be flooded with new peers if it tries to block Brexit, of acting like a Robespierre. Campbell said:

Those who want us to leave the European Union have already got their own committee of public safety. Mr William Rees-Mogg bids to be Robespierre, and he has threatened this House... [Correcting himself] Mr Jacob Rees-Mogg. One Rees-Mogg is very much like another. He's threatened us. Well, my answer to threats from Mr Jacob Rees-Mogg is this.

I'm not here to thwart the will of the House of Commons. Like the Noble Lord who's just spoken, I spent 28 years at the other end of the building asserting the primacy of the Commons, and I will not depart from that simply because I've been sent here.

But I know what my duty is, and it is to bring to the attention of the other House the manifest defects which exist in this legislation.

We may not make them any wiser, but if we do it properly with this bill, we will make them better informed. Heavens knows, they need it.

block-time published-time 4.58pm GMT

Lord Butler of Brockwell, the former cabinet secretary, told peers in the Lords debate that the first line of the EU withdrawal bill, which repeals the European Communities Act, "strikes a dagger to my soul". He explained why:

I have been conscious of the benefit which our country has derived from membership of what has now become the European Union.

Having said that I do think I understand why the 52% voted as they did. The rush towards a federal union is a mistake and may lead to disaster.

Nevertheless, my view is that there is one thing worse than being a member of the EU and that is not being a member of it.

The prospect that the United Kingdom, motivated by what in my view is an illusory quest for independence in a world which becomes more interdependent day by day, is one that is painful. It becomes the more so when the UK appears to be carried along on a tide of narrow nationalism which has brought so much trouble to Europe and the world.

However, I shall not vote against second reading of the bill nor shall I support any attempt to delay it.

But Butler did say he was in favour of a second referendum on Brexit. He said he did not think this bill was "the appropriate vehicle" by which to demand a second referendum. But he went on:

I shall, however, support any amendments which may be necessary to ensure that a further referendum will be among the options when Parliament is given a meaningful vote at the conclusion of the negotiations.

Lord Butler of Brockwell. Photograph: FIONA HANSON - Pool/PA

block-time published-time 4.50pm GMT

The opening of the House of Lords debate on the EU withdrawal bill is now on Hansard. The online report will be updated during the evening. Generally speeches go up about three hours after they have been delivered.

block-time published-time 4.37pm GMT

Back in the Lords committee Carney tells peers that the fall in the value of the pound after Brexit will continue to have an impact on inflation. Inflation has already gone up as as result, but the process is not over, he says. There is more to come.

block-time published-time 4.32pm GMT

Robert Peston 's post on his Facebook page on the government's Brexit impact analysis is well worth reading in full. But here's an excerpt.

The point is that the analysis shows UK growth and prosperity would be significantly greater if UK rules and regulations for business were closely aligned to those of the EU, and never diverged to any significant extent - because this would be expected to deliver cheaper and less cumbersome access for UK goods and services to the EU's giant single market.

In other words, the civil service economists are underwriting the political position of Hammond, Amber Rudd and Greg Clark that it is worth sacrificing a degree of national control over rules and regs for the sake of becoming a bit less poor or a bit more rich (depending on what else is transpiring in an economic sense).

Or to put it another way, the Whitehall "experts" - so derided by Gove in the run-up to the referendum - are getting their own back on Gove and Johnson by providing supposed empirical proof that the Leavers' passion to take back total control over making laws that affect business and commerce would be to throw mountains of £50 notes on to a religious fire.

The government economists' case for remaining "converged" with the EU is so clear and overwhelming, I am informed, that ministers tell me they are utterly bemused by how Johnson and Gove will dismiss it - as they surely will.

block-time published-time 4.21pm GMT

Norman Lamont, the Conservative former chancellor, asks if there are some areas were diverging from EU rules could benefit the UK.

Carney says he is reluctant to comment on a negotiation that has not yet formally begun. But he says there are some areas where the UK has opposed EU proposals covering financial services.

As an example, he cites the bonus cap. The UK has a system that allows it to claw back previously paid bonuses. But pay cannot be clawed back. And the EU's bonus cap has led to bankers getting smaller bonuses and higher pay, which cannot be clawed back. That is something the UK could change, he says.

Mark Carney Photograph: Parliament TV

block-time published-time 4.14pm GMT

Here are some lines from Mark Carney 's evidence to the Lords economic affairs committee so far. These are from the BBC's Kamal Ahmed.

enltrMark Carney @bankofengland says business investment is 4% below where it would have been without referendum decision. Global growth high, monetary conditions easy, balance sheets strong

- Kamal Ahmed (@bbckamal) January 30, 2018

enltrMark Carney says with greater certainty will see greater business investment by 2019 @bankofengland

- Kamal Ahmed (@bbckamal) January 30, 2018

enltrCarney says @bankofengland is considering stronger global economic environment and greater 2019 certainty ahead of its next Inflation Report Feb 8. Many will take that as suggesting an UK growth upgrade.

- Kamal Ahmed (@bbckamal) January 30, 2018

enltrCarney says that a "disorderly Brexit" is unlikely @bankofengland

- Kamal Ahmed (@bbckamal) January 30, 2018

block-time published-time 4.08pm GMT

May's dithering could lead to Brexit deal being 'meaningless waffle', says former Brexit minister

Here are some proper excerpts for Lord Bridges of Headley 's speech. It is probably the highlight of the Lords debate so far.

* Bridges, a former Brexit minister, criticised ministers for failing to answer "basic" questions about what it wants from Brexit. He said:

What is the country we wish to build once we have left the European Union? Only once we have answered this question can we properly and fully answer the second question - what agreement do we want to strike with the European Union? What do we value more, parliamentary sovereignty and control, or market access and trade?

Four months on, and there are still no clear answers to these basic, critical questions. All we hear, day after day, are conflicting, confusing voices. If this continues, and ministers cannot agree among themselves on the future relationship the Government wants, how can this prime minister possibly negotiate a clear, precise heads of terms for the future relationship with the EU?

* He said he was worried that all that would be agreed by October on the future trade relationship would be "meaningless waffle". That would amount to "a gang plank into thin air", he said.

My fear is that we will get meaningless waffle in a political declaration in October. The implementation period will not be a bridge to a clear destination. It will be a gang plank into thin air.

The "political declaration" due in October is the bit that will describe the framework for a future trade relationship. David Davis, the Brexit secretary, says it will contain the substance of a UK-EU trade deal, but EU says the actual trade deal will only come after Brexit and it has implied that the political declaration on the future trade relationship will be very general.

* Bridges said the UK could end up having access to the EU, but without any say over EU legislation and regulation.

The EU will have the initiative in the second stage of the negotiations and we shall find ourselves forced to accept a deal that gives us access to EU markets, but without UK politicians having a meaningful say over swathes of legislation and regulation.

"Some may say this outcome would not be the end of the world. Some may say it's inevitable.

My point today is this. At this pivotal moment in our history, we cannot, we must not, indulge in that very British habit of just muddling through. With under 300 working days until we leave the European Union, we need to know the government's answers to these simple questions.

* He said ministers had to be honest with the public and make choices.

The government must be honest with themselves and the public about the choices we face. And then the Prime Minister and her cabinet must make those choices. As has been said, to govern is to choose, and as we face the biggest challenge this country has faced since the Second World War, keeping every option open is no longer an option.

block-time updated-timeUpdated at 4.08pm GMT

block-time published-time 3.56pm GMT

Government Brexit policy could be 'gang plank into thin air', says former Brexit minister

Turning back to the Lords debate for a moment, Lord Bridges, who was a Brexit minister until he resigned after the general election, has launched a withering attack on the government's handling of Brexit. He said it could amount to "a gang plank into thin air".

These are from the BBC's Esther Webber, the Telegraph's Jack Maidment and the Sun's Tom Newton Dunn.

enltrFormer Brexit minister Lord Bridges says the Brexit years "are like dog years - each one feels like seven"

- Esther Webber (@estwebber) January 30, 2018

enltrLord Bridges going for it: Last four months have brought "no clear answers to critical questions" and we are looking at "a gang plank into thin air"

- Esther Webber (@estwebber) January 30, 2018

enltrLord Bridges says on Brexit "all we hear are conflicting confusing voices" and if this goes on "how can the PM negotiate clear heads of terms?"

- Esther Webber (@estwebber) January 30, 2018

enltrTory former Brexit minister Lord Bridges gives the Government both barrels. Says he is fearful "we will get meaningless waffle in a political declaration in October" and transition period "will not be a bridge to a clear destination, it will be a gang plank into thin air".

- Jack Maidment (@jrmaidment) January 30, 2018

enltrBest Lords speech yet: a withering attack from ex-DexEU minister Lord Bridges on Cabinet's Brexit dithering: "We cannot indulge in that very British habit of just muddling through. The Prime Minister must make choices. Keeping every option open is no longer an option".

- Tom Newton Dunn (@tnewtondunn) January 30, 2018

block-time published-time 3.48pm GMT

The Tory peer Michael Forsyth asks Carney about Andrew Haldane, chief economist at the Bank of England, saying last year that economists' failure to predict the collapse of Lehman Brothers as a Michael Fish moment. Carney says Haldane did not quite say that. Forsyth says he is quoting from the Guardian. Carney says even the finest papers sometimes get it wrong, and that having spoken to Haldane, he knows the point he was trying to make.

block-time published-time 3.44pm GMT

Mark Carney questioned by peers about Brexit and forecasting

It is non-stop today. Mark Carney, governor of the Bank of England, has just starteding giving evidence to the Lords economic affairs committee.

The committee has sent out a note about the four topics they want to cover. In the light of what Steve Baker told MPs at lunchtime, conveniently one of the topics is forecasting. The committee is interested in answers to this question.

Why were the Bank's projections for the economy in August 2016, particularly for business and housing investment and imports and exports, substantially different from the reality?

Another topic is Brexit. The committee wants to ask:

How confident are you that the UK and EU will be able to reach a deal on financial services?

If there is no deal on passporting, is there sufficient time to authorise all the European firms trading in the UK in time and how important is a transition period to that process?

block-time published-time 3.42pm GMT

The Labour council leader behind a controversial housing scheme opposed by Jeremy Corbyn and the party's national executive committee has announced she will stand down at the local elections.

Claire Kober said she would leave the decision on whether to proceed with the public-private scheme to her successor, after Labour's national executive committee unanimously voted to ask Haringey to drop the project.

Speaking to the Evening Standard, she hit out at "sexism, bullying, undemocratic behaviour and outright personal attacks" from some within her local party who opposed the Haringey scheme, saying they had left her "disappointed and disillusioned."

Kober also said it was "perverse" and "discourteous" of Labour's ruling body to have tried to interfere in a local decision.

In a letter to Andrew Gwynne, Labour's shadow local government secretary, she said it had been "unbecoming of the national executive of a government in waiting to discuss a policy based simply on the account of those opposed to it".

"The principle of autonomous local government is a cornerstone of our democracy and one I had hoped that the national executive of my party would share. Sadly this appears not to be the case. Directing a Labour group in this way is not only legally dubious but also democratically unsound," she said.

Labour took the unprecedented decision last week to ask Haringey to reconsider the ***plans*** to go into partnership with developer Lendlease to build 6,400 new homes in the borough. The scheme, known as the Haringey Development Vehicle (HDV), was approved in July by the council, which has promised to replace existing council houses and rehouse current tenants.

But its critics say the HDV would bulldoze existing council estates without effective guarantees that existing tenants would be able to return, and puts billions of pounds of public assets partially into private hands.

The scheme has been extremely divisive in the local party, leading to the deselection of several Labour councillors who supported the project. Two local MPs, David Lammy and Catherine West, have also expressed concerns about the scheme.

However, some within Labour were also outraged by the NEC's decision to intervene in local politics. At the weekend, leaders of over 70 councils, including Manchester, Birmingham, Newcastle and many London boroughs, said the actions of the NEC were "dangerous and alarming", "uncomradely and disrespectful" and "an affront to the basic principles of democracy".

block-time updated-timeUpdated at 3.43pm GMT

block-time published-time 3.39pm GMT

Whitehall union says Steve Baker's forecasting jibe an insult to civil servants

The Brexit minister Steve Baker has been accused of insulting civil servants with his comments about forecasting. (See 2.47pm.) This is from Dave Penman, general secretary of the FDA, which represents senior civil servants.

Steve Baker's comments in Parliament are supposed to represent the considered view of the government. His remarks today not only insult the dedicated professionals working in his department and across the civil service, but they epitomise the current state of affairs in government.

How can civil servants in his department, who are working harder than ever before, have confidence in a minister who stands at the despatch box and openly questions their professionalism? The real question, however, is how can a minister prepared to undermine the government he serves retain the confidence of the prime minister?

block-time published-time 3.25pm GMT

Some 47 MPs from various parties have signed an open letter to David Davis, the Brexit secretary, calling for the publication of the leaked Brexit impact report. The letter has been organised by Open Britain, which is campaigning for a soft Brexit, and the signatories include the Conservatives Ken Clarke, Anna Soubry and Antoinette Sandbach.

The letter also includes 10 questions about the report. Here they are.

1 - Why does the analysis not consider the impact of a 'bespoke trade deal', given the government claims this is the most likely outcome? Has an analysis of such an outcome been carried out separately?

2 - Has the Treasury shared the analysis with No 10, and has the prime minister read it?

3 - Has the analysis been "inform[ing] our negotiating position", as Philip Hammond claimed on 5 December 2017?

4 - Given that all the outcomes considered by your department would deliver a worse situation than we currently enjoy, and that the prime minister has accepted that any 'bespoke' deal would necessarily mean worse access to the single market than a Norway-style relationship, do you now accept that we will not have the 'exact same benefits' after we leave?

5 - Given that the modelling includes a sectoral analysis, why did the Brexit secretary say on 6 December that no analysis has been carried out by his department of the impact for different sectors of different Brexit outcomes, but that "we will, at some stage"?

6 - Why was this analysis not mentioned by a single DExEU minister during the debate over the sectoral impact assessments in autumn 2017?

7 - The analysis reportedly concludes that under a comprehensive free trade agreement with the EU, UK growth would be 5% lower over the next 15 years compared to current forecasts. If this turns out to be the best deal that can be negotiated, would the government reconsider its position on the single market?

8 - The analysis reportedly concludes that a trade deal with the US would increase GDP by about 0.2%, while other deals non-EU countries would add, in total, a further 0.1% to 0.4% to GDP over the long term. Do you agree that trade deals will not come close to compensating for leaving the single market and customs union?

9 - In March 2017, you dismissed the Treasury's pre-referendum forecast that 'no deal' would mean GDP would be 7.5% lower by 2030 as being not "robust". Your department's new analysis says it would in fact be 8% lower by 2033. Do you think this is "robust"

10 - A government source cited by Buzzfeed described the analysis as "an early draft". Has a more recent draft been ***produced***?

block-time published-time 2.54pm GMT

Mandelson says second Brexit referendum 'may become unavoidable'

Here are some highlights so far from the Lords debate on the EU withdrawal bill.

Lord Mandelson, the Labour former business secretary and former European commissioner, said that in 2016 he thought the government had to implement the results of the referendum but that now he was not so sure.

I no longer believe this to be axiomatic. The government cannot behave as if it has a blank cheque to take Britain out of the EU in just about any vandalistic way it chooses.

He said the government should go for EEA membership, "as Norway did when its people decided against EU membership in the 1990s." And he said a second referendum might be needed.

So a referendum on a new question about the future relationship may become unavoidable - although this is not something on which we should be voting at this stage.

Lord Mandelson. Photograph: HO/AFP/Getty Images

Lord Rooker, the former Labour MP, said he would like there to be a second referendum. He also said how much he admired Lord Heseltine, the Conservative. Rooker told peers:

I want it to go back to the Commons amended in a variety of areas, not least giving the people the choice to leave or remain based on the evidence of facts, not lies from a soapbox. The key is that the bill is amended in the interests of the whole nation, not a political tribe.

The leadership of my tribe does not have clean hands on this issue, because it has been tribe before country. The big political tribes are not the same as they were before June 23 2016. Within each tribe there is a flock that has more in common with each other than with the tribe they are part of.

I recently sat in this chamber listening to one of the most powerful and thoughtful speeches I have ever heard on industrial policy, thinking to myself as I closed my eyes the deadly thought that if Lord Heseltine was leader of a tribe, I could join it. But he's not, so I remain where I am, for the moment.

Lord Pearson of Rannoch, a former Ukip leader, said the UK should withhold cash for the EU "if they don't behave themselves". He said:

[The government's] worst mistake is under-estimating the strength of our hand in Brexit's four main issues - mutual residence, trade, security and cash - which should be taken in that order and not the other way around. The government have allowed the Eurocrats to take these issues back to front.

block-time published-time 2.37pm GMT

Steve Baker's Commons statement on leaked Brexit analysis - Summary

Here are the main points from the urgent question on the leaked Brexit analysis.

* Steve Baker, the Brexit minister, said the government would publish a Brexit impact assessment before MPs vote on the final deal. He said:

I can confirm that, when we bring forward the vote on the final deal that we agree with the EU, we will ensure this house is presented with the apt analysis the government has done so this House can make and informed decision.

But he said that, if the government were to publish an analysis now, "while the negotiations continue", that would not be in the national interest.

* He said economic forecasts were "always wrong". Asked by the Tory MP William Wragg if he could name a single civil service forecast that has been accurate, Baker replied:

No, I'm not able to name an accurate forecast, and I think that they are always wrong, and wrong for good reasons.

In his response to Sir Keir Starmer, the shadow Brexit secretary, Baker also said that the economic forecasts at the time of the referendum were also wrong, "not least because there is uncertainty around any forecast, particularly in the long run, especially in the context of a major ***strategic*** choice."

* He said that the report leaked to BuzzFeed was flawed because it was a "preliminary analysis". He said he only saw it this morning and David Davis, the Brexit secretary, only saw it last night. It only looked at "off the shelf" Brexit outcomes and did not try to model the government's "desired outcome", a bespoke trade deal, he said. He said it did not "properly take account of the opportunities of leaving the EU".

1. He dismissed complaints from MPs saying the report showed Brexit would be bad for the economy by pointing out that, under all the scenarios in the report, the economy was forecast to grow.
2. He said the report was leaked to BuzzFeed in an attempt to undermine Brexit. He said:

The article is a selective interpretation of a preliminary analysis. It is an attempt to undermine our exit from the European Union.

* He accused Labour of wanting to overturn the referendum result. Responding to Starmer, he said:

I can understand why [Starmer] and those behind him want the reports in the press to be accurate - fundamentally they don't wish to leave the European Union. For them and for him good news is a disaster and bad news is a welcome confirmation of their world view.

They care passionately about remaining in the European Union and they want to overturn the result. But their strategy is becoming clear - demoralisation, delay and revocation. That is not what our parties stood for at the last election. Our parties were clear that we would respect the result of the referendum.

* Opposition MPs said Baker should publish the report now. For example, Hilary Benn, the Labour chair of the Commons Brexit committee, said "a lack of transparency is not in the national interest". The Conservative Antoinette Sandbach also called for the report to be published, saying:

Quite frankly minister I take exception to being told that it is not in the national interest for me to see a report that allows me to best represent my constituents.

Steve Baker. Photograph: Peter Nicholls/Reuters

block-time updated-timeUpdated at 2.56pm GMT

block-time published-time 1.44pm GMT

Labour's Matt Western says Jaguar Land Rover has blamed Brexit for falling growth.

Baker says Jaguar Land Rover does not sell as many cars as he would like. He says the government will conclude trade deals to help it.

block-time published-time 1.39pm GMT

Tom Pursglove, a Tory, says the "naysayers" talking up this report are those who predicted disaster after the Brexit vote. Brexit will not be all plain sailing, he says. But he says the public want the government to just get on with it.

Baker agrees.

block-time published-time 1.37pm GMT

Baker says he would advocate a "healthy scepticism" towards the use of mathematical economics for forecasting.

block-time published-time 1.35pm GMT

Labour's Barry Sheerman says his constituents were misled by the lies on the Brexit bus. The report seen by BuzzFeed shows that Yorkshire will suffer, he says.

Here is the line in the BuzzFeed report he is referring to.

Every UK region would also be affected negatively in all the modelled scenarios, with the North East, the West Midlands, and Northern Ireland (before even considering the possibility of a hard border) facing the biggest falls in economic performance.

Baker does not accept this. He says the economy grows under all the scenarios looked at in this report.

block-time published-time 1.28pm GMT

The DUP's Sammy Wilson says these long-term economic forecasts are about as useful as newspaper horoscopes.

Baker says Wilson reminds him that JK Galbraith, the great economist, once said the only purpose of economic forecasting was to make astrology look respectable.

block-time published-time 1.26pm GMT

Labour's Alison McGovern says Baker should not question Labour's patriotism. She says the government should asks the Office for Budget Responsibility to do an analysis by the time of the spring statement.

Baker says he did not use the word patriotism. But he repeats the point about Labour not accepting the result of the referendum.

block-time published-time 1.22pm GMT

Owen Bennett 's HuffPost highlights some inconsistencies in the arguments Baker has been using.

enltrBaker says the incomplete Brexit studies which should be ignored forecast growth which shouldn't be ignored but it is a forecast so under the Baker Doctrine it should be ignored. Simples.

- Owen Bennett (@owenjbennett) January 30, 2018

block-time published-time 1.21pm GMT

Heidi Allen, a Conservative, says the government allowed MPs to see the sectoral analysis reports in private. Why can't MPs see this latest report under the same terms?

Baker says this report is different. He says a report will be published in due course.

block-time published-time 1.19pm GMT

Labour's Luciana Berger asks for an assurance that Brexit will not wreck car manufacturing on Merseyside.

Baker says growth is forecast under all scenarios. But he says the government is aware of the special needs of manufacturers with complex supply chains.

block-time published-time 1.17pm GMT

Here is ITV's political editor Robert Peston on Baker's response to the UQ.

enltrIt beggars belief that @SteveBakerHW critique of government's own forecasts that Brexit will make us poorer is that civil servant economists have not modeled the PM's nebulous "cake-and-eat-it" trade deal with EU which the EU 27 regard as less plausible than the tooth fairy

- Robert Peston (@Peston) January 30, 2018

block-time published-time 1.16pm GMT

Here is Paul Blomfeld, a shadow Brexit minister, on Baker's response to the UQ.

enltrExtraordinary to listen to Minister @SteveBakerHW rubbishing the analysis of his own Government. In denial and in chaos.

- Paul Blomfield (@PaulBlomfieldMP) January 30, 2018

block-time published-time 1.15pm GMT

Baker says he considers himself an "old English liberal". He is not an economic nationalist, he says.

block-time published-time 1.14pm GMT

Here is the start of the Press Association story about Steve Baker's response to the UQ.

A minister accused Labour of adopting a Brexit strategy of "demoralisation, delay and revocation" as he attempted to play down a leaked analysis.

Brexit minister Steve Baker hit out at the opposition after the government was forced to reply to an urgent question in the Commons.

Shouts of "Where is he?" could be heard from opposition MPs as Baker answered instead of Brexit Secretary David Davis.

Baker said MPs will be presented with "appropriate analysis" carried out by the Government when it comes to voting on the final deal agreed with the EU.

But he added the government cannot be expected to publish such information publicly before it has been completed, adding: "That would misrepresent our views."

Baker, referring to the Buzzfeed News website report on the leaked document, said: "The article is a selective interpretation of a preliminary analysis. It is an attempt to undermine our exit from the European Union."

Baker said the government is undertaking a wide range of analysis on Brexit, with the next stage, summarised in a draft paper brought together for ministers this month, "not yet anywhere near being approved by ministers".

He went on: "Even the ministerial team in my department has only just been consulted on this paper in recent days and we've made it clear it requires significant further work.

"In fact, I only saw this report myself this morning."

Baker said the analysis reported by Buzzfeed is "not a forecast for our preferred outcome of the negotiations", adding it "does not yet properly take account of the opportunities of leaving the EU".

Shadow Brexit secretary Sir Keir Starmer replied: "Not good enough."

He urged the government to release the information showing the impact of Brexit, accusing the government of "piling absurdity upon absurdity".

Starmer said: "We have been here before. It took a great deal of time last year and the use of a humble address to force the government to release documents relating to Brexit.

"[Davis] has a chance today to avoid a repeat of that exercise if he commits to publishing that new analysis in full. Will he do so?"

block-time published-time 1.11pm GMT

Here is Tom Brake, the Lib Dem Brexit spokesman, on Baker's statement.

enltrMinister Baker's treating MPs like chumps. He knows, we know, the leaked report confirms it, #Brexit will harm British jobs and families. Time the Govt and Jeremy Corbyn agreed to a vote on the deal so people can choose whether to leave and damage our prospects or stay in #FBPE

- Tom Brake (@thomasbrake) January 30, 2018

block-time published-time 1.10pm GMT

Labour's Chuka Umunna says the analysis shows that the least worst option, staying in the customs union, has been taken off the table.

Baker says, if you look on the Sun's website, there is video there of Umunna saying during the EU referendum that leaving the EU would mean leaving the single market.

He says staying in the single market would be unacceptable. It would amount to the "political purgatory of perpetual rule-taking from the EU", he says.

block-time published-time 1.07pm GMT

Baker says government forecasts are always wrong

William Wragg, a Conservative, asks Baker to name a single accurate government forecast.

Baker says he cannot do that. They are always wrong, for good reasons, he says.

block-time updated-timeUpdated at 1.29pm GMT

block-time published-time 1.06pm GMT

The SNP's Joanna Cherry asks why it is so difficult for the government to set out what it wants.

Baker says Theresa May has set that out in the Lancaster House speech.

block-time published-time 1.05pm GMT

Labour's Ben Bradsha w asks why the government has explored the impact of three possible outcome, but not the one it wants, "the fantasy have-cake-and-eat-it one".

Baker says the analysis is still evolving.

block-time updated-timeUpdated at 2.14pm GMT

block-time published-time 1.03pm GMT

Antoinette Sandbach, a Conservative, says she takes exception to being told it is not in the national interest for her to see a report that would help her to take decisions.

Baker says MPs will see the analysis before the final vote.

He says the EU is not publishing all its economic analyis.

Actually, the European commission has published an analysis of the impact of Brexit. You can read it here (pdf). It was published in March 2017. Here is an excerpt.

For the UK the losses average between 1.31% and 4.21 % of GDP for the optimistic and pessimistic scenarios respectively, or 0.13% to 0.41% of GDP annually. Among the different models it is also notable that the losses for the UK are higher than average in the case of two models (OECD and UK Treasury) that capture negative impacts on foreign direct investment (FDI), which is redirected in some degree away from the UK into the EU 27. In their pessimistic scenarios the losses cumulate to about 7.5% of GDP, or 0.75% annually, which are highly significant amounts in macroeconomic terms.

block-time published-time 12.58pm GMT

Here is the Labour MP David Lammy on Baker's response to the UQ.

enltrBrexit Minister Steve Baker tells Parliament one minute that we shouldn't take the Brexit impact studies seriously and then the next minute says "in all of those scenarios there's economic growth". Which is it @DExEUgov ?

- David Lammy (@DavidLammy) January 30, 2018

block-time published-time 12.56pm GMT

Chris Leslie, the Labour MP, says the refusal to publish the report is "deeply irresponsible and dishonest". It is a cover-up, he says.

Baker says Leslie does not accept the results of the referendum.

block-time published-time 12.55pm GMT

Hilary Benn, the Labour chair of the Commons Brexit committee, says David Davis told the committee last year that the government had not conducted a sectoral Brexit impact analysis. Yet the report leaked to BuzzFeed does look at the impact on different sectors of the economy. How can Baker explain this discrepancy?

Here is an extract from the BuzzFeed report.

Almost every sector of the economy included in the analysis would be negatively impacted in all three scenarios, with chemicals, clothing, manufacturing, food and drink, and cars and retail the hardest hit. The analysis found that only the ***agriculture*** sector under the WTO scenario would not be adversely affected.

Baker says the analysis has been evolving over time. He says David Davis only saw the report leaked to BuzzFeed last night. That explains the discrepancy, he says.

block-time published-time 12.52pm GMT

To kick off this morning's cabinet meeting, Theresa May talked her ministers through the government report about the potential economic damage of various Brexit scenarios leaked to Buzzfeed, we were told. This is what May's spokesman said:

At the beginning of cabinet the prime minister noted media coverage of a report purporting to show the economic impact of Britain leaving the EU.

The PM said this was initial work, not approved by ministers, which only considers off-the-shelf scenarios. No analysis was made of the bespoke arrangement we seek as a matter of government policy, as set out in the Florence speech.

There was no wider talk of the report among ministers. Having explained all this, the spokesman then spent much of the rest of the briefing parrying questions on the leaked document he'd just discussed, saying he could not discuss leaked documents.

One interesting element of this was that the spokesman was unable to confirm that Downing Street believes the bespoke Brexit deal the government is seeking will, unlike the other scenarios, prove economically beneficial.

Otherwise, we learned, cabinet discussed measured to combat domestic abuse and violence, and corporate governance in the wake of the Carillion collapse.

block-time published-time 12.49pm GMT

Ken Clarke, the Conservative pro-European, says Baker is refusing to publish the report to protect the government from political embarrassment.

block-time published-time 12.49pm GMT

Here is the Sun's Tom Newton Dunn on Baker's statement.

enltrBrexit blue on blue - DD v Robbins: Steve Baker uses Despatch Box to thoroughly demolish the veracity of impact assessment... compiled by Oli Robbins' Cabinet Office unit.

- Tom Newton Dunn (@tnewtondunn) January 30, 2018

block-time published-time 12.47pm GMT

Baker says Labour wants to stay in the EU

Sir Keir Starmer starts his response with the words: Not good enough.

He says the government denied having ***produced*** a Brexit impact analyis.

It should be published now, he says.

Responding to Starmer, Baker says the report leaked to BuzzFeed is not what is formally known as an economic impact assessment.

He says the goverment should not publish something that would undermine the negotiations.

He says Starmer welcomed the report because he does not want to to leave the EU. Labour welcomes any news apparently showing Brexit has been bad for the economy, he claims. But Labour end up being disappointed because they don't get the bad news they want.

block-time published-time 12.43pm GMT

Baker says leak was 'attempt to undermine our exit from the EU'

Steve Baker says it would be wrong to publish the impact analysis now, before it has been concluded.

He says what BuzzFeed reports was a "selective interpretation" of a preliminary analysis.

It does not take into account the government's preferred option, he says.

He says the leak to BuzzFeed was an "attempt to undermine our exit from the EU".

He only saw it this morning, he says.

block-time updated-timeUpdated at 12.47pm GMT

block-time published-time 12.40pm GMT

MPs told they will get Brexit impact analysis before they vote on final Brexit deal

Sir Keir Starmer, the shadow Brexit statement, asks for a statement about the impact analysis.

Steve Baker, the Brexit minister, is replying. He says the government will publish an economic analysis when MPs vote on the final deal.

* MPs will get a Brexit impact analysis before they vote on final Brexit deal, Steve Baker says.

block-time published-time 12.32pm GMT

The Tory MP Stephen Hammond is also calling for the UK to join Efta. (See 12.24pm.)

enltrJust spoke on @daily\_politics about the Government's leaked Brexit analysis. It proves we should be seeking Efta membership, which is the least damaging option. The Government should publish this analysis without delay

- Stephen Hammond MP (@S\_Hammond) January 30, 2018

block-time published-time 12.30pm GMT

Lord Newby, the Lib Dem leader in the Lords, told peers in his speech that the government had achieved "virtually nothing" on Brexit over the last year. He said:

It is now a year since your lordships House began its debate on the bill triggering Article 50 and 10 months since the article was triggered.

It is generally agreed that both the withdrawal agreement and the agreement on our future relations with the EU have to be concluded before the end of the year and so we are approximately half way through the entire period available for our exit negotiations. What has been achieved so far?

My Lords, virtually nothing.

The government has formally agreed on the future rights of EU citizens living in the UK, but this was something which from day one it said was going to do. It has agreed on a divorce bill - but again the prime minister had long been clear the government was going to do so, even if some members of her cabinet were not.

And on the status of Northern Ireland it has agreed a form of words which, far from settling the matter, are interpreted in a completely different way in Ireland from the gloss put on them here in London, as I discovered in a range of discussions I had in Dublin last week.

On our future relationship with the EU, beyond bland and meaningless platitudes, we have nothing.

block-time published-time 12.27pm GMT

On the Daily Politics Bernard Jenkin, a Tory Brexiter, has joined those MPs (see 10.53am) calling for the publication of the Brexit impact report. He said publication would allow people to see and assess the methodology used in the analysis.

block-time published-time 12.24pm GMT

Osborne's Evening Standard says UK should join Efta after Brexit

George Osborne 's Evening Standard is calling for the UK to join Efta (the European free trade association) after Brexit - aka, the Norway option or the Swiss option to be more precise. In a punchy editorial, the paper says the leaked Brexit impact report shows that the government know how much damage its Brext policy will cause.

Here's an excerpt.

Governments do harmful things all the time by accident or out of ignorance - but to do so willingly, consciously and without telling the public the truth is different.

Every time we hear the prime minister tell us that her ***plan*** is to build a strong economy, we know that she is being advised that the ***plan*** will cost Britain dear.

Every time we hear ministers tell us any loss from Brexit will be fixed by free trade deals, we now know that the analysis shows this is untrue.

Every time we hear the concerns about the impact of Brexit on the economy dismissed as "Project Fear", we now know that recent and credible concerns flow from analysis prepared by a department headed by a leading Brexiteer...

Here's a simple first step. We can stay in the European Free Trade Association - as a growing number of Tory MPs now advocate.

We will minimise the economic damage. We will solve the Irish border problem. We will keep our sovereignty. And the Conservatives can start to take the fight to Corbyn.

Let's see the Whitehall memo on the advantages of that.

(The editorial says "stay in" Efta, but the UK is not actually a member at the moment. But it is in the EEA, the European Economic Area, like all EU countries and three of the four Efta countries: Norway, Iceland and Liechtenstein. The fourth Efta country is Switzerland.)

George Osborne Photograph: Daniel Leal-Olivas/AFP/Getty Images

block-time updated-timeUpdated at 3.30pm GMT

block-time published-time 12.11pm GMT

In her speech to the Lords Angela Smith, the Labour leader in the Lords, said it was important for peers to adopt a questioning approach to the bill. She said:

I want to re-emphasis a point I have made before. The process of Brexit is too important and complex to be left to those who have no doubt. Because only doubt brings questioning. And it is only through questioning that we examine an issue enough to get the detail right.

She also accused the government of avoiding difficult decisions on Brexit.

Too often, the government appears to put off tough decisions. For example, as we've heard in our questions, the financial services sector is crying out for the government to publish a future partnership paper, to provide some certainty to allow for future ***planning***. Yet, none has been forthcoming and ministerial responses are complacent at best.

With 19 months passed since the referendum, it is unacceptable that the government has not yet got a grip of the issues facing Northern Ireland, our crown dependencies and our overseas territories. We have not yet seen a credible way of solving the Northern Ireland border issue given the prime minister's flawed ideological position against a customs union.

We still don't know the government's ***plans*** for the future of Gibraltar and even yesterday noble lords, the minister sidestepped the question of a potential Spanish veto on its inclusion in the new UK-EU relationship. Even now the cabinet still hasn't had that essential discussion on our future trade relationship with the EU.

The full text of Smith's speech is here.

And here is a Labour party briefing note explaining what changes to the bill Labour will be pushing for while the bill is in the Lords.

block-time published-time 12.04pm GMT

My colleague Gaby Hinsliff has written a First thoughts article for Guardian Opinion saying the leaked impact assessment should encourage Labour to take a firmer stand against Brexit.

Related: This leaked Brexit memo means Labour must make a choice | Gaby Hinsliff

block-time published-time 11.50am GMT

And here is some reaction to the leaked Brexit impact report from MPs.

From Labour's David Lammy

enltrThis is a farce. The Government should immediately publish all these reports, un-redacted and in full. If the Government continues to keep the public in the dark about Brexit, Parliament should take back control and force a vote to force the Government to publish them this week. [*https://t.co/HGhtZDSpSl*](https://t.co/HGhtZDSpSl)

- David Lammy (@DavidLammy) January 30, 2018

From Labour's Chuka Umunna

enltrThe people deserve to know what the government think will happen as a result of its decisions, especially on an issue as important as Brexit. They must release the full impact report. @[*Emmabarnett@bbc5livepic.twitter.com*](mailto:Emmabarnett@bbc5livepic.twitter.com)/hsbTqqxEhH

- Chuka Umunna (@ChukaUmunna) January 30, 2018

From the Conservative John Redwood

enltrThe latest leaked reports about slower future growth have all the reliability of those Treasury forecasts of a recession in the winter of 2016-17 which proved to be so wrong.

- John Redwood (@johnredwood) January 30, 2018

From the SNP's Stewart McDonald

enltrMore than a little embarrassing for Ruth Davidson and her Scottish Conservatives that they rubbished SNP Government analysis on Brexit only a few weeks ago only to have the Conservative Government's leaked analysis confirm it pretty much number by number.

- Stewart McDonald MP (@StewartMcDonald) January 30, 2018

From the SNP's Joanna Cherry

enltrThis comes as no surprise but what's really disgraceful is that I & other MPs & the House of Commons have repeatedly been told by Ministers of the Crown that economic impact assessments do not exist. We won't let this lie #BrexitShambles[*https://t.co/Bpz4pQUfUL*](https://t.co/Bpz4pQUfUL)

- Joanna Cherry QC MP (@joannaccherry) January 30, 2018

block-time published-time 11.48am GMT

Here is Paul Mason, the journalist and vocal Labour supporter, on the leaked Brexit impact report.

enltrKey implication for Labour from @BuzzFeedNews leak: if growth down 2% even under EEA that cannot be offset by attacking labour standards...

- Paul Mason (@paulmasonnews) January 30, 2018

enltrIf Labour chancellor were handed this document on day after election it would provide prima facie rationale for ripping up Tory Brexit deal

- Paul Mason (@paulmasonnews) January 30, 2018

block-time published-time 11.41am GMT

My colleague Dan Roberts has a good analysis of the leaked Brexit impact report.

Related: Leaked Brexit impact report: key questions answered

block-time published-time 11.34am GMT

The Commons urgent question on the leaked Brexit impact analysis will come at 12.30pm.

block-time published-time 11.33am GMT

Here is the Telegraph's Peter Foster on the leaked Brexit impact analysis.

enltrOne more thought on the #Brexit Economy analysis leaked to Buzzfeed. This was NOT from Treasury Or Team Hammond. This was DexEU analysis. A department captained by @DavidDavisMP - an arch Brexiteer. It comes from one of their own. As a warning to their own: tread softly.

- Peter Foster (@pmdfoster) January 30, 2018

block-time published-time 11.30am GMT

Lord Adonis, the Labour peer, is speaking now. He gets to go second in the debate because he has tabled an amendment to the second reading motion. It says:

The order paper describes the amendment saying:

Lord Adonis to move, as an amendment to the motion that the bill be now read a second time, at end to insert "but that this House regrets that the bill makes no provision for the opinion of the people to be secured on the terms on which Her Majesty's Government proposes that the United Kingdom withdraw from the European Union."

In the Lords peers do not normally divide on a bill at second reading; it normally goes through on the nod. It is not clear yet whether or not will definitely push his amendment to a vote tomorrow night at the end of the second reading bill, but if he does do so, he will not get the support of the Labour front bench and he is expected to lose.

In his speech he says the public should get the final say on Brexit.

UPDATE: We understand that Adonis will not be pushing his amendment to a vote tomorrow night.

Lord Adonis (standing). Photograph: Parliament TV

block-time updated-timeUpdated at 11.58am GMT

block-time published-time 11.19am GMT

Here his Lord Hunt, a Labour frontbencher peer, responding to Evans' speech. (See 11.16am.) He is not impressed.

enltrTory Leader, Bns Evans treating Euro Withdrawal Bill as a technical Bill which also seeks she said to correct EU law of 40 years. No vision and certainly no clue as to our future relationship with the EU. Deeply dispiriting

- Philip Hunt (@LordPhilofBrum) January 30, 2018

block-time published-time 11.16am GMT

Natalie Evans, the leader of the Lords, and a leave voter in the referendum, is opening the debate. She says the EU withdrawal bill is "vital to a smooth and orderly exit" from the EU. She says passing the bill should not be able revisiting the arguments of the referendum. And the bill is not about making policy change, she says.

On the devolution aspects of the bill, she says it will not take powers away from the devolved administrations. The government expects them to get more powers after Brexit, she says.

She says the government will soon publish its "framework analysis" showing how EU laws interacts with legislative competences that are devolved. She says there will only be a small number of areas where the UK government will want to keep powers so as to maintain a UK framework.

Natalie Evans Photograph: Parliament TV

block-time published-time 11.06am GMT

Peers start debating EU withdrawal bill

Peers are about to start the two-day second reading debate for the EU withdrawal bill. Some 188 peers have put their names down to speak - a record for a second reading in the Lords.

You can watch a live feed here.

In the Lords, unlike in the Commons, they publish a list of the order in which peers will speak. You can read the speaking list here.

I will be covering the highlights, but I won't be trying to cover the debate in full.

block-time published-time 10.59am GMT

Speaker grants Commons urgent questions on Brexit impact analysis

The speaker, John Bercow, has granted an urgent question on the leaked Brexit analysis, Sky's Beth Rigby reports.

enltrNEW; Kier Starmer's UQ granted. Baker will respond for govt. Going to be a very rowdy afternoon in HoC. Tory civil war moves up a gear? (Is that possible?)

- Beth Rigby (@BethRigby) January 30, 2018

block-time published-time 10.57am GMT

An historic first takes place today in a break between the talks aimed at restoring power sharing to Northern Ireland - the Democratic Unionists will hold their first ever meeting with gay rights campaigners.

The Love Equality coalition will meet the DUP over the party's opposition to gay marriage equality in the region.

Northern Ireland is the only part of the UK where LGBT couples cannot have their unions recognised in law. Over the past few years the DUP has used a mechanism normally designed to protect minorities in the now frozen Stormont Assembly to veto moves to introduce gay marriage into the province.

Love Equality is pressing for a reform of the so-called petition of concern, which the DUP has deployed to shoot down legislation in the Assembly that would legalise LGBT marriage.

Former local health minister Edwin Boots will lead the DUP's delegation to meet a group of gay rights campaigners, Amnesty International, trade unionists and student activists who represent Love Equality. The meeting later today will be the first time the DUP has met the gay marriage equality campaigners.

Love Equality want any deal that brings back power sharing among the parties in Belfast to include a commitment to bring about marriage equality.

It will be interesting to see how this meeting will go down in the DUP grassroots particularly in its influential and powerful Evangelical Christian wing, which is traditionally hostile to gay rights issues.

block-time published-time 10.53am GMT

Tory MPs call for Brexit impact report to be published

The Conservative Stephen Hammond told BBC New a few minutes ago that the government should now publish its Brexit impact report. He said:

I think if it has been leaked, [the government] should now publish it. It may have wanted to keep it confidential, but now it is out there and it's been leaked, the best thing the government could do this afternoon is to announce that they are going to publish it.

Stephen Hammond. Photograph: BBC

Hammond is a pro-European who was one of the Tories who rebelled over the EU withdrawal bill before Christmas, so his comment is not very surprising. But Nigel Evans, a Tory Brexiter, also told the BBC that the report should be published. He said:

Cleary it has been leaked by someone who thinks it bolsters the softest possible Brexit.

I agree with Stephen Hammond. You might as well publish the report., and also the methodology of the report.

Evans also mocked the conclusions of the report, pointing out that the Treasury published an economic forecast before the EU referendum with two scenarios ("one grim, one very grim") for the impact of Brexit that have failed to materialise.

Evans has a point about the Treasury report in 2016, but it is worth pointing out that George Osborne published two Brexit impact assessments: a long-term economic impact of EU membership and the alternatives (pdf), published in April; and an analysis of the immediate economic impact of leaving the EU (pdf), published in May, nearer the vote, when Osborne was getting a bit more desperate.

The latter report has not aged well and, as Evans pointed out, even its less grim scenario was predicting unemployment up 5000,000 and growth 3.6% lower than otherwise in 2017-18. (To be fair, the forecast assumed no mitigating policy response, when in fact the Bank of England did cut interest rates and boost quantitative easing in response to the leave vote.)

But the first report is still seen as having more credibility. The UK has not left the EU yet, so no one knows what impact Brexit will actually have on the economy, but those April 2016 forecasts are broadly in line with what most expert economists expect to happen long term.

Nigel Evans. Photograph: BBC

block-time published-time 10.23am GMT

Here is Rupert Harrison, George Osborne's former chief of staff, on the leaked forecasts. He has posted this tweet in response to a BuzzFeed tweet summarising what the leaked report says.

enltrAs any economist will tell you its basically impossible to come up with any other conclusion based on standard trade impacts. To the extent there are any valid arguments for Brexit they are almost all non-economic [*https://t.co/qqXEzohlPF*](https://t.co/qqXEzohlPF)

- Rupert Harrison (@rbrharrison) January 30, 2018

And this (repeating a very good line first used by someone else in 2016 - possibly the FT's Chris Giles.)

enltrI can't forecast what you will weigh in 10 years time but I can predict that if you eat a lot of burgers and don't do any exercise you will weigh more than if you eat healthily and go to the gym

- Rupert Harrison (@rbrharrison) January 30, 2018

block-time updated-timeUpdated at 4.47pm GMT

block-time published-time 10.18am GMT

Here is George Osborne, the former chancellor, on the leaked Brexit impact report.

enltrWell well [*https://t.co/CwWbdJ0kec*](https://t.co/CwWbdJ0kec)

- George Osborne (@George\_Osborne) January 29, 2018

Sky's Beth Rigby compares the forecasts in the leaked document with the forecasts in the Treasury report Osborne published in April 2016. Overall the conclusions are similar, but the latest forecasts are slightly less negative than they were two years ago.

enltr #Brexit latest economic analysis versus 2016 Treasury forecasts: WTO 2018 analysis 7.5% lower (v 8% 2016); FTA 5% lower (v 6.2% 2016); Norway style single market deal 2% lower (v 3.8% 2016). h/t @AlbertoNardelli

- Beth Rigby (@BethRigby) January 30, 2018

block-time published-time 10.11am GMT

Fox says, without a majority, Tory Brexiters will have to 'live with disappointment'

In an interview with the Sun today Liam Fox, the international trade secretary and one of the cabinet's leading Brexiters, said Tory Eurosceptics, such as those calling for the resignation of Philip Hammond, the chancellor, over the weekend, will have to learnt to "live with disappointment". He told the paper:

It doesn't help us for people to be involved in this sort of briefing they were over the weekend against individual colleagues because nothing that would happen would change the parliamentary arithmetic.

We don't have a working majority, other than with the support of the Democratic Unionists and we need to accept the reality of that. I know that there are always disappointed individuals but they're going to have to live with disappointment.

The Sun interprets this as Fox saying that Tory Brexiters will have to accept that they will not get the hard Brexit they want. The BBC this morning said Fox's allies have been clarifying what he meant, and that the "disappointment" he was referring to was not getting the resignation of Hammond, but the Sun's take on Fox's words does seem very plausible. Not having a majority would not stop Theresa May sacking Hammond, but it probably would stop her legislating for a very hard Brexit.

Liam Fox arriving at Downing Street for cabinet this morning. Photograph: Jack Taylor/Getty Images

block-time published-time 9.54am GMT

Plaid Cymru is also calling for the Brexit impact report to be published. Liz Saville Roberts, its leader at Westminster, said:

These leaked assessments should have been made public from the beginning. They show why the two Westminster parties are wrong to pursue a hard Brexit and why maintaining our economic links with Europe is so important for people's standard of living.

block-time published-time 9.51am GMT

Labour says government's economic Brexit impact report must be published

Labour is calling for the government's Brexit impact report to be published in full. Matthew Pennycook, the shadow Brexit minister, has just issued this statement.

Labour has made clear since the referendum that Tory ministers cannot withhold vital information from parliament and the public about the impact of different Brexit scenarios on jobs and the economy.

Ministers should publish this information immediately and allow for a full debate in parliament about its implications.

block-time published-time 9.34am GMT

Theresa May 'needs to go - the quicker the better', says Tory donor Charlie Mullins

Theresa May remains under threat of a leadership challenge. Today the Times (paywall) says Conservative party donors have joined those calling for her to go. Its splash story says:

Discontent with Theresa May among the Conservatives' financial backers boiled over at a fundraising event last Thursday, according to a donor. An account of the event - where about a quarter of the 50 donors present were said to have demanded her resignation - has been circulating among Brexit -supporting Tory MPs.

enltrThe Sunday Telegraph: Mandarins 'forcing May into Brexit betrayal' #tomorrowspaperstodaypic.twitter.com/Lb7eKeFBZY

- Helena Lee (@BBCHelenaLee) January 27, 2018

On the Today ***programme*** this morning Charlie Mullins, who founded Pimlico Plumbers and who has given tens of thousands to the party in the past, said May's time was up. He told the ***programme***:

I think it's obvious now there is no future for her. She needs to go. And as I'm being honest, the quicker the better. We have all lost confidence in her and it is bad for business for her to linger on in there. We all know she is going to go. She may as well just book the removal lorry and move on.

Mullins' ***intervention*** won't come as a surprise to Number 10. He has called for her resignation before.

block-time published-time 9.24am GMT

Sturgeon says leaked report backs up findings of Scottish government's Brexit impact analysis

Here is Nicola Sturgeon, Scotland's first minister, on the BuzzFeed leak.

enltrWhen @scotgov published analysis two weeks ago showing the cost of Brexit, some Tories accused us of scaremongering. Thanks to this leak, we now know the UK government is sitting on analysis which comes to precisely the same conclusions. [*https://t.co/kDkwp5Bg3Y*](https://t.co/kDkwp5Bg3Y)

- Nicola Sturgeon (@NicolaSturgeon) January 29, 2018

Here is a summary of what the Scottish government's Brexit impact report said. It concluded that Scotland's GDP would be 8.5% lower by 2030 than it would be if it stayed in the EU if Brexit resulted in the UK trading with Europe on WTO terms, 6.1% lower with a free trade agreement, but only 2.7% lower if the UK stayed in the single market.

block-time published-time 9.16am GMT

Tory Brexiters dismiss leaked government report saying UK will be poorer when it leaves EU

As George Osborne discovered during the EU referendum campaign, establishment economic forecasts have only limited impact on public opinion. When he was chancellor the Treasury published a report arguing that all three likely economic models that would apply after Brexit would reduce UK growth. But voters turned out to be as expertsceptic as Michael Gove and they voted leave anyway.

Now BuzzFeed has seen a fresh government analysis of the economic impact of Brexit, "EU Exit Analysis - Cross Whitehall Briefing", and it is saying much the same as the Osborne one. You can read Alberto Nardelli 's scoop here and here's an excerpt.

Under a comprehensive free trade agreement with the EU, UK growth would be 5% lower over the next 15 years compared to current forecasts, according to the analysis.

The "no deal" scenario, which would see the UK revert to World Trade Organization (WTO) rules, would reduce growth by 8% over that period. The softest Brexit option of continued single-market access through membership of the European Economic Area would, in the longer term, still lower growth by 2%.

These calculations do not take into account any short-term hits to the economy from Brexit, such as the cost of adjusting the economy to new customs arrangements.

Interestingly, the government has not just brushed this aside with the usual "we don't comment on leaks" response. Sources have confirmed that the document seen by BuzzFeed was genuine, but it is described as an early draft, and one that does not model the bespoke "deep and special relationship" with the EU that Theresa May hopes to negotiate (even though the EU says such an option is not on offer).

Even though economic assessments like this don't have a decisive impact on public opinion, they are not insignificant. Voters may be able to ignore them, but ministers and MPs, who are under some obligation to make policy on the basis of evidence, can't dismiss them entirely.

Tory Brexiters have been rubbishing the leaked findings. Jacob Rees-Mogg, the Conservative MP who chairs the European Research Group, said the conclusions were "highly speculative". And Iain Duncan Smith, the former party leader and former work and pensions secretary, told the Today ***programme***:

I think the timing in this is highly suspicious in the sense that suddenly in the midst of all this conversation about the European Union we have a leaked document. But,I would observe that almost every single forecast coming from government, and most of the international organisations, has been completely wrong. I think we should take this with a pinch of salt.

But Duncan Smith also argued that other analyses have given a more positive forecast for what will happen to the UK economy after Brexit. It is not always clear whether the Brexiter response to negative forecasts about the economic impact of Brexit is: 1) this forecast is wrong, but others are right; 2) all forecasts are speculative, or wrong, so they should be ignored; or 3) even if Brexit does damage the economy, so what, because some things are more important than GDP. Often you hear a mix of all three, as no doubt we will today.

Here is the Guardian's overnight story about the leak.

Related: Brexit would damage UK growth, says leaked cabinet report

Here is the agenda for the day. As usual, Brexit dominates.

8.30am: Theresa May chairs a political cabinet, followed by a normal cabinet at 9.30am.

9.15am: The Insolvency Service and the chair of trustees for the Carillion Pension scheme are among those giving evidence on the collapse of Carillion to a joint meeting of the Commons business and work and pensions committees.

9.30am: Len McCluskey, the Unite general secretary, Lord Adonis and Lisa Nandy MP speak about the future of Labour at a Resolution Foundation event.

11am: Peers begin the two-day second reading debate on the EU withdrawal bill.

2.30pm: David Anderson, the former independent reviewer of terrorism legislation, gives evidence to the Commons home affairs committee.

3.30pm: Mark Carney, the governor of the Bank of England, gives evidence to the Lords economic affairs committee.

As usual, I will be covering breaking political news as it happens, as well as bringing you the best reaction, comment and analysis from the web. I ***plan*** to post a summary at lunchtime and another in the afternoon.

You can read all today's Guardian politics stories here.

Here is the Politico Europe round-up of this morning's political news from Jack Blanchard. And here is the PoliticsHome list of today' top 10 must reads.

If you want to follow me or contact me on Twitter, I'm on @AndrewSparrow.

I try to monitor the comments BTL but normally I find it impossible to read them all. If you have a direct question, do include "Andrew" in it somewhere and I'm more likely to find it. I do try to answer direct questions, although sometimes I miss them or don't have time.

If you want to attract my attention quickly, it is probably better to use Twitter

block-time updated-timeUpdated at 9.35am GMT

**Load-Date:** January 31, 2018

**End of Document**



[***BRIEF NEWS BULLETIN NO. 10182***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5PFG-4CP1-F12K-R15Y-00000-00&context=1516831)

HINA Digest

9 September 2017

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**Length:** 5538 words

**Body**

Zagreb, 09 September 2017 (Hina) - Dalic expects Hungary's blockade of Croatia's OECD bid to be dealt with in bilateral talksZAGREB, Sept 9 (Hina) - The Minister of Economy, Entrepreneurship and Crafts, Martina Dalic, on Saturday expressed hope that the problem of Hungary's blockade of Croatia's Organisation for Economic Cooperation and Development (OECD) membership bid would be resolved in bilateral talks with Budapest, noting that she considered the Hungarian arguments for the withdrawal of support "strange".Hungary announced on Friday that it would not support Croatia's application for OECD membership because of the situation with the Hungarian oil and gas company MOL's investments in Croatia and Croatia's attitude towards MOL's chief executive Zsolt Hernadi."That is the decision of the Hungarian government and I cannot much comment on it. What I can say is that it is strange and that we are surprised that these two matters are being related. We think this is not the usual way, but I am confident that we will resolve the problem in bilateral relations with Hungary," Dalic told reporters in Zagreb while attending an event called "All in One Place", organised by her ministry.Asked how the problem would be resolved, given that Croatia wanted to join this organisation, Dalic said it was too early to say at this point, but added that there were the usual communication channels between the two countries."Our goal, which we have always emphasised, is to develop good neighbourly relations with all our neighbours, including Hungary, andaddress existing problems in line with the procedures, so I expect this problem too will be addressed in that way," Dalic said.She said that Croatia aims to join the OECD, an organisation consisting of the world's 35 economically most developed countries.

Croatia formally applied for membership early this year, seeking to begin talks after a decision on the next round of the organisation's enlargement."We see the OECD as an organisation through which we will be able to promote our economic interests even more strongly and benefit from the knowledge which the OECD provides to its members. That's why we will persist in achieving our goal," Dalic said.The head of the European Commission Representation in Croatia, Branko Baricevic, said that the withdrawal of support by Hungary, and by Slovenia several days ago, was not a matter of conflict with Croatia."In our opinion this is not a conflict, these things happen regularly between member states and we encourage dialogue between them," Baricevic said, adding that he believed solutions would be found in dialogue between Croatia and the governments in question during regular meetings of officials either in Brussels or elsewhere in the EU.Slovenia said earlier this week it would not support Croatia's OECD membership bid because of Zagreb's refusal to implement the arbitration ruling on the border dispute between the two countries.Zvizdic: Border demarcation should precede Peljesac bridge constructionZAGREB, Sept 9 (Hina) - The Chairman of the Bosnia and Herzegovina Council of Ministers, Denis Zvizdic, has sent a letter to Croatian Prime Minister Andrej Plenkovic saying that no government body in Bosnia and Herzegovina has ever given the necessary formal approval for the construction of the Peljesac bridge and that land and sea border demarcation is the necessary precondition for the implementation of that project.Although dated September 4, the letter was published by Bosnian media on Saturday.In the letter, Zvizdic called for an expert and executive-level meeting as soon as possible to discuss possible ways of dealing with this issue to mutual satisfaction.The construction of the Peljesac bridge, albeit only one segment of the overall issue of border demarcation at sea between the two countries, is of paramount importance to Bosnia and Herzegovina because it directly concerns its sovereignty and the rights that belong to it as a sovereign maritime state under the UN Convention on the Law of the Sea and other international treaties to which both Bosnia and Herzegovina and Croatia are parties, the letter says.Zvizdic recalled the fact that the border demarcation agreement signed in 1999 was never ratified and had no legal effect, and that in 2007 the Bosnia and Herzegovina Presidency adopted a conclusion opposing the construction of the bridge until all open border issues with Croatia were resolved. No document has been adopted since that would change or nullify this conclusion.Zvizdic also mentioned a document adopted at a meeting held in December 2006 at which expert groups appointed by the two governments discussed technical issues relating to the construction of the bridge. He said that the Bosnia and Herzegovina Council of Ministers never approved that document, noting that hence the agreement on the dimensions of the bridge, which should ensure innocent passage for vessels entering the Bay of Neum, was not valid.In conclusion, Zvizdic said that no body of authority in Bosnia and Herzegovina had givenapproval to accept or sign any document with Croatia relating to the construction of the Peljesac bridge.In order to resolve the problem in the interests of both countries, Zvizdic proposed steps to come to a comprehensive agreement on border demarcation between Bosnia and Herzegovina and Croatia, with the focus on the sea border.The agreement should provide for the determination, verification and acceptance of a corridor that would provide a physical link between the Bosnian sea and the high sea in accordance with the UN Convention on the Law of the Sea, where all types of vessels and aircraft would besubject to a regime of free navigation and communication, and where Bosnia and Herzegovina would be allowed to lay infrastructure equipment. Croatia, in turn, would be able to achieve its goal of connecting its land territory, which is cut off at Neum where Bosnia and Herzegovina has access to the sea.Zvizdic said it was necessary to ratify the 1999 border agreement without delay.Speedy and successful ratification of the border agreement between Bosnia and Herzegovina and the Republic of Croatia would be the best confirmation of their commitment and positive political will for good neighbourly relations based on respect for sovereignty andterritorial integrity, mutual respect and observance of the rules of international law, Zvizdic said in his letter.Dubrovnik county head, mayor condemn arbitration motion in golf course projectZAGREB, Sept9(Hina) - The head of Dubrovnik-Neretva County, Nikola Dobroslavic, and Dubrovnik Mayor Mato Frankovic on Saturday condemned a decision by the Elitech and Razvoj Golf companies to file anarbitration motion with the Washington-based International Centre for Settlement of Investment Disputes (ICSID), alleging that their project for the construction of a golf course onSrdj, a hill overlooking Dubrovnik, was being obstructed.Dobroslavic said that he was surprised by the investors' move and considered it to be an act of pressure on the government and regional and local authorities as well as the judiciary.He said that he did not see any obstacles to theinvestment, adding that all, including investors, had to respect Croatian laws and comply with decisions by Croatian courts."If studies have proventhat the project is not harmful to the environment, they will be accepted and the project will go on," said Dobroslavic.Frankovic said that the investors' latest move, made before the final assessment of the environmental impact study for the project, constituted a form of pressure on the government, recalling that the golf course project would be good for the city if it proved environmentally acceptable.Bridge party political secretary Nikola Grmoja, who is a member of the Dubrovnik-Neretva County Assembly, warned about irregularities in the project, too."When an investor who has three final court rulings against them threatens with arbitration, rather than correcting the irregularities, that makes one believe that they never really ***planned*** a serious construction project but rather intended totrade in permits they have been or will be issued with by those who are unworthy of working in public services," said Grmoja.Elitech is the founder of the Razvoj Golf company, which represents the investor in the project to build a sportand recreation centre with a golf course on Srdj,worth several billion kuna.The Construction and Physical ***Planning*** Ministry gave Razvoj Golf a development permit for the project on 12 October 2015, which the County Court in Split quashed in February 2017.The civil society group "Srdj IsOurs" from Dubrovnik, which has been opposing the project from the start, filed an administrative suit against the permit, contending the project was illegal. In 2013, this initiative, Green Action and the Croatian Architects' Association filed a suit at the Split Administrative Court against an Environment Ministry decision which found that a study on the project's environmental impact was acceptable. The Court ruled in their favour in September 2016.The civil society group said that the project, which had initially envisaged three golf courses and public amenities, now envisaged only one golf course with the rest of the plot intended for the construction of apartments and villas for sale.The procurator of the Razvoj Golf company, Ivan Kusalic, commented earlier this week on thearbitration motion against Croatia,saying the company resorted to this because of the "total blockade" of thegolf project in which "over EUR 130 million" had been invested."The motion was filed by Elitech as the Dutch-based investment company and Razvoj Golf d.o.o. as the Croatian-based project company because of breaches of the bilateral investment agreement signed with the Netherlands," Kusalic said."Because of the total blockade of the project and the cancellation of already issued permits due to administrative oversights by state bodies which were not corrected, we made that move to protect our rights as an investor who has been trying for ten years to realise the project in which over EUR 130 million has been invested."Kusalic said they sent a letter to the Croatian government last December in an attempt to peacefully solve their issues. "Even after that, no concrete progress was made. In order to protect the investment and the project, arbitration was the last, unwanted step we were forced to take after the complete blockade of the project, although not through any oversight by the investor."Razvoj Golf representatives had already announced the possibility of a lawsuit, which according to some media could be worth EUR 500 million.Stromar: We expect council to close chapter on "For the homeland ready" saluteZAGREB, Sept 9 (Hina) - Deputy Prime Minister Predrag Stromar said on Saturday he was pleased that the memorial plaque commemorating fallen Croatian Defence Forces (HOS) fighters with the salute "For the homeland ready" had been removed from Jasenovac, but added that his Croatian People's Party (HNS) did not consider the matter closed and expected the council dealing with the consequences of totalitarian regimes to close this chapter."We are satisfied that the memorial plaque with the salute 'For the homeland ready' has been removed, but I don't think this is a final solution. The final solution is a legal framework that will clearly define what can be used in the Croatian public sphere," Stromar said in an interview with Croatian Radio."Let's give the council time to do its part of the job andlet's enact what should be enacted and move on, looking forward," he said.Stromar said he would support the government as long as it was working for the benefit of the people, but would insist that "the use in public of the salute associated with a fascist regime be banned.""For the homeland ready" was a salute used by the pro-Nazi Ustasha regime that ruled Croatia during the Second World War.Commenting on the renaming of Zagreb's Marshal Tito Square, Stromar said he regretted that Mayor Milan Bandic "had to give in to some people so he could stay in power.""We could see at the last City Council meeting that some councillors did not put forward a single proposal concerning kindergartens or schools. They only live on ideology, which is not good," he said.Stromar said that the education reform was his party's priority and the main reason why it was in this government. "Our goal is to launch a pilot project of the new education ***programme*** in September next year and for all first-graders to be taught according to the new curriculum as of 2019," he said.Stromar said that the HNS would hold a party election most likely in December. He said he had not yet decided whether he would run for leadership, adding that the matter would be discussed in November.80th anniversary of establishment of Croatian Communist Party markedZAGREB, Sept9(Hina) - The 80th anniversary of the establishment of the Communist Party of Croatia (KPH) was marked at a ceremony in Samobor, just west of Zagreb, on Saturday, with representatives of antifascist associations speaking about the KPH's role in the resistance against fascism and the historic role of Josip Broz Tito, as well as warning about the danger of historical revisionism.Present at the ceremony at Anindol commemorating 1 August 1937, when the KPH's founding congress was held, were about a hundred guests, including representatives of the Association of Antifascist Fighters and Antifascists of Croatia (SABA), the Social Democratic Party, the Federation of "Josip Broz Tito" Societies, the Workers' Front party, the Croatian Communists'League (SKH) and the Socialist Workers' Party (SRP).Speaking about the time when the KPH was established and its role in the fight against fascism, Jovan Vejnovic of the Federation of "Josip Broz Tito" Societies said that the communist movement, led by Tito, had brought European modernity to the region at the time.He warned that today the KPH's positive role was perceived as "a time of communist dictatorship and totalitarianism.""How was it possible to arouse such enthusiasm in rebuilding the war-ravaged country in a dictatorship and totalitarianism, how was it possible to practically eradicate illiteracy in a country with 80% illiterate people in a dictatorship and totalitarianism, is it possible that in a period that is today described as totalitarianism the highest economic growth rates were achieved and the country was put on the political map of Europe and the world?" asked Vejnovic.He described as "fanatics" those who spoke about that time as a period of totalitarianism, describing their fanaticism as not motivated by a wish for revisionism but rather a wish to"completely falsify history and throw out anything that was of value in history."Vejnovic went on to say that the problem with suchpeople was not that they spoke about the past as they did but that they offered fascism asthe future."They are trying to turn back the wheel of history in favour of the darkest ideologies that resulted in hundreds of thousands of victims in this country," said Vejnovic.SABA president Ivan Fumic warned that "we can see again blackshirts today", ironically remarking that now that Zagreb's Marshal Tito Square had been renamed, all of the country's problems had been solved.SDP leader Davor Bernardic's envoy Dusan Plecas, too, warned about the danger of historical revisionism, saying that for the past several months the country "has been terrorised by small right-wing organisations."Reiner receives South Korean parliament delegationZAGREB, Sept 8 (Hina) - The Deputy Speaker of the Croatian Parliament, Zeljko Reiner, met in Zagreb on Friday with a South Korean delegation led by the Deputy Speaker of the National Assembly, Park Joo-sun, discussing possibilities of boosting economic cooperation and trade, the Croatian Parliament said in a press release.Political relations between the two countries were described as "very good", both at the bilateral level and within international organisations.Reiner said that parliamentary diplomacy was playing an increasing role and providing a new and more informal dimension to mutual cooperation. "There is great potential for Korean investment in Croatian ports, transport infrastructure and the energy sector," he said.Park stressed the need to improve economic relations between the two countries, adding that the ***planned*** opening of a Croatian diplomatic mission in Seoul and the launch of direct flight services would facilitate direct contacts between companies.Park proposed strengthening defence cooperation, notably in the manufacturing of fighter aircraft.Speaking of the latest developments in the Korean Peninsula, Park thanked Croatia for supporting his country, both directly and by supporting UN resolutions aimed at establishing peace, dialogue and stability in that area.The meeting also expressed mutual satisfaction with the cooperation in tourism, culture, science and higher education.The South Korean delegation was scheduled to visit Plitvice Lakes National Park and Dubrovnik on Saturday.Dubrovnik interested in direct flight service with South KoreaZAGREB, Sept9(Hina) - The head of Dubrovnik-Neretva County, Nikola Dobroslavic, and the Mayor of Dubrovnik, Mato Frankovic, met on Saturday morning with a South Korean delegation headed by the Deputy Speaker of the National Assembly, Park Joo-sun, during their visit to Dubrovnik."We discussed possibilities of cooperation with our county and city and possibilities provided by tourism. We would like to see more investment in other sectors. Both sides expressed a desire to establish a direct flight service with Dubrovnik," Dobroslavic said after the meeting."A lot of Korean tourists come to Dubrovnik and we would like more of them to come, and they said they would like more Croatians to visit Korea," he added.Frankovic said that the number of Korean tourists visiting Dubrovnik this year would exceed last year's 50,000. "The Korean market hasgreat potential and we want to attract more visitors from there," he said.Protest held against construction of Peruca gas power plantZAGREB, Sept9(Hina) - A protest was staged on Saturday against the construction of a gas-firedpower plant on Lake Peruca near Sinj, inland from the coastal city of Split, with protesters saying that they would prevent the project at all cost and threatening to block local traffic until the government abandonedthe project.One of the organisers of the protest, Mislav Cvitkovic, said that the plant would emit huge amounts of poisonous gas and generate 280,000 litres of wastewater daily, which, he said, would destroy life in the Cetinska Krajina region.Cvitkovic said that Peruca Lake, an artificial lake created by damming the River Cetina, was the biggest natural water resource in the country and should be protected as a ***strategic*** resource.Attending the protest was also Miro Bulj, a member of Parliament from the Bridge party.The MCC company reported in October 2016 that its project Vis Viva, worth around one billion euros, envisaged the construction of four power plants in the Dalmatinska Zagora region, including the Peruca gas-fired power plant, to ***produce*** both electricity and heat.Vis Viva is one of the two ***strategic*** projects in Croatia announced on the European Investment ProjectPortal (EIPP). The project is cited in a report on the implementation of investments for Europe in Croatia, adopted by the Croatian government in September 2016.Viktor Lenac shipyard to overhaul yet another US Navy vesselZAGREB, Sept9(Hina) - The Rijeka-based Viktor Lenac shipyard it to overhaul a US Navy vessel which will arrive at the shipyard next week.The USNS Trenton, a logistics ship of the US Navy 6th Fleet, is an aluminium catamaran used for servicing ***interventions*** on US Navy ships in the Mediterranean and the transport of people and equipment.The overhaul is expected to be completed by early October, the shipyard said, noting that it had overhauled the ship's twin vessel, the USNS Chocktaw County, at the end of 2015.Viktor Lenac CEO Aljosa Pavelin said that the new job was very important for the continuity of cooperation with the US Navy and sent a clear message about the market strength of the Rijeka shipyard.The shipyard is currently completing overhaul and remodellingwork on the USS Mount Whitney.More than 400 children participate in UNICEF run for first human milk bankZAGREB, Sept9(Hina) - More than 400 children, aged 3-10, took part in a UNICEF humanitarian run called "The Milky Way" in downtown Zagreb on Saturday, to raise awareness of the need to establish the first human milk bank in the country.The drive was supported by Demography, Family, Youth and Social Policy Minister Nada Murganic, who said that such a bank would provide healthy food for prematurely born children and babies who for health reasons cannot take their mothers' milk.The head of the UNICEF office in Croatia, Valentina Otmacic, said she expectedthe first human milk bank to open in Zagreb, at the city's Rebro hospital, by the end of 2018.She noted that human milk banks existed throughout Europe and that in some countries there was a milk bank in almost every bigger city.Milk will be collected from breastfeeding women at maternity wards or at home, after which it will be analysed for safe consumption. The bank will be linked with maternity wards to which it will deliver the milk.MAR positively impacts Croatia's demographic situationZAGREB, Sept 9(Hina) - Seventeen percent of Croatian couples suffer from infertilityand around 1,200 children are born with the help of medically assisted reproduction (MAR) every year, an international congress, focusing on the positive impact of MAR and contraception on improving the country's negative demographic situation, heard in Brijuni this past week."Given that in Croatia 1,200 children are born annually with the help of one of the MAR methods, we believe that it is very important to include experts on human reproduction in the ***planning*** of national demographic policies. Close to 17% of couples have infertility problems and if we add the large number ofyoung people leaving the country, the rather negative demographic situation is not surprising," said Dinka Pavicic Baldani, head of the Croatian Association for Gynaecological Endocrinology and Human Reproduction, one of the event's organisers."We want to underline at this congress the importance of investing in MAR, in patient safetyand in the continuous training and exchange of experience with top foreign experts," she said.The head of the National Commission for MAR at the Health Ministry, Velimir Simunic, said that 7,500 various MAR procedures were done in Croatia every year, including 5,500 in vitro fertilisation (IVF and ICSI) procedures, which are the most complex and the most successful.The results of these methods are presented separately because methods differ significantly. Their success depends on the woman's age andthe number of embryos transferred to the uterus and is statistically shown as a ratio of clinical pregnanciesand births and the number of embryo transfers. Croatian results for 2015 are in line with the European average, said Simunovic.Thirty-five years ago IVF success was 2-5% while today it is almost ten times higher and the causes of long-term infertility are treated with IVF methods in 80% of the cases, it was said.World First Aid Day marked in OsijekZAGREB, Sept 9 (Hina) - World First Aid Day, with domestic accidents as this year's theme, was marked in the eastern city of Osijek on Saturday with first aid demonstrations and workshops, distribution of promotional material and other activities organised by the local branch of the Croatian Red Cross.Statistics show that about 80 percent of accidents happen in areas which people consider the safest -in their homes, said the head of the Osijek branch of the Croatian Red Cross, Denis Cosic.Every year about three million people get hurt in domestic accidents across Europe and more than7,000 of them die, he added.Cosic said that the purpose of today's event was to warn of risks at home and of the most common accidents, such as burns, cuts, falls, choking on food, heart attacks and strokes."Not only do we want to warn of risks so that we can prevent them but also raise awareness of the need to administer first aid because in that way we can save lives, reduce the duration of medical treatment and prevent potential disability," Cosic said.Red Cross staff demonstrated the most common home accidents, resuscitation procedures, how to deal with heavy bleeding, fractures and head injuries, and what to do in case of choking or fainting.Kosovo Serbs to get three ministerial posts in gov't led by Ramush HaradinajZAGREB, Sept 9 (Hina) - Kosovo Serbs will have three ministerial posts and six assistant minister posts in the Kosovo government, but the position on Kosovo Prime Minister Ramush Haradinaj, whom Serbia has charged with war crimes, will not change, the Serbian government said on Saturday.In the government led by Haradinaj, the Serb List (Srpska Lista) will head the ministries of return, ***agriculture*** and rural development, and local self-government. It will also get six assistant minister positions, it was said after talks between the head of the Serbian government's Office for Kosovo and Metohija, Marko Djuric, and representatives of the Serb List, which is supported by Belgrade."Security, a better life and economic status of the Serbs and their survival are the only goals for which we will fight. We cannot choose Albanian political representatives, but our people, who have been elected with a vast majority of votes to fight for Serbs, will work through institutions, the parliament and on the ground. As for decisions we have made, they have been supported by the Serbian government and president, as well as by the head of the Office for Kosovo and Metohija," Serb List representative Goran Rakic told a news conference.Representatives of that slate said that "there is no better and possibly harder way than to participate in the Kosovo institutions for the sake of the survival of Kosovo Serbs"."By joining the government we will get a chance to fight for the platform of the Serb List," said the candidate for ***Agriculture*** Minister, Nenad Rikalo.The key issue for the Ministry of Return will be enabling a sustainable return of Kosovo Serbs to their homes. The Local Self-Government Ministry is expected to have a key role in forming the Community of Serb Municipalities, in line with the April 2013 Brussels agreement on the normalisation of relations between Belgrade and Pristina, which the government in Pristina has been opposed to for a long time.Serb List spokesman Igor Simic said that the slate was the fourth strongest political force in the Kosovo parliament, with ten seats, and that the government in Pristina depended on its votes.Marko Djuric, who heads the Serbian government's Office for Kosovo and Metohija, said that Serbia's position on Haradinaj would not change."He continues to be a war crimes indictee and Serbia will not change its position on him," he said, adding that Serbian police and prosecutorial authorities would continue working on his case.Djuric said that the Kosovo Albanians' electing for 17 years people who had taken part in the war did not make life for Serbs any easier.Haradinaj, a former commander of the Kosovo Liberation Army, was appointed Prime Minister by President Hashim Thaci, Haradinaj's former fellow fighter, after Haradinaj helped form the parliamentary majority by the Alliance for Kosovo party, led by Swiss businessman Beghjet Pacolli, joining the majority. This put an end to a three-month political blockade that started after the parliamentary election of June 11 as a clear parliamentary majority could not be formed.Apart from a difficult economic situation, Kosovo is also faced with problems in the dialogue with Serbia which has been at a standstill for months. Serbia refuses to recognise its independence, declared in 2008, even though the youngest European state has in the meantime been recognised by more than 110 countries, including most EU countries.At the start of 2017 Haradinaj spent several months in custody in France where he was arrested on an international warrant issued by Serbia, which charges him with war crimes. A court in Colmar, France, however, refused to extradite him to Serbia, one of the reasons being that he was acquitted on war crimes charges at the Hague war crimes tribunal for the former Yugoslavia in 2008 and after a retrial in 2012.The Serbian government has said that the arrest warrant refers to crimes that were not covered by the trials in The Hague.THIS BULLETIN INCLUDE ITEMS RELEASED BY 2100 HRS SATURDAY. (Hina) rml Masthead Brief News Bulletin is published by the Croatian News Agency HINA Marulićev trg 1610 000 ZagrebCroatia web:[*www.hina.hr*](http://www.hina.hr) mail: [*hina@hina.hr*](mailto:hina@hina.hr) phone: (+385 1) 48 08 660; fax (+385 1) 48 08 822 Publisher: Branka Gabriela Valentić, DirectorEditor in Chief: Serđo Obratov Bulletin Editor: Marija Šestan

ZAGREB, Sept 9 (Hina) - The Minister of Economy, Entrepreneurship and Crafts, Martina Dalic, on Saturday expressed hope that the problem of Hungary's blockade of Croatia's Organisation for Economic Cooperation and Development (OECD) membership bid would be resolved in bilateral talks with Budapest, noting that she considered the Hungarian arguments for the withdrawal of support "strange".

ZAGREB, Sept 9 (Hina) - The Chairman of the Bosnia and Herzegovina Council of Ministers, Denis Zvizdic, has sent a letter to Croatian Prime Minister Andrej Plenkovic saying that no government body in Bosnia and Herzegovina has ever given the necessary formal approval for the construction of the Peljesac bridge and that land and sea border demarcation is the necessary precondition for the implementation of that project.

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**Load-Date:** September 9, 2017

**End of Document**



[***Washington: Secretary Mnuchin’s opening remarks for the U.S – China Comprehensive Economic Dialogue (as prepared)***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5P38-RVR1-JDG9-Y34X-00000-00&context=1516831)

Impact News Service

July 22, 2017 Saturday

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**Length:** 737 words

**Body**

Washington: U.S Department of Treasury has issued the following news release:

 Good morning.  It is a pleasure to be here today as we start today’s important bilateral dialogue.  I would like to extend my warmest welcome from our nation’s capital to Vice Premier Wang and the entire Chinese delegation.  I also would like to thank Secretary Chao, Secretary Ross, Director Cohn, and Ambassador Lighthizer for being here today.               The establishment of this Comprehensive Economic Dialogue between the United States and China is an important step in economic relations between our two countries.  Treasury Secretary Hank Paulson inaugurated the first high-level U.S -China dialogue in 2006 to address challenges in the bilateral economic relationship.  This dialogue was broadened to include a wide array of issues.  With the Comprehensive Economic Dialogue, our hope is that we can increase our focus on concrete and targeted commitments to address both short- and long-term ***strategic*** challenges.               As the world’s two largest economies and the major drivers of global growth, the United States and China have strong overlapping interests.  We need to work together to maximize the benefits for both sides. We need to focus on a fair and balanced economic relationship between the United States and China.

                                   This means providing the same access for American firms in China as we provide for Chinese firms in the United States.  It means addressing the imbalances caused by Chinese government ***intervention*** in its economy, as well as addressing the impact of China’s industrial, ***agricultural***, technological, and cyber policies on U.S jobs and exports. It means holding the United States and China to a high standard of communicating new and revised policies and regulations so that governments and individuals worldwide can better tailor their policy and investment decisions.               A more balanced economic relationship will create prosperity for our two countries. With strong, sustainable growth benefits the United States, China, and the world. U.S and Chinese stated economic goals can be mutually beneficial.  We should pursue these areas of common interest.               For example, China’s rebalancing toward household consumption and away from relying on investment and exports will not only generate healthy, sustainable Chinese growth but will also create more consumers for U.S goods and services.  Opening China’s markets to foreign firms will improve the competitiveness of Chinese firms and ultimately provide higher quality goods and services to Chinese consumers. Foreign participation in China’s financial sector will help improve the allocation of resources to the most productive sectors of the Chinese economy and contribute to a stronger global financial system.               For our part, the United States is committed to restoring robust growth through three key policies: reforming the tax system, streamlining regulations, and improving trade policy.               The United States and China must also work together – both bilaterally and multilaterally – to foster a healthy and sustainable global economy.  We must look to strengthen the existing international economic architecture and to advance high standards in development finance.               The success of our dialogue can already be seen through the actions taken under the 100-day action ***plan*** agreed to by our Presidents at the April Summit.  In particular, China’s markets can now be accessed by American beef ***producers***, and American credit rating agencies now have greater opportunities to assess the credit worthiness of Chinese corporations and financial products.               On the agenda today we will discuss a range of issues.  We will have open and frank conversations about creating a more balanced, reciprocal trade and an investment relationship that provides a level playing field for our firms. We will discuss economic and financial policies that will generate healthy, sustainable growth in our countries and globally.  I look forward to exchanging ideas on these and other important topics.               While challenges remain, I am optimistic that we can use today’s discussions as a milestone in our economic and financial relationship, to build on with continued engagement.               I now invite Vice Premier Wang to make his opening remarks.

**Load-Date:** August 1, 2017

**End of Document**



[***Putin answers Russian media bosses' questions - Kremlin transcript***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5RF2-Y7B1-DYRV-33R0-00000-00&context=1516831)

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**Length:** 6443 words

**Body**

Text of report "Meeting with heads of Russian print media and news agencies, 11 January 2018, Moscow" published in English on Russian presidential website on 12 January; subheadings added editorially:

Ahead of Russian Press Day marked on 13 January, Vladimir Putin met with heads of Russian print media and news agencies in the editorial office of the Komsomolskaya Pravda newspaper. The discussion focused on current professional issues. The President congratulated media representatives on their professional holiday.

In December 2017, during Vladimir Putin's annual news conference, Komsomolskaya Pravda correspondent Alexander Gamov invited the President to visit the newspaper's editorial office. Before meeting with heads of Russian print media and news agencies, Vladimir Putin toured an exhibition devoted to the newspaper's history, learned about the work of its editorial office and wished the listeners of KP radio station a happy New Year in a live broadcast.

\* \* \*

President of Russia Vladimir Putin: Good afternoon. I congratulate you all on your professional holiday. Press Day, right?

Editor-in-chief of the Komsomolskaya Pravda newspaper Vladimir Sungorkin: Russian Press Day.

Vladimir Putin: My congratulations to all those involved in this wonderful profession, an interesting, very important, difficult and, sadly, occasionally a dangerous one, but very important. I congratulate you and wish all the best to you, to all your colleagues, to everyone who works at both print and electronic media outlets, in internet media.

People in your trade are interesting, unconventional, creative, and often very talented. I would like to express my hope that all those qualities, all the talent and efforts will serve the good of society and Russian citizens.

Remark: Thank you.

Vladimir Putin: I will conclude my short speech, my introductory remarks, on that note. Let us just have a talk, as we oftentimes do at meetings like this.

Many candidates in upcoming presidential election

Vladimir Sungorkin: Mr President, thank you for coming to Komsomolskaya Pravda.

I have a question for you not as the President, but as a presidential candidate. This year, we will have, I think, a record number of those who wish to lead our dear mother Russia. What are your thoughts on the large number of potential candidates? Do they motivate you, or just the opposite? What are your feelings on going up against 15 rivals, I believe?

Vladimir Putin: I think it is normal and good. To some degree, the pre-election period always strains society, because, unfortunately, there is also a lot of "foam" bubbling up, but still it is good because it gives people a chance and a reason to speak out, to discuss how different people approach these problems.

In general, I think it's useful. It keeps the discussion fresh and sharpens it. The main thing is to do everything according to the law, as well as certain ethical and moral values. This is the most important element; and on the whole these campaigns I have just mentioned, while they have downsides, they still benefit society. This is why I welcome it. I will be glad to see and to hear interesting, elegant and useful proposals for the country's development.

Foreign interference in elections and ban on Navalny

Editor-in-chief of the Kommersant newspaper Sergei Yakovlev: Mr President, I would like to continue with the topic of the election.

Alexei Navalny was not allowed to participate in the election. We immediately heard criticism from Washington and a number of European capitals. I would like to know what you think about this and how you see the situation?

Vladimir Putin: First, I would like to say that no one likes when others interfere with their internal political affairs. Our American friends particularly do not like it. We can see their reaction even to unreliable information on our interference, we can see how sharp the reaction has been, aggressive even, I would say. The experience of American election campaigns shows that they hardly allow anyone in.

The situation with our media which were promptly labelled foreign agents and their performance impeded, in a pretty aggressive and spiteful way, I would say this speaks exactly to how they react if someone influences the domestic political situation somehow, especially during the pre-election period.

The fact that they do that themselves, at least make these attempts, is regarded by them as normal, which is absolutely wrong in my view. And if they poke their nose in everything, they should be ready to respond to certain challenges which they actually encourage themselves.

I would ask you not to take this as if we are interfering with something. We are not going to interfere. I am just stating the fact that nobody likes it when someone interferes with their business yet they are happy to intrude into others' affairs. This is the first thing that comes to my mind regarding some reactions by the US Congress followed by the Department of State on the fact that someone was not allowed. This is the first instance.

The second instance. The character you mentioned is not the only one who was banned. For some reason others were not announced. This seems to reveal the US administration and other nations' preferences regarding who they would like to promote in Russia's politics and who they would like to see among the country's leadership, if not the leader. And apparently, these are the people they count on, they rely on. And in this case, they gave themselves away, they would have done better if they had kept silent.

The key is not who was allowed to run and who was not, because this is standard practice. The key is to understand and to follow the spirit of the law for us inside the country. To understand that any violation of the law, no matter who it is committed by, is intolerable. And that's it. Including during the election campaign.

Relations with Ukraine, offer to collect old hardware from Crimea

Rossiya Segodnya Director General Dmitry Kiselev: We have just celebrated the New Year. I understand you rang it in amid freezing temperatures in Russia. Meanwhile, as many Ukrainian media resources reported, Poroshenko, the President of neighbouring Ukraine, rang in the New Year in the Maldives where he rented a whole island. Apparently, it was there that he shouted "Glory to Ukraine!"

Meanwhile, Donbass exists. It is home to millions of people who did not recognise the coup d'etat in Kiev, and on the whole their fate is not to be envied. There is little good news out of there. True, recently a prisoner exchange took place there but it was incomplete. Otherwise, there is shooting and people get killed almost every day. Does Donbass have a future? Is it a frozen conflict? It seems Europe is ready to forget about it. Or am I mistaken? Russia's maneuvering is probably also limited to an extent, is it not?

Vladimir Putin: First, I always spend the New Year and all other holidays in Russia. This is simply a tradition. To be honest, I do not even want to go anywhere. I spent the New Year holiday at home and then went to Siberia for a couple of days. The temperatures were really freezing there - minus 33 C - but I like it this way.

As for the President of Ukraine, I do not know where he spent his New Year holiday but I do not think there is any shame in the President going abroad and spending some time with his family there.

Dmitry Kiselev: But he is saying that the country is at war and yet he goes to the Maldives. How come?

Vladimir Putin: I do not know anything about this. I do not know anything for sure and so it is difficult for me to comment. At any rate, he is a wealthy man and can afford to go with his family abroad, to the Maldives or whatever other islands.

As for settlement prospects in Donbass, it seems to be turning into a frozen conflict. Nobody, including Russia, has any interest in this. We would like this situation to be resolved. But a settlement should not cause concern among those who live on this territory. I do not want to predetermine anything now. I have said this many times. I would like to repeat: Russia would be fairly content if the Minsk Agreements were carried out in full. I am referring to their implementation on a full scale - not just selectively as some prefer. All those who live in Donbass should find such a settlement suitable, and it should include a law on the special status of Donbass. This is the second point.

Third. Regarding our relations with Ukraine in general. It is totally abnormal that instead of constructively advancing relations between the two close, brotherly nations and between what are essentially parts of the same people, we see what is unfolding today. I expect that after the Donbass issues are solved, and this will happen sooner or later, there are no doubts about it - inter-state relations between Russia and Ukraine will begin to normalise in general.

As you know, even in 2014, we began the transfer of military property and equipment. Several trainloads were sent from Crimea to Ukraine. The Ukrainian side repeatedly raised the issue of returning military equipment from Crimea. I would like to use the opportunity, as they say, and I want to say that we are ready to continue the process. We are ready to hand over naval ships to Ukraine that are still in Crimea, we are ready to hand over air force and armoured equipment. To be honest, it is in miserable shape but that is none of our business, it is in the same condition as when we got it, and it certainly has not been serviced in all these years. However, it concerns dozens of ships, dozens of warplanes.

As to the ships, I think it will be better if Ukrainian service personnel arrive and take them, we are ready to help them move the ships to Odessa.

There is also a considerable store of ammunition, but according to our military experts, the ammunition may not be transported; it is dangerous, so it must be disposed of on site. We are ready to invite the Ukrainian military for the ammunition disposal. But these are just the most necessary external steps.

Despite all the complexities and problems, trade between Russia and Ukraine increased last year, and the increase was significant. It is a good sign that we have fundamental resources to restore relations in general.

Training for future managers

Editor-in-Chief of Nezavisimaya Gazeta Konstantin Remchukov: Mr President, I would like to touch on two interconnected topics - they are staffing for management processes in the country at all levels, in all industries...

Vladimir Putin: What kind of staffing?

Konstantin Remchukov: Staffing for management processes. And connected to that is the problem of social lifts for the young. I am a member of the Supervisory Council of the Leaders of Russia contest initiated by you. I remember when we gathered for the first meeting in the autumn, we expected seven to eight thousand people to take part in the contest. Mr Kiriyenko, a thrifty person, said, "Let us assume that the contest's organisational structure should be designed for 10,000 participants. The number of applicants was 200,000. This is phenomenal. The last semi-final started yesterday. The 300 finalists will get a million rubles each toward business training.

Question: Is this project opportunistic? Can the topic of social mobility for young people be considered from the perspective of the election campaign?

Second. If you continue to serve as President, will you continue searching for administrative staff via this contest?

And third. Do you personally follow these selection competitions across the country? Thank you.

Vladimir Putin: I will pick up where you left off. I follow them personally. I think the organisation and the specifics of this work, as well as the results of this big event, are positive. For me, it was a bit unexpected that such a big, even huge, amount of applications were submitted. It means that there is major interest.

This does not have anything to do with the current political environment. You know that for a long time, during almost the entire last six years, we have been discussing and taking consistent steps to train new specialists, in various areas.

One of the most important areas is the training of highly-qualified workers. Since 2015, we have been holding national contests and competitions, taking part in international competitions and even winning them. We won in Abu Dhabi, in the team score, as they call it. We are constantly working with businesses. Companies pitch us their ***programmes***. We reach agreements with them on the work they will do together with the Ministry of Industry and Trade, the Ministry of Education and with regional teams. We are organising the opening of educational centres and support for them at the level of our large corporations.

You know, yesterday I visited a rail car manufacturing plant in Tver. They are also currently taking over a large regional centre where they will train specialists. It happens everywhere. Naturally, we should search for young and promising people at the federal level, too. We have established an entire training system for talented young people across the country, starting with Sirius. We are building technical parks and youth and child venues for technological creativity. This is our large, significant, multi-disciplinary ***programme***. And the Leaders of Russia contest is one of its elements. Of course, we will continue working on this scale.

And speaking about the contest, we can really find very interesting and talented young people that way. They are of various ages, but mostly young. And our goal is not only to find them a job somewhere, but to help them to develop. The money you are talking about, it is not for employment, but for professional growth and development, for them to improve their skills. However, I can tell you that during this major work, our large companies, ministries and agencies are watching them more closely, too. Of course, we will also use them to form our federal staff reserve.

New title for journalists

Chairman of the Russian Union of Journalists Vladimir Solovyov: The Russian Union of Journalists will mark its 100th anniversary this year. We want to celebrate this event properly, but there is one thing missing for this: an honorary title for our professionals. When good journalists are rewarded, they receive the title of a Merited Worker of Culture or even a Merited Communications Worker, which does not describe what journalists do.

I hope my colleagues will support me. I appeal to you on behalf of the journalistic community to support our initiative to establish the honorary title of a Merited Journalist of Russia. This is very important for our veterans.

Vladimir Putin: I think your request is completely justified. Why not, indeed? As I said in my opening remarks, journalism is occasionally a dangerous profession, so it is a justified request. Let us do this. I will issue the corresponding instruction to the Presidential Executive Office, and we will do this.

Vladimir Solovyov: Thank you very much.

Syria drone attack and relations with Turkey

Director General of the Interfax news agency Mikhail Komissar: Mr President, according to reports from Syria several days ago, the terrorists used drones to attack our air force base there.

Our Defence Ministry has reported that these drones were launched from an area in Idlib, which is controlled by Turkey. Here comes my question. It seemed that our relations with Turkey, at least our military and political relations, have normalised. How can you comment on this situation then?

Vladimir Putin: I spoke with the President of Turkey from an office next door right before this meeting. We discussed this situation among other issues. I am sure that neither the Turkish military, nor the Turkish authorities, nor the Turkish state has anything to do with this incident. However, it is true that Turkey should control this part of the Idlib zone. It should be said, though, that we do not always manage to have complete control over what we should control there.

Our Turkish partners are sometimes unable to do so either. The situation is complicated there. Under our agreements, they [the Turkish partners] should set up observation posts there, but they have not done this so far. And it is difficult to do it.

You probably remember that when we set up the checkpoints operated by Russian military police, the militants launched an offensive. As a result, Russian service personnel were surrounded. Through well-coordinated, professional and courageous actions by our military on the ground, in the air and by special units, we were able to create a corridor in order to move everyone out of this area without any losses.

In Syria, I met with the commander of this unit. By the way, he is from Dagestan, if I am not mistaken. Anyway, he said that the air force delivered a strike unmatched by its effectiveness. So I asked him: What did you do? I raised the Russian flag, he said, and took this corridor, while a convoy of the special forces moved towards them from the opposite direction.

This does not mean, however, that this was provoked in any way. I am now referring to our Turkish partners. There were provocateurs there, but they were not from Turkey. And we know them and who they are. We know how much and whom they paid for this provocation.

As for these incidents, there is nothing good about them. These are also provocations designed to derail the agreements that have been reached. This is my first point.

My second point has to do with relations with our partners, Turkey and Iran. Someone is also trying to destroy these relations. We understand this all too well, and for this reason, we will show solidarity towards one another.

As for these attacks, we have every reason to believe that they were carefully ***planned***, and we know when and where the drones were delivered, and how many. These aerial vehicles were camouflaged as improvised devices. Let me emphasise, that this is only camouflage. In fact, they clearly include high-technology components. This is related to radio location systems and satellite targeting, as well as high-precision weapon separation systems. What this all means is that the explosives were dropped from the UAVs automatically, and the route was calculated so as to enable the drones to return to the launch site.

This proves that high-technology elements were used. I fully agree with experts from our General Staff that there was no way these elements were hand-built. This is the reality, we see this, and additional measures were taken to secure our locations. I hope that they are effective.

We are committed to further strengthening our partnership with Turkey, and we are engaged in talks to prepare a meeting in Sochi between the Syrian government and the opposition. The Russian inter-agency group is currently in Damascus for talks with the Syrian government and President Assad. I hope that all these complex and challenging issues will be resolved so that we can move forward.

Relations with USA

Argumenty i Fakty Editor-in-Chief Igor Chernyak: This year our relations with our American friends have continued to deteriorate. There have been many provocations, numerous conflicts and incidents of all kinds. Recently, during an attack on the Russian base in Syria, a US reconnaissance aircraft was spotted near the base, according to the Defence Ministry.

Vladimir Putin: There was a drone hovering nearby.

Igor Chernyak: Yes, a drone.

Do you think Russia and the US have hit the rock bottom in their relations? Is there hope for improvement and what can we expect this year relationship-wise?

Vladimir Putin: This does not depend on us. We have been ready for improvement for quite some time. But the domestic political situation in the US will not settle down. We all see and understand that the Russian card is being played in the US domestic politics. The US President is being constantly threatened with impeachment and this intimidation is based on Russia's alleged meddling. I would like to stress once again that this is nonsense. It is absolutely ridiculous. There was no collusion and no interference on our part.

Stressing this again, I hope that sooner or later this political bustle comes to an end and there will be proper conditions for improving our relations.

Unfortunately, we know that US Congress has voted on some additional restrictions. We will of course analyse those and see how all that is put into practice and whether anything will, in fact, be done. We will respond accordingly. But any steps towards any restrictions and, obviously, any unlawful sanctions will damage rather than improve our relations with the United States. This is not a good idea and it has never been one. We will see. As I said, this does not depend on us. This depends on our US counterparts.

If they show goodwill, muster up courage and common sense and finally realise that the United States itself is interested in improving the Russia-US relations, that it meets their national interests, then the situation will normalise and our relations will develop further. But until they realise this they will probably keep playing the Russian card in their political infighting and this will further damage our bilateral relations, which will continue to deteriorate. We will see what happens this year. It is not up to us.

Praise for North Korea's Kim

Editor-in-Chief of the Rossiyskaya Gazeta newspaper Vladislav Fronin: Mr President, I have a question about the Korean Peninsula. The new year has brought good news about contacts, trends and possible meetings. At the same time, there is alarming news about nuclear buttons and whose is bigger. What do you think about the developments concerning the Korean Peninsula in the first days of the new year?

Vladimir Putin: I think that Kim Jong Un has obviously won this round. He has achieved his ***strategic*** goal. He has a nuclear warhead, and now he also has a missile with a global range of up to 13,000km, which can reach almost any part of the globe, at least in the territory of his potential adversary. And now he wants to clear up, smooth over or calm down the situation.

He is a shrewd and mature politician. However, we should be realistic, and based on what we have to go on we must act extremely carefully. If we want to achieve the difficult goal of denuclearising the Korean Peninsula, we should do this through dialogue and talks.

I believe that, however difficult this may seem, we can accomplish this mission if all parties to this process, including the North Koreans, become convinced that their security can be also guaranteed without nuclear weapons.

Arms treaty with USA

This is how I want to reply in conclusion. It is closely connected with your question and the previous question as well. We are discussing the New START Treaty with our American partners. They have suddenly stated, although their intention fits the letter of the treaty, that they want to convert some of their delivery vehicles - aircraft and submarines - together with silos to prevent their use for launching nuclear weapons.

In principle, this possibility is stipulated in the treaty. But the treaty also says that this is only possible if the other party, in this case Russia, verifies the conversion and is convinced that there is no breakout potential in this, that these silos or aircraft equipment will not be converted back for the use of nuclear weapons.

We have no proof of this so far. And we are therefore concerned about this. But our dialogue is ongoing. I hope it will be positive.

Digital economy and cryptocurrencies

Editor-in-Chief of the Lenta.Ru online media outlet Vladimir Todorov: Mr President, I would like to discuss the important issue of digital economy.

Last July, the Council for ***Strategic*** Development discussed digital economy at its regular meeting. An interesting argument was made that excessive regulation of this high-tech industry may result in a phenomenon of crypto-anarchism that is, the use of technology for unlawful purposes. This includes anonymous technology. I can give you an off-hand example, which is coordinating terrorist attacks via the Telegram messenger or drug trafficking on the dark web that brings billions and involves hundreds of Russian cities.

How can we maintain this important balance between regulations, whether excessive or insufficient (as in the case with cryptocurrencies), and the technological progress that could advance the Russian economy?

Vladimir Putin: What do you mean "as in the case with cryptocurrencies"?

Vladimir Todorov: There is no well-defined legal framework on cryptocurrencies at present.

Vladimir Putin: That is correct. Do you think there should be one?

Vladimir Todorov: I think it is necessary.

Vladimir Putin: You know, currently it is to a large extent the Central Bank's prerogative. The Central Bank has sufficient power to regulate this matter right now. But generally, yes, statutory regulation will probably become necessary in the future.

The Central Bank has repeatedly expressed its view of the matter as has the Government. The Central Bank is being conservative about cryptocurrencies. But in my opinion, this conservatism is so far justified. It is a fact that there is nothing behind a cryptocurrency; it cannot be used as a savings instrument, it does not represent any material value plus it is not secured in any way. A cryptocurrency may be used for payment to a certain extent and in certain cases. It is fast and efficient. You can pay for something with it but you cannot use it as a savings instrument. It is not backed by anything.

Therefore, the Central Bank is treating the matter with a great deal of caution. Fluctuations are tremendous. Cryptocurrency values are jumping up and down, constantly fluctuating. Today you wake up rich or invest everything you had - and tomorrow you lose it.

Just as in the case of the hoodwinked housing equity holders, we cannot permit this to happen to cryptocurrency. If we do not regulate this issue sufficiently well, the state will be held accountable for the problems people may encounter. At present, it is the individual responsibility of every person. But if the state issues regulations on what is admissible or inadmissible, and if we do this badly, we will have to deal with the problems that arise.

We warned people more than once not to take out mortgages in foreign currencies. Only those who receive their salaries in foreign currencies can do this. Otherwise, they will face all the exchange rate differences and risks. But when the problem arose, everyone forgot about our warnings.

Vladimir Todorov: This is true.

Vladimir Putin: Of course, it is true. Everyone forgot, as if we had never warned them. But we did; we issued the warnings. But nobody listens. When you look at what is going on, you feel sorry for the people and want to help them.

It has always been like this, and it always will be. And the state will always be held accountable. This is why we need to act extremely carefully. How can I tell you now what kind of a law we need to regulate the use of digital technologies? I cannot answer this question right now, at this table. We need experts to seriously consider this matter.

Any excessive regulation limits the freedom of enterprise. It contains enterprise. But we sometimes need it, because some things should be contained before it is too late. A law becomes obsolete even before it is adopted. It has always been like this throughout history. But it is especially so in the super-modern sector of digital technology.

So, we do need to ponder this question. We must not allow the creation of a Procrustean bed. But if we decide to regulate this matter, we must take into account all the necessary elements.

Vladimir Todorov: Are there any additional government support measures for those who would like to take part in this business?

Vladimir Putin: We have many areas. What is digital economy? It is so diverse that each field requires special attention. But the core value is the use of digital technology, say, in industry.

I am getting immersed in this but not as experts do. This is what they say: after some time any commodity will be digitised and occupy its place on such information digital platforms that it will be impossible to ***produce*** or upgrade anything without using information from these platforms. Those who own these platforms will rule the world.

Suppose you made a car and you want to upgrade it. In any event, its modernisation will be digital and done on a platform where all this is stored. Suppose we want to replace some socket or screw. Then we have to go to the platform to do this. Whoever owns the platform is the master of the situation. If we miss this moment we will be desperately lagging behind. This did not happen and I hope will not happen in the future. Meanwhile, these platforms are being established in the United States and Europe -unified European platforms.

In principle, we are working to create a unified platform in the Eurasian Economic Union. We can do this. Moreover, we can do this on a fair basis, sharing risks and areas between all the participants. We should not be slaves of the already existing platforms but should create our own and we can do this.

Sberbank has moved far enough in this respect. The Executive Office and the Government are working on this. This is being actively used in trade that is also business. Take such large companies as Alibaba. E-trade is continuously expanding. This is not limited to trade only. This is turning into a broader platform on rendering services, shipping freight plus doing many other things as well. There is a host of components.

No less important is the use of digital technology in transport, movement of goods and integrated auto, railway and air shipments. Digital technology makes this dozens, hundreds and maybe thousands of times more efficient. This leads to a sharp reduction in the end price of goods. On a par with modern gene engineering technology and nanotechnology, digital technology is becoming a cross-cutting issue. They will create the future of humankind.

Is it necessary to regulate this legally? Of course, it is. It is important to understand what should be regulated and within what framework. This is a separate huge sector of work, a whole layer of work for experts, for professionals. We know what it is and we know how to act as well as where to go. But this is a separate story.

Allegations of Russian interference in Italy

TASS Director General Sergei Mikhailov: Mr President, the elections in Italy are scheduled to be held in March, that is, one week ahead of the Russian elections. And statements are already being made that Russia is meddling in the Italian political process. What do you think of this?

Vladimir Putin: Yes, I have heard about this, and we can see what is happening in some European countries, including Italy and Germany, in the run-up to parliamentary elections. And now, this is taking place in Italy. There is only one goal.

First, Russia and Italy maintain very good relations. By the way, we have diverse relations with different political forces. I have repeatedly said that I enjoy excellent relations with Mr Berlusconi and Mr Prodi, who have been voicing and continue to voice diametrically opposing political views, and they compete with one another on the political scene. But I maintain good relations with each of them. What does this mean?

This means that Russia and Italy have reached the so-called nationwide consensus regarding our bilateral ties and the development of bilateral contacts at interstate level. We highly value this. We have absolutely no intention of meddling in any national elections, including those in Italy. This is absolutely out of the question.

You see, we perceive our relations with Italy as a state to be much more important, and we consider this to be pointless. We know that, regardless of which political force gains power in Italy, the country has a nationwide political consensus prioritising expanded relations with Russia. On the whole, we are confident that Russian-Italian relations will develop positively.

Why should we work on this? These provocations only aim to wreck this nationwide consensus on the development of interstate ties. This is being purposefully done to damage the level of relations that has already been reached. This is being done from the outside, rather than in Italy itself. We can see this, we heed this factor in our work and in dealing with our Italian partners.

We are in contact with many of them, including political parties and security services. We have suggested long ago that a working group on cybersecurity should be established so as to ensure joint efforts in this area that are as transparent as possible, and we have now repeated this suggestion. To be precise, this implies specific threats, rather than activities, in this area.

Economic growth

Ogoniok magazine Editor-in-Chief Sergei Agafonov: Mr President, it would be a shame not to use this opportunity. I have been entrusted by my whole team to ask you this question. We are going through a difficult time and, although it seems that we are recovering from the crisis, the economic situation is still far from thriving and prosperous. And our industry...

Vladimir Putin: I am sorry for butting in. You see, we do need to maintain the gained momentum in the economy. However, the GDP growth rate is 1.6 per cent and the ***agricultural*** industry is growing at the rate of 2.5 per cent. We ended last year with a budget deficit of just 1.5 per cent while in 2016 it was more than double that. The inflation rate is 2.5 per cent, a historic low. This has never been the case before.

All this indicates that we are standing on a quite strong foundation. The direct investment has grown by 4.2 per cent. With a GDP growth of 1.6 per cent, it means that the investment increase is ahead of the GDP increase. Therefore, we already have a capacity for future growth. This growth has been already funded. All these developments in general inspire optimism.

The unemployment rate is also at a very low rate of 5.1 per cent. Generally, we should be very optimistic. It is better not to relax yet though, we must realise that there is still a lot to be done and these growth rates cannot make us happy just yet. You are absolutely right about this.

Easing restrictions on alcohol advertising

Sergei Agafonov: Yes, we would really like to support your optimistic outlook. But what are we talking about here? Everybody understands that in any industry companies are protecting their own interests; nobody will speak about so called benefits and that's quiet an understandable thing. But what do I want to ask? We need an opportunity to slightly expand the profit-making horizon. This topic is raised every now and then at meetings such as this one. I would like to raise it again.

I am talking about advertising opportunities. Advertising is very much in demand. There is a whole grazing field. If only the regulation was relaxed a bit, everybody would take a break, both print and online media, and radio.

What am I referring to here? We are preparing for a major event, the FIFA World Cup. Many people will come to Russia for it. The idea is to ease off regulations on alcohol advertising. I know that you have a negative attitude toward smoking. I do not know why, because smokers are ordinary people who have equal rights with everyone else in the country. I am not speaking about smoking, but alcohol is quite another matter. Especially considering the need to promote Crimean wines.

Vladimir Putin: Even good quality alcohol is still alcohol.

Sergei Agafonov: This is true. Grape juice is fermented in our blessed land, which gives grape juice the necessary force, and as you said, we should be optimistic...

Vladimir Putin: It only adds strength for a short period of time, and then...

Sergei Agafonov: As [satirist] Mikhail Zhvanetsky used to say, "Alcohol in small doses is harmless in any amount." We were raised on this. Please, this is a collective request.

Vladimir Putin: I was raised on my mother's milk.

Sergei Agafonov: You said a wonderful thing there. I have written it down: "You feel sorry for the people and want to help them." Please, Mr President, help us with this matter.

Vladimir Putin: Look here, Mr Agafonov. First of all, we have given you a break. We have permitted the advertising of beer and wines made in Russia from Russian ingredients, such as grapes.

By the way, we did this after one of the meetings - I do not recall if it was an extended meeting or not - with the heads of media outlets, including print media. It was you who advanced the initiative.

I have done what you asked. I have asked the Government, and we have done it. We have permitted the advertising of Russian wines made out of Russian ingredients.

I cannot understand what else you want. You spoke about good products. What other good products did you mean? Whiskey?

Sergei Agafonov: No, I just wanted to say that we should move beyond. Of course, there is also whiskey...

Vladimir Putin: Maybe it is better to stop while we can?

Sergei Agafonov: No, really, we are not talking about tax relief, easy loans or something else, although the media need this as well. The idea is that we could make money from advertising.

Vladimir Putin: I see. There is reason in what you say, because the revenue from advertising has plunged by half. I know about this. This is really true.

The advertising market is shrinking rapidly, and advertising revenue has decreased by nearly 50 per cent. But we also tried to preserve some of your exemptions and to give you additional ones, such as the newsprint exemption, as you know.

It concerns customs duties on five types of newsprint, as far as I remember. We have halved import customs duties from 10 to 5 per cent, if my memory serves me correctly. There are also other benefits too. We are trying to take this into account. As for alcohol, what else do you want to advertise? Vodka?

Sergei Agafonov: Vodka, whiskey and brandy.

Vladimir Putin: Whiskey? No, this is too bad. However, let's think about this, alright?. Do you want us to use big sports events to egg people on to swig vodka?

Sergei Agafonov: Why swig? It is the advertising of a symbol of our national pride. Who makes the best vodka? We do.

Vladimir Putin: What pride are you talking about?

Sergei Agafonov: Of course, it is our achievement and part of our culture, Mr President.

Vladimir Putin: It is not a culture. At the very best, it is a subculture. Alright, we will think about it.

Sergei Agafonov: Thank you.

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**Body**

Reading, England (ots/PRNewswire) -

/OFF HOLD OFF HOLD OFF HOLD -- European Centre for Medium-Range Weather Forecasts, PIV890504 The following release: "New Seasonal Prediction System SEAS5 Brings Better El Niño Forecasts" is now OFF HOLD. Distribution time: 10 Nov 2017 00:01 GMT

The European Centre for Medium-Range Weather Forecasts (ECMWF) today launches its latest seasonal prediction system, SEAS5. The system brings a substantial improvement in forecast skill, especially for El Niño/La Niña events. Forecasts are also more detailed thanks to much greater horizontal resolution. An immediate application is the use of SEAS5 by the Global Flood Awareness System (GloFAS) to create the first ever operational global long-range river-flow forecasting system. This could mean much earlier awareness of floods and droughts than has previously been possible.

(Logo: [*http://mma.prnewswire.com/media/600366/ECMWF\_Logo.jpg*](http://mma.prnewswire.com/media/600366/ECMWF_Logo.jpg) )

(Photo: [*http://mma.prnewswire.com/media/600380/ECMWF\_Weather\_Forecasts.jpg*](http://mma.prnewswire.com/media/600380/ECMWF_Weather_Forecasts.jpg) )

(Photo: [*http://mma.prnewswire.com/media/600398/SEAS5\_System.jpg*](http://mma.prnewswire.com/media/600398/SEAS5_System.jpg) )

Seasonal forecasts help to give an idea of large-scale weather patterns up to seven months in advance at the moment. ECMWFs ***strategic*** goal is to extend this to a year by 2025. The forecasts can support decision-making for users ranging from governments and aid agencies to businesses, in areas such as water and energy management, health, ***agriculture*** and financial services.

ECMWF has been providing seasonal forecasts for 20 years. The forecasts are best known for successful predictions of El Niño and La Niña events. These periods of anomalous warming or cooling in the tropical eastern Pacific have a strong impact on the weather locally, but also influence global weather patterns. SEAS5 brings noticeable improvements in forecast skill for El Niño/La Niña and for the tropics more generally. Predictions of Arctic sea ice and near-surface temperature in the northern hemisphere are also improved, notably as a result of including an interactive sea-ice model in SEAS5.

Horizontal resolution has more than doubled both in the ocean model (from 1 degree to 0.25 degrees) and in the atmospheric model (from 80 km to 36 km), enabling much more detailed forecasts.

ECMWF project lead Tim Stockdale said: "SEAS5 uses a version of ECMWFs state-of-the-art Integrated Forecasting System (IFS) and represents six years of model development. The resolution upgrade is a huge step forward, particularly in the accuracy of representing the global ocean. The influences of the land surface are also better represented. For the future, a major goal is to improve predictions for the stratosphere to make the maximum use of all sources of predictability."

SEAS5 represents an important step towards ECMWFs goal of seamless forecasting across all time ranges. The model and initialisation methods are almost identical to those used for ECMWFs medium- and extended-range ensemble forecasts (ENS). This greatly facilitates model development and maintenance.

ECMWF Member States and licensed users can access SEAS5 forecasts on the 5th day of each month. The forecasts are made available more widely on the ECMWF website ([*http://www.ecmwf.int*](http://www.ecmwf.int)) on the 10th of each month. The forecasts can also be accessed on the 10th of each month through the EU-funded, ECMWF-run Copernicus Climate Change Service (C3S) (   [*http://climate.copernicus.eu/*](http://climate.copernicus.eu/)). C3S is developing a seasonal forecast service which also includes forecasts from other centres and multi-system forecasts.

The Global Flood Awareness System (GloFAS) is co-developed by ECMWF and the Joint Research Centre of the European Commission as part of the Copernicus Emergency Management Service (EMS). The new seasonal GloFAS model, developed in collaboration with researchers from the University of Reading, takes long-range forecasts from SEAS5 and runs a hydrological model to simulate how the predicted conditions will impact river flow across the globe up to four months in advance.

Initial pre-implementation tests indicate that the new model has the potential to save lives by allowing authorities and aid agencies around the world to ***plan*** and prepare flood relief efforts earlier than ever before. Other potential uses include water resource management, ***agriculture*** and disaster risk reduction.

Project lead Rebecca Emerton, a flood forecasting PhD researcher at the University of Reading and visiting scientist at ECMWF, said: "This new model could be a game-changer in that it provides hydrologically relevant forecasts out to several months for the whole globe - something that has never been possible before. It has the potential to provide earlier indications of both floods and droughts, which could be invaluable for disaster risk reduction efforts around the world, helping vulnerable communities become more resilient to the threat of flooding."

The forecasts will be publicly available via the existing GLoFAS interface ([*http://www.globalfloods.eu*](http://www.globalfloods.eu)).

Notes to editors

1. The European Centre for Medium-Range Weather Forecasts (ECMWF)

is

an independent intergovernmental organisation supported by 34

states. ECMWF is both a research institute and a 24/7 operational

service, ***producing*** and disseminating numerical weather predictions

to its Member and Co-operating States as well as licensed users.

The organisation was established in 1975 and now employs around

350 staff from more than 30 countries. ECMWF is based in Reading,

UK.

2. Copernicus is a European Union ***Programme*** aimed at developing

European information services based on satellite Earth observation

and in situ (non-space) data. The ***Programme*** is coordinated and

managed by the European Commission. ECMWF operates two of the six

Copernicus services on behalf of the EU: the Copernicus Climate

Change Service (C3S) and the Copernicus Atmosphere Monitoring

Service (CAMS). ECMWF is also the computational centre for

European flood awareness and forest fire information systems which

are part of the Copernicus Emergency Management Service (EMS).

3. The Global Flood Awareness System (GloFAS), jointly developed by

the Joint Research Centre of the European Commission and ECMWF, is

independent of administrative and political boundaries. It couples

state-of-the-art weather forecasts with a hydrological model and

with its continental-scale setup it provides downstream countries

with information on upstream river conditions as well as providing

continental and global overviews.

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**Load-Date:** November 9, 2017

**End of Document**



[***Plibersek says byelection date designed to disadvantage Labor party - as it happened; With byelections set for 28 July, Labor is unhappy at delay and the fact the ALP national conference is on the same weekend. All the day's events, live***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5SD2-V401-JCJY-G03P-00000-00&context=1516831)

The Guardian(London)

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**Section:** AUSTRALIA NEWS; Version:19

**Length:** 14727 words

**Byline:** Amy Remeikis

**Body**

block-time published-time 9.17am BST

So, there you have it.

From transcript shenanigans to racism not existing because Queensland likes a football player to a byelection date throwing everything, including the Labor party national conference, into chaos.

And we have three more days of this next week!

A big thank you to the Guardian's brains trust, which is still at it, typing away, and of course to Mike Bowers, who has been in the office for approximately the amount of time it takes to eat six chicken crimpy Shapes, so busy has he been today. You'll find a lot of his day at [*@mikepbowers*](http://www.instagram.com.au/mikepbowers) and of course, he makes his regular guest appearences on the story at   [*@pyjamapolitics*](http://www.instagram.com.au/mikepbowers).

We'll keep you up to date on the site, as usual, although the blog won't be back until Tuesday, when parliament resumes.

In the meantime, stay out of trouble. And of course, thank you for reading and for following along. If I haven't got back to you, I am sorry - it gets a little intense at times, keeping an eye on everything that is happening in this building, but I will eventually get through the messages.

I'll see you Tuesday, and remember - take care of you.

Ax

block-time updated-timeUpdated at 9.25am BST

block-time published-time 8.46am BST

There has been some chatter that Ken Wyatt was ***planning*** on resigning (which would spark another byelection in WA, this time in the Liberal seat of Hasluck)

Apparently not, though:

enltrKen Wyatt's office said to me this afternoon he's not resigning and will "absolutely" contest the next election [*#auspol*](http://www.instagram.com.au/mikepbowers)

- Tom McIlroy (@TomMcIlroy) [*May 24, 2018*](http://www.instagram.com.au/mikepbowers)

block-time published-time 8.43am BST

enltrAEC commissioner Tom Rogers to Penny Wong: "Several members of the House have resigned, they've resigned as a result of failing to follow procedures, and now somehow the AEC is being fingered as being responsible for the outcomes of this. I'm sorry. I'm not taking it." [*#estimates*](http://www.instagram.com.au/mikepbowers)

- Tom McIlroy (@TomMcIlroy) [*May 24, 2018*](http://www.instagram.com.au/mikepbowers)

block-time published-time 8.39am BST

And from the estimates hearing, where Penny Wong has been questioning the Australian electoral commissioner Tom Rogers, Mike Bowers saw this:

Senator Penny Wong questions the electoral commissioner. Photograph: Mike Bowers for the Guardian Finance minister Mathias Cormann at the Senate Finance and Public Administration committee. Photograph: Mike Bowers for the Guardian The electoral commissioner from the Australian Electoral Commission Tom Rogers before the Senate Finance and Public Administration committee Photograph: Mike Bowers for the Guardian

block-time updated-timeUpdated at 8.45am BST

block-time published-time 8.30am BST

In the Senate estimates hearing Labor has a few strands of its attack on the idea the new candidate disclosure process requires this lengthy preparation period for the byelection.

As Penny Wong has already demonstrated that filling in the form is voluntary, so the Australian Electoral Commission's claim that it will guarantee that nobody ineligible will be elected doesn't quite hold.

And as Kimberley Kitching has just said "the form is not complex" - the form just goes through each part of section 44 of the constitution asking if a candidate is - for example - an undischarged bankrupt.

For the most part it's a series of yes/no questions.

Labor's position is that there's no reason the AEC couldn't simply make this available to candidates now so they can get themselves ready, although Tony Smith told the House of Representatives it won't get final sign off from the governor general until 29 May.

There's nothing to stop candidates reading section 44 of the constitution now, either.

block-time updated-timeUpdated at 8.35am BST

block-time published-time 8.30am BST

Things got a little insane there, so I am late in showing you what Mike Bowers was up to today - let me correct that:

Environment minister Josh Frydenberg talks to Tony Abbott during question time. Photograph: Mike Bowers for the Guardian Labor's Mike Kelly talks to Andrew Hastie before question time. Photograph: Mike Bowers for the Guardian An emotional Jenny Macklin hugs Steve Irons after speaking on the bill dealing with the National redress scheme for Institutional Child Sexual abuse in the house of representatives, parliament house. Photograph: Mike Bowers for the Guardian Opposition leader Bill Shorten and Anthony Albanese during question time. Photograph: Mike Bowers for the Guardian The Turnbull-McCormack government, PM Malcolm Turnbull and deputy Michael McCormack during question time. Photograph: Mike Bowers for the Guardian

block-time updated-timeUpdated at 8.33am BST

block-time published-time 8.06am BST

Here's what the byelection candidates will be asked to provide by the new regulations:

enltr [*#breaking*](http://www.instagram.com.au/mikepbowers) - I've got a copy of the draft regulations for the new candidate checklist. It starts with the obvious: are you an Australian citizen.   [*#auspol*](http://www.instagram.com.au/mikepbowers)   [*pic.twitter.com/Hsr040RmJm*](http://www.instagram.com.au/mikepbowers)

- Paul Karp (@Paul\_Karp) [*May 24, 2018*](http://www.instagram.com.au/mikepbowers)

enltrWe then get a series of questions about parents, grandparents and spouse - similar to the citizenship disclosure register [*#auspol*](http://www.instagram.com.au/mikepbowers)   [*pic.twitter.com/yVM0IwrRo2*](http://www.instagram.com.au/mikepbowers)

- Paul Karp (@Paul\_Karp) [*May 24, 2018*](http://www.instagram.com.au/mikepbowers)

enltrThe form then asks whether people have renounced, and if not, for further details if they are unable to renounce [*#auspol*](http://www.instagram.com.au/mikepbowers)   [*pic.twitter.com/znXWGpLmOn*](http://www.instagram.com.au/mikepbowers)

- Paul Karp (@Paul\_Karp) [*May 24, 2018*](http://www.instagram.com.au/mikepbowers)

enltrThe questions are basically a series of boilerplate "are you disqualified by section 44" and going through each part. No guidance eg on what "office of profit" is or "indirect pecuniary interest" [*#auspol*](http://www.instagram.com.au/mikepbowers)   [*pic.twitter.com/sXSFYIcjfy*](http://www.instagram.com.au/mikepbowers)

- Paul Karp (@Paul\_Karp) [*May 24, 2018*](http://www.instagram.com.au/mikepbowers)

block-time updated-timeUpdated at 8.09am BST

block-time published-time 8.01am BST

In estimates Senator Lee Rhiannon is asking Clegg if individual sheep tag numbers are used to count sheep on and off live export ships between ports. She wants to know how accurate counts of animals are. Clegg, the ***agriculture*** department secretary, says ear tags aren't used but she says perhaps that's something that could be introduced to improve accuracy of counts. She admits there are discrepancies between the numbers of animals said to be loaded onto vessels and the number of animals actually discharged at ports. Clegg says "it's not the 1950s" and conceded maybe, with the technology now available, this lack of accuracy isn't good enough. "I think technology has moved on a lot and it will be something we focus on," she said.

block-time updated-timeUpdated at 8.02am BST

block-time published-time 7.56am BST

Estimate hearings are continuing, but the House has adjourned until Tuesday next week.

block-time published-time 7.52am BST

After [*this story in the Conversation by Michelle Grattan*](http://www.instagram.com.au/mikepbowers), that says even Barnaby Joyce doesn't know when the investigation into his expenses is complete, I've received this statement from the Independent Parliamentary Expenses Authority:

At this time the audit remains ongoing and we are unable to provide a timeframe for completion. To comment on any particular matter that may or may not be under consideration may compromise the conduct and outcome of any audit and the privacy rights of individuals.

block-time updated-timeUpdated at 8.03am BST

block-time published-time 7.45am BST

'We don't provide dates' - AEC

The Australian Electoral Commissioner, Tom Rogers, is arguing that Penny Wong is suggesting that the 28 July date is "solely as a result of the advice of the AEC", which he rejects.

He says: " I've made clear it's a matter for the Speaker. You've asked me when we first advised of the 28 July date... I don't provide particular dates, I provide factors [for one date or another]."

Mathias Cormann then launches a counter-attack that the byelections could have been a lot sooner if the Labor MPs had resigned when it was clear they were ineligible (October, after the Canavan decision, by the Coalition's reckoning).

block-time updated-timeUpdated at 8.05am BST

block-time published-time 7.44am BST

Chris Back drops out of livestock standards review

This has just dropped into my inbox from the ***agricultural*** minister:

Minister for ***Agriculture*** David Littleproud has announced the review into the Australian Standards for the Export of Livestock will be brought forward.

The review was due at the end of 2019 but will now be finished by the end of this year.

The committee chair, Dr Chris Back, has notified the Department of ***Agriculture*** he is unable to continue in the role of chair, due to the shortened timeframe and competing time commitments.

Minister Littleproud thanks Mr Back for his contribution thus far.

A replacement chair will be announced in the near future.

This was the second review into the culture of the department and regulator, surrounding the live sheep export trade.

block-time updated-timeUpdated at 7.50am BST

block-time published-time 7.42am BST

Things are getting heated in the finance committee, where Penny Wong is questioning the Australian Electoral Commission over how the byelections date was chosen.

She was just made to withdraw the term "mate".

"Un-Australian," she says.

block-time updated-timeUpdated at 7.43am BST

block-time published-time 7.39am BST

A very quick list of elections, including byelections, which have been held in school holidays, has been put together:

* 2017 Bennelong byelection - NSW school holidays

1. 2016 federal election - school holidays in most states
2. 2001 Aston byelection - Victorian school holidays
3. 1998 federal election - school holidays (and a long weekend)

The Queensland 2015 state election was also held during the January school holidays. I know, because I was there and it was basically Hades.

block-time updated-timeUpdated at 7.42am BST

block-time published-time 7.32am BST

Barnaby Joyce was speaking to Sky just a moment ago, saying that the government has to stay the course with its company tax cut ***plan***.

block-time published-time 7.31am BST

The ***agriculture*** department assistant secretary, Narelle Clegg, is being asked about the department's investigation into the death of 2,400 sheep from heatstroke during a voyage to Qatar in August 2017. Senators Malarndirri McCarthy and Barry O'Sullivan are asking how investigations are conducted, what information is sought and what questions are asked of exporters following the deaths of animals. Clegg says the department looks at any reports available from veterinarians aboard the ship, the original application for export, and evidence about whether the voyage was prepared for adequately. The August 2017 voyage saw 900 sheep die in a day, Clegg says, when there was a sudden increase in temperature on day 15. Hundreds more died in the subsequent days, she said. "The cause of death was heat stress," she said. She also said the vet on board euthanised as many critically unwell animals as possible, according to regulations. But she could not say how many of the dead sheep were euthanised and how many died from the heat stress. Sullivan, the committee chair, tells Clegg surely it would be relevant to know if a vet would have euthanised more animals humanely if they had more resources or time. McCarthy chimes in: "I think it shows the inadequacy of the department as an independent regulator." She's warned by the chair to avoid such commentary. Sullivan asks if the temperatures during the voyage were foreseeable.

Clegg says, yes, you could expect high temperatures in the region where the sheep had died at the time of year the ship had taken its voyage, in August. But the days in August when those high temperatures might occur were not foreseeable, she said.

"The heat stress risk assessment model is meant to evaluate that risk and set a stocking density for that risk," she said. "The model uses the average temperature of the month."

block-time updated-timeUpdated at 7.34am BST

block-time published-time 7.27am BST

At this stage I am being told that Labor is not considering postponing its national conference "indefinitely", but that it is "very early hours".

block-time updated-timeUpdated at 7.30am BST

block-time published-time 7.21am BST

Tony Burke, the full response

Respecting the fact that the decision is not only made by you in terms of the advice that you have received by the Australian electoral commission and [I] ask that my comments be seen very much in that context:

There are a number of byelections which have occurred since you took the chair. In North Sydney the writs were issued within three days; in Bennelong two days; New England the same day; Batman six days. It will now be for these byelections a delay of 14 days, and instead of the people going to vote 35/36/44 days later, they will go to vote 79 days later.

... I respect [there are a lot of interjections. Mark Dreyfus is kicked out of the chamber]

... And I also respect that the decision is now made, is now made. The letters that you have tabled, you said were on the 17th of May and the 23rd of May. Had the decision been made within the time that the other byelections had been made, it would had been made before those letters were even received from the Australian electoral commission.

The Australian Electoral Commission have claimed they want all candidates to know the new rules. I think anyone running for these byelections, if they don't know now what the high court has decided, there is nothing that will help them.

There is nothing which will help them... the AEC normally would not recommend a date as you have said. On this occasion they have recommended a date and they have used, they have used the fact they want this new regulation as the reason. Now, they appeared before the relevant inquiry months ago. They had their involvement with the relevant inquiry through a period last year. The regulations and discussion with the opposition happened more than a week ago, and we have a situation now, where that 79-day delay, which has not applied anywhere else, is on the basis of the Australia Electoral Commission, which if the prime minister went down to Yarralumla and called an election today, they would be able to conduct it with 150 seats in 33 days' time. For 150 seats!

Instead they say it has to be delayed all this period and it just happens to be on the day of the Labor party national conference. It is a 'what a coincidence moment' from the Australian Electoral Commission.

What a coincidence from the Australian Electoral Commission that is.

Christopher Pyne raises a point of order that allowing Burke to speak on indulgence is a privilege, not a right, and Burke is turning it into a debate, as well as "reflecting on the chair".

Smith lets Burke finish:

I raise one final point, because of the way the Australian Electoral Commission have written to you and the arguments they have put and because of the initial delay waiting for their letters, it means the parliamentary representation in communities around Australia, who could have a representative on the 16th of June had the writs been issued immediately, instead will not be represented in this place.

And what was allowed to happen in the other byelections, including members on that side, now means there will be a delay in parliamentary representation, which could have been avoided and would not occur in the circumstances of a general election.

block-time updated-timeUpdated at 7.28am BST

block-time published-time 7.03am BST

As Tanya Plibersek flagged in her response a few posts ago, the most likely eventuality is that Labor will move its national conference.

It kind of has no choice - all those delegates will be needed on the ground in the five byelections, four of them that Labor very much wants, and needs, to win.

block-time updated-timeUpdated at 7.20am BST

block-time published-time 7.01am BST

Paul sent this post through a little earlier, and I missed it the first time (it was only a couple of minutes), but for context:

Penny Wong is in Senate estimates grilling the Australian Electoral Commission about its advice on possible byelection dates.

So far the special minister of state, Mathias Cormann, has been keen to dump Labor in it - he notes that [*the joint standing committee on electoral matters reported back on 17 May*](http://www.instagram.com.au/mikepbowers), and he reached out to Bill Shorten on that day seeking feedback on a proposed regulation for a candidate checklist by lunchtime on 18 May. Cormann says Labor did not give a formal reply until 22 May.

Wong is now asking about AEC's submissions to the committee and its contact with the government after the report came out.

block-time updated-timeUpdated at 7.20am BST

block-time published-time 7.01am BST

LiveCorp chairman Terry Enright is being questioned in estimates on the live export of animals on long-haul voyages. Enright explains to the committee that Livecorp is a research and development body that supports the farming industry. It does not advocate, lobby or export animals, he says. "I'd like to put on the record LiveCorp board senior management and staff are all as shocked as ***producers***, as government, as everyone was, by the 60 Minutes footage we saw a few weeks ago," he says. "It represented the reverse of everything we work toward... to improve the welfare and support of animals through the whole supply chain. It also shocked us as we were not aware that something like that could actually happen on the transport side of the business."

But Senator Malarndirri McCarthy tells Enright that LiveCorp has a vested interest in continuing live export. "How can you provide impartial advice about conditions you cannot control but choose to describe as [happening in] exceptional circumstances?," she asks.

Enright says the first priority in LiveCorp's ***strategic*** ***plan*** is the welfare of animals. "We continue to place over 60% of our investment into that area of research," he says.

He says a lot of the recommendations of the McCarthy review need to be implemented by the live export industry. LiveCorp will assist, but cannot action the recommendations, he says.

block-time updated-timeUpdated at 7.19am BST

block-time published-time 7.00am BST

Tom Rogers : "Those seats are owned by the citizens - they're not owned by the parties. My advice to the Speaker was to give every candidate time to comply with the new requirements."

Penny Wong : "I agree they're owned by the citizens, but by allowing them to be vacant, the citizens are not represented in the parliament."

Wong said the 79-day period, much longer than for byelections in Batman, Bennelong and New England, "looks partisan". Rogers asked if Wong was "saying I am partisan" - but she went no further than "looks partisan".

Wong has now taken the AEC to the fact that the Bennelong byelection was on the first day of the NSW school holidays. Rogers replies the AEC was ready and willing to hold these byelections during school holidays, if the Speaker chose. Wong says the letter was "carefully written" and provides "cover" for the Speaker to announce the 28 July date.

block-time updated-timeUpdated at 7.16am BST

block-time published-time 6.59am BST

Australian Electoral Commissioner Tom Rogers has told Senate estimates he knew the government was working on a regulation to help address eligibility issues before 17 May when the committee report came out.

AEC legal officer Paul Pirani says it got a draft of the regulation from the department of finance in the week before the report. Rogers says the AEC provided feedback on it.

Penny Wong asks when the first time 28 July was suggested as a date.

Rogers said it was a "technical issue", that there were only so many available Saturdays.

"Every Saturday for the next several months is a possible date," he said.

Wong asks if for the Batman, Bennelong and New England elections, the AEC ever suggested a period as long as 79 days. "The Australian people might like to hear why you've provided such different advice."

Rogers says the AEC is being "fingered" for the consequences of the fact that five byelections have fallen due at the same time.

block-time updated-timeUpdated at 7.15am BST

block-time published-time 6.58am BST

Tony Smith :

This update follows further consultation with the Australian Electoral Commissioner and party leaders. Under the constitution, it is my responsibility alone to issue a writ for a byelection when a vacancy occurs and, generally, it has not been a practice to provide an explanation for the exercise of this responsibility. I have varied from the usual practice because of the quite unusual, quite uniques circumstances surrounding these byelctions. As the House of Representatives practice makes clear, there is no statutory period within which I must issue the writ.

As a matter of principle, Speakers have generally sought to issue writs as soon as electorally practical, to ensure that electors are not without a representative here in the house, for longer than necessary.

However, the timing of the calling of each byelection has varied considerably because of circumstance and this case, has been a unique set of circumstances.

While there has been much commentary around the five byelections occurring on the one day, the Australian Electoral Commission actually has to consider whether this is feasible and desirable. The advice I have received from the electoral commissioner is that, although this is the largest number of byelections to be conducted at the one time since federation, and the holding of them across four states adds complexity, the AEC believes conducting the byelections on the same day is the preferred option. I intend to follow this preferred option.

As noted in my statement on Monday, the electoral commissioner advised me the government was considering urgent changes, through regulation to the nomination process, to ensure that all candidates are aware of their obligations under section 44 of the constitution. The implementation of these changes prior to the byelections was supported by the electoral commissioner and by the joint standing committee on electoral matters, in a uniamous recommendation.

The latest advice I have from the electoral commissioner is the regulations have been signed by the special minister of state and will be submitted to the governor general soon for his consideration, expected to be 29 May.

Regardless of the date for submission to the federal executive council, the AEC has advised me it has commenced preparations to implement the regulations and will require approximately two weeks to do so.

The implementation will need to be complete prior to the issuing of the writs, prior to the writs being issued... [there are a lot of interjections].

... Because nominations open as soon as writs are issued. At which time candidates can start nominating. This is in part to accommodate the requirements of the electoral commission, but more importantly so all candidates in the forthcoming byelection, all candidates, have sufficient time to comply with the new requirements.

Turning now to the date of the byelections, the electoral commissioner has advised me that there is a complication of the school holiday period affecting all four states subject to byelections extending across a three-week period from 30 June to 21 July.

Although, as the commissioner advises, it is possible to hold byelections in the school holiday period, it does create additional difficulties for voters and risk disenfranchisement and low turnout.

Let me say, this is particularly, particularly the case in byelections. For whilst in a general election there are significant voting opportunities outside the electorate in which the voter resides, in byelections there are not.

If there is to be single date for all byelections, and the school holidays are to be avoided, this pushes the next possible date to 28 July.

The house explodes into yelling

Although the electoral commission... [more interjections]... although the electoral commission would not usually provide advice about a preferred date, I can advise members on this occasion the electoral commissioner has advised that 28 July is the optimal date. As the commissioner notes in his advice to me, this achieves three things.

It provides sufficient time for the AEC to implement the changes [the house once again dissolves into absolute chaos], it allows sufficient time for the AEC to implement the changes, enables prospective candidates to comply with the new requirements and ensures voters are not disenfranchised.

I consider it is prudent in the current circumstances that I follow this advice and allow time for the changes related to section 44 to be implemented and avoid the byelections taking place in the school holidays.

I therefore propose to accept the commissioner's recommendation for the optimal date for July 28. I will consult with the AEC about the date to issue the writ and the relevant date for the byelection and will advise the house when the dates have been settled.

One very important consideration for me has been that this will not impact on the elected members' ability to take up their seat in the house at the earliest opportunity because of the break in the sittings from 28 June until 13 August. The earliest date now that any elected members could take their seats, regardless of the date of the byelections, is the 13th of August.

He then tables his correspondence from the electoral commissioner.

block-time updated-timeUpdated at 7.06am BST

block-time published-time 6.35am BST

Yup. Labor is extremely pissed.

Tanya Plibersek issued this statement a few seconds ago:

This is a disgraceful delay and a sneaky tactic from Malcolm Turnbull. He is just trying to buy time so he can dump his toxic $80bn tax handout to big business before the byelections.

This deliberate delay is an insult to these communities who will be unrepresented for nearly three months. It shows Malcolm Turnbull doesn't care about them.

It would appear this has been deliberately designed to disadvantage the Labor party, given our national conference is scheduled for that weekend.

This will obviously have implications for our National Conference. Our activists will want to be out in the community campaigning for Labor, not sitting in a conference centre.

When Barnaby Joyce was forced to resign, a byelection was called the same day for the soonest possible date. When John Alexande r resigned, a byelection was called within days. Communities have been waiting weeks now to know when they will have the chance to choose their representatives.

Malcolm Turnbull owes the Australian people a serious explanation for this unacceptably long wait.

block-time updated-timeUpdated at 6.56am BST

block-time published-time 6.30am BST

The AEC is due to appear in the finance estimates hearing - and Penny Wong has just walked back in.

block-time updated-timeUpdated at 6.56am BST

block-time published-time 6.27am BST

It is pretty safe to say that Labor is PISSED at this decision.

Tony Burke :

The AEC would normally not recommend a date, as you have said, but on this occasion they have recommended a date and they have used the fact they want this new recommendation as the reason.

Now, they appeared before the relevant inquiry months ago... the regulations and discussions with the opposition happened more than a week ago, and we have a situation now where that 79-day delay, which is not applied anywhere else, is on the basis of the Australian Electoral Commission, which, if the prime minister went down to Yarralumla and called an election today, they would be able to conduct it with 150 seats in 33 days' time. For 150 seats! Instead they say it has to be delayed all this period and it just happens to be on the day of the Labor party national conference... what a coincidence on the part of the Australian Electoral Commission that is.

block-time updated-timeUpdated at 7.15am BST

block-time published-time 6.21am BST

This is pretty extraordinary. It means we now have a defacto election campaign for another two months.

It's also the same date as the Labor national conference.

FUN TIMES

block-time updated-timeUpdated at 6.22am BST

block-time published-time 6.19am BST

Byelections to be held on July 28

Perth, Fremantle, Longman, Braddon and Mayo are heading to the polls in late July because of the school holidays.

He says the Electoral Commissioner had nominated the date as the "optimal date" as it allows the AEC to allow prospective candidates to comply with the new requirements and ensure voters are not disenfranchised

block-time published-time 6.14am BST

Speaker addresses byelection date delay

Tony Smith takes a moment after question time to talk about the five upcoming byelections

block-time updated-timeUpdated at 6.34am BST

block-time published-time 6.12am BST

Bill Shorten to Malcolm Turnbull:

I miss the lead up, but the main question is: "Is the prime minister seriously abolishing the serious financial crime task force right in the middle of the Royal Commission into the banks?"

Kelly O'Dwyer takes this one:

"I'd like to point out that it is simply not correct what he has stated. The government is aware that the funding of the taskforce runs to the 30 June 2019 which is more than one year into the future. Responsible governments address funding ***programs*** in the context of budget preparations and anticipate that we would look at the funding in the next budget preparation. And can I point out, when it comes to the serious financial crimes task force, when it comes to the serious financial crimes task force, it didn't exist under the Labor government. It was established under the Coalition government. It was established and funded under our government. Let me tell you, it has achieved some very, very good outcomes. It was established to investigate and track down serious financial crime and prosecute those people who break the law and as of February 2018, since the establishment of this task force, we have seen 740 audits and reviews, it has raised tax liabilities of more than $500m and collected more than $200m in cash and has resulted in four people who have received custodial sentences. There are currently 29 criminal, civil and intelligence operations in progress under the serious financial crimes task force that we have established and I know that those opposite like to fabricate and they like to doctor the facts but they cannot doctor this. It is funded, it will continue to be funded in the normal course of budget arrangements."

We get another dixer about how important it is that Australia day stays on January 26 and then we are done.

block-time updated-timeUpdated at 6.48am BST

block-time published-time 6.07am BST

Everything is going really, really well for One Nation.

enltrJust in: One Nation Senator and Pauline Hanson loyalist Brian Burston has been dumped as the party's whip. Peter Georgiou was appointed as the whip today. [*@politicsabc*](http://www.instagram.com.au/mikepbowers)   [*#auspol*](http://www.instagram.com.au/mikepbowers)

- Caitlyn Gribbin (@CaitlynGribbin) [*May 24, 2018*](http://www.instagram.com.au/mikepbowers)

It might be worth pointing out that Brian Burston is known as a Pauline Hanson loyalist. He says that it was his idea that she take back the One Nation name and stood behind her, even while she was in the wilderness.

block-time published-time 6.05am BST

Cathy O'Toole to Malcolm Turnbull :

"Can the prime minister confirm that last night every member of the government including the member for Capricornia voted against Labor's tax ***plan*** that would have given 60,000 people in Capricornia a tax cut of up to $928 a year, almost double the tax cut they will get from the government. Why didn't this prime minister vote for lower taxes for 10 million Australians instead of giving an $80bn tax cut to big business?"

(Someone please help me. I am stuck in a QT time loop and I can't get out.)

Turnbull:

I'm sure the honourable member has advised all the businesses in her electorate, if she is part of a Labour government, will be putting up taxes on them in Townsville. There are plenty of businesses which need that incentive. She is going to come after their income as well? Oh, she has, it will be very interesting, very interesting. I'm sure the [Townsville] Bulletin will be investigating to see how many people she has door knocked and said 'hello, I am here with Bill Shorten. We are here to raid your savings. Come and have a cup of tea. We have been waiting to this joyful moment.'

"Mr Speaker, the Labor Party, the member for McMahon said they will have policies in that space, this approach to politics that their savings, their businesses, their jobs are threatened by the honourable member and their colleagues in the Labor party."

block-time updated-timeUpdated at 6.15am BST

block-time published-time 6.00am BST

Liberal senator James Paterson is asking finance minister Mathias Cormann about what will happen to Katy Gallagher and the MPs who resigned when the high court rejected their understanding of the "reasonable steps" defence to being dual citizens.

Paterson said there is a "qualitative difference" between those Labor MPs - who refused for months to resign after the Canavan decision in October - and the Coalition MPs who did not know they were ineligible (well, not until they discovered that citizenship by descent was a thing that exists).

Cormann responds that the issue of debt waivers will be treated in "an entirely consistent manner" - which suggests Labor MPs will get debt waivers.

Don Farrell starts interjecting because he objects to what he sees as a partisan attack from Paterson, but Cormann says he should "take some comfort" from that answer.

block-time updated-timeUpdated at 6.05am BST

block-time published-time 5.59am BST

Ged Kearney to Malcolm Turnbull : (Fun fact - this is her first question in the house)

"Can the prime minister confirm last night every member of this government, including the member for Corangamite, voted against Labor's personal income tax ***plan*** that would give 66,000 people in Corangamite a tax cut of up to $928 a year, almost double the tax cut given from the government, why didn't the prime minister vote for lower taxes for 10 million Australians instead of giving an $80bn handout to big business?"

(That's Sarah Henderson, by the way)

Turnbull:

"... The honourable member referred to the member for Corangamite and her constituents. In Corangamite, Mr Speaker, there are thousands of businesses getting on and getting ahead because of the incentive the government has given them and the member for Corangamite knows very well that the future of her community depends on a stronger economy and a government that backs that enterprise, and she knows that, that is what is driving the record jobs growth in Australia. But the member for Batman, on the other hand, I don't think when she was recently campaigning went around and told some of the retirees in her seat how much of their savings they were going to raid.

"... Oh yes they will! All of those hard-working people in Batman who have worked hard and saved and invested, the Labor party is going to cut their income by 20%, 30%, a massive cut out of the income of Australians that are too old to go and get another job or start a business, going after the most vulnerable, and, for the same reason, they denied the ineligibility of their dual citizen members, for the same reason they doctored the transcript of the member for Barton because they thought they could get away with it.

"The leader of the opposition will try anything on, any duplicity, because he thinks he can get away with it and the Australian people are too smart for him and they are too smart for Labor."

Tony Smith asks if the PM made an unparliamentary remark, as the interjections rise, and then we move on. (If he did say something, I didn't hear it.)

block-time updated-timeUpdated at 6.03am BST

block-time published-time 5.50am BST

BREAKING: Christopher Pyne still hates unions. #deathtodixers

block-time published-time 5.48am BST

Chris Bowen to Malcolm Turnbull :

"They claim they support lower taxes but why did they all vote against Labor's ***plan*** for lower income taxes to 10 million Australians, a tax cut of up to $928 a year last night. That's what they did. How can the Australian people believe anything this prime minister says when last night, he voted against bigger tax cuts."

Turnbull:

"Mr Speaker, Mr Speaker, the only tax reform that was voted for last night was the government's reform for personal income tax.

"The Labor Party voted for it. The reality is that the Labor party is threatening Australians with over $200bn of new taxes and most shamefully of all, $5bn a year raised by raiding the savings of older Australians, raised by raiding the savings of grandparents, self-funded retirees, going after their tax refunds from franking credits, to which they are entitled.

"Both in law and injustice and what they're doing is yet again discriminating against hard-working Australians who have saved for their retirement and want to have the dignity of some independence in retirement.

"As much as they hate the enterprise of hard-working Australian businesses encouraged by our tax cuts, and are already in operation, and seeing record jobs growth across Australia. Labor is the party of higher taxes, less investment and fewer jobs."

Peter Dutton has some fun with the Linda Burney transcript issue. Burney continues reading her papers and then Chris Bowen wants to know whether Malcolm Turnbull remembered walking back into the chamber to vote against Labor's amendments on the income tax bill.

He punts it to Scott Morrison, and Tony Burke objects:

Unless the treasurer has the authority to say he was equally unaware, only the prime minister can answer that question. But the standing orders say the PM can get anyone he wants to answer the question and we are all gifted another few minutes of the best of Scott Morrison.

block-time updated-timeUpdated at 5.54am BST

block-time published-time 5.41am BST

Just a small break to remind you that Ian Macdonald is proving once again, why he is the greatest gift to the Senate estimates process, since the iPad timer:

enltrIan MacDonald was quizzing Justice SC Derrington about why she is a "Senior Counsel" instead of a "Queen's Counsel". Justice Derrington: "those are my initials" [*#auspol*](http://www.instagram.com.au/mikepbowers)   [*#estimates*](http://www.instagram.com.au/mikepbowers)

- Paul Karp (@Paul\_Karp) [*May 24, 2018*](http://www.instagram.com.au/mikepbowers)

For the record, the justice's name is Sarah Catherine.

The culture wars, as Paul just joked, are now coming for your initials. NOTHING IS SAFE,

block-time updated-timeUpdated at 5.59am BST

block-time published-time 5.40am BST

Julie Bishop says Australia is working with Indonesia following the terror attacks recently, which saw children used as suicide bombers.

"The Australian government stands in absolute solidarity with the Indonesian government. We sent messages of support and condolence. The Indonesian government and the Indonesian people are our most important partners when it comes to combating terrorism in our region and we are working closely with Indonesia, noting as they have that Australia has also suffered attempted terrorist attacks and we are working together to locate foreign terrorist fighters returning from Iraq and Syria. We are seeking to track terrorists and their associates and equipment and resources," she said.

"... I am sure I am joined with all members of this house as I confirm that the Australian government will dedicate the resources and the energy and political will to keeping Australians as safe as possible at home and abroad."

Bill Shorten gives the government Labor's support:

"I just seek to associate the opposition with the foreign minister's remarks," he says.

"Surabaya is a marvellous city, Indonesia's second-largest, it's a remarkable cosmopolitan city, it does not deserve this evil and the government can count on the opposition standing with their remarks."

What we just saw was a dixer used for good - updating the house on an actual issue.

block-time updated-timeUpdated at 5.42am BST

block-time published-time 5.36am BST

I miss the beginning of Bill Shorten's next question to Malcolm Turnbull, but it is essentially asking why did the government vote against Labor's tax ***plan***.

I think we already know the answer, but here it is anyway:

"The leader of the opposition has really lost the plot. Last night, the house debated and voted on the tax legislation. That's what's heading up to the Senate now. You know what, Mr Speaker? And we want to thank them, thank them from their support. They had the opportunity to vote against them. The personal income... tax reform now is going to encourage the investment. It is going to encourage aspiration of work. It's getting to make it fairer... simpler and as progressive as it is today in terms of those on the highest incomes paying the highest share.

"And we were pleased to see that the treasurer and my colleagues were able to persuade the Labor Party to vote with it but it seems their enthusiasm was short-lived. They went home, went to bed and turned up here today now they have regrets.

"It's too late, and I say to the leader of the opposition, it's been passed through the house. The reality is, you cannot rewrite the history of last night's debate. It's not like a transcript from the member for Barton. It isn't. You can't edit the votes and proceedings. It's not like the way the leader of the opposition's office edited, and when I say edited, doctored and falsified the transcript of the member for Barton's interview, 1800 words it was. 1800 words. And apparently, she said, an unintentional error resulted in 800 words vanishing. That is quite a slip. That really is quite a slip. Mr Speaker, it's no mistake that the falsification of the transcript was designed to do one thing and one thing only, cover up the fact that inside the Labor party, there is the deepest opposition to the government's border protection policies.

"And what is designed to obscure the fact that the honourable member and so many of those colleagues want to roll out the welcome mat to the people smugglers and make all of those mistakes that Kevin Rudd made years ago, make them all again, so there will be more drownings at sea, more unauthorised arrivals and more children in detention. That is what Labor will be seeking to do if they were ever to occupy the [government] bench."

block-time updated-timeUpdated at 5.46am BST

block-time published-time 5.29am BST

Anthony Albanese to Michael McCormack :

"Is the deputy prime minister considering abandoning his support for the government's $80bn handout to big business so that he can actually allocate funds for the construction of the Western Sydney rail project, which the government failed to fund in the budget?"

McCormack:

"One thing I'll say about the Nationals is when we say something we put our names to it and I get... We put our names to it. We're backing the tax ***plan*** of the government. The Liberal and National Party, the Turnbull-McCormack government is backing the tax ***plan*** of the government.

"I'll tell you why, Mr Speaker, I'll tell you why, because it's a blueprint for our economic future. It's a10-year enterprise tax ***plan***, just like we've got a 10-year infrastructure investment pipeline. $75bn, $75bn investing in the infrastructure that this country needs, that Australians want, demand, expect and deserve.

"That's what we're doing. I'll just go back to his little point about the newspaper article today and I'll say again that at least when National Party members make a comment to the press, they put their name to it, because I tell you what... we often hear shadow ministers, Labor source, left source, making comments about the leadership of the man opposite, leadership of the member for Maribyrnong, and I tell you why, because he is on borrowed time.

"The member who asked the question knows it because he's going to be the biggest beneficiary when the member for Maribyrnong falls over, he's going to be... But I say again that the Nationals and the Liberals are in lockstep with the tax ***plan***, are in lockstep with..."

He gives up, because lines are not his greatest strength, before giving it another go, but it's pretty much what we just heard.

He gets a second time to trip over his words when another Queensland backbencher's constituency is suddenly unable to go another second without knowing about the government's 10-year infrastructure ***plan***.

block-time updated-timeUpdated at 5.37am BST

block-time published-time 5.23am BST

Adam Bandt has the crossbench question for today:

On Tuesday morning, Salim, a Rohingya refugee on Manus Island died on your watch and by Tuesday afternoon the government leaked information to the press about this man and negative stories appeared.

"By late Wednesday afternoon you hadn't notified his wife about his death and when someone from the asylum seeker resource centre called to comfort her, it turned out she was unaware of it.

"Minister, is it government policy to leak to the media about the death of someone in your care and not notify next of kin? And does this fundamental lack of human decency show there's no line you will not cross?"

Peter Dutton :

"I'm not going to take a morals lecture from the Greens when it comes to border protection policy.

"We can only look to his track record when he was in coalition with the Labor Party. The fact is, Mr Speaker... Tragically, 1200 people drowned at sea when Labor and the Greens unwound John Howard's policies, and that was a tragedy, and, in the current debate going on with the civil war in the Labor party, it seems they want to tragically return to those days. Mr Speaker, there were 8000 children put into detention and we've got those children out of detention. Under the ***plan***, Mr Speaker, proposed by Labor and the Greens, there was no ***plan***...

"This government, not the government you were in coalition with, the Rudd and Gillard governments, this government has brokered a deal to get 1200 people off Manus and Nauru, Mr Speaker, so if you don't mind I'm not going to take a moral lesson from you.

"You are responsible for the deaths of more than you realise, that's the reality for the Greens, they can moralise all they want but I find it unacceptable, Mr Speaker."

Wayne Swan then says something, which the microphone for the broadcast does not pick up and Dutton asks for it to be withdrawn. He admits he said something unparliamentary and does.

Scott Morrison is back, because every coalition's backbencher constituency is just desperate to hear about the government's economic ***plan*** and whether there is any alternative ***plan***.

block-time updated-timeUpdated at 5.26am BST

block-time published-time 5.18am BST

Jenny Macklin to Malcolm Turnbull :

"What is the point of this prime minister and his government, given his signature tax policy, to give $80bn to big business, appears doomed. Is the prime minister's big business tax cut as doomed as his colleagues are claiming?"

Turnbull punts the question to Scott Morrison, because there is no such thing as too much Scott Morrison:

"Our side of the house, the government believes lower, simpler, fairer and more competitive taxes are good for the economy and a reward for effort and grow the economy. As I said yesterday, when the member for Fenner, who gave us the benefit of his behavioural impacts on the tax treatment of mammals in his own references to these matters, Mr Speaker, I was mistaken to think the Labor Party supported low and further fairer taxes, but I found the reason for the apparent contradiction in their view is because it seems the member for Fenner is familiar with the work of Ross Gittens. This was brought to our attention in 2005 when a book was written, Happiness, lessons from new science, and drawing on studies of monkeys, Mr Speaker, he concludes we need to keep the tax rates high to discourage people from working to make them happier.

Eureka! The Member for Fenner must have said 'I've finally seen the light, higher taxes are good for people and they've decided to go down that path.'

"I've got some advice for the Member for Fenner, stop listening to monkeys when you set tax policies."

block-time updated-timeUpdated at 5.24am BST

block-time published-time 5.12am BST

Tony Burke to Malcolm Turnbull :

"A decade ago, the prime minister said he was not willing to lead a party that was not as committed to action on climate change as he was so now, is the prime minister willing to lead a government that is not as committed to big business tax cuts as he is?"

Turnbull (his glasses are off and in his hand, so you know he's serious):

"I thank the honourable member for Watson to his question. I just remind him that he, like the member for McMahon, who are studied imitators of the great Paul Keating, would know very well that their master, their great mentor, PJK, he was the one who stood here like the leader of the opposition did in government and said cutting company tax delivers more investment, more jobs and better paid jobs and underlined the need to be competitive so Mr Speaker, Mr Speaker, the only Labor leader that has abandoned that economic common sense in just another one of his numerous backflips to make Australians realise he cannot be trusted, is the leader of the opposition, the member for Maribyrnong, the unbelieva-Bill leader of the opposition."

Before Tony Burke can even open his mouth, Tony Smith pulls Turnbull up on the "unbelieva-Bill" line:

This started with the treasurer. I've had cause to read today the origin of it but it's not coming in here. I'm making it very clear. I'd like the prime minister just to withdraw."

The prime minister does, making Scott Morrison use his "I have now read my order out to you five times, OMG, how can you not get that I don't want onions" voice in a dixer.

block-time updated-timeUpdated at 5.16am BST

block-time published-time 5.07am BST

Another Queensland MP is given the first dixer. This week IS a time loop.

block-time published-time 5.06am BST

Question time begins

We open with company tax.

Bill Shorten to Malcolm Turnbull :

"Now it is reported The Nationals have lost faith in the prime minister's ability to deliver his economic ***plans***. Will the prime minister tell the entire parliament including The Nationals that he won't give up on his core belief and signature tax policy, to give $80bn to big business?"

Turnbull:

"I assume the honourable member is referring to the government's enterprise tax ***plan*** which involves reducing company tax to 25%. That of course was described by the member for McMahon as a Labor thing and a great objective it was. It was described by the leader of the opposition's [predecessor that] cutting company tax, increasing investment and productivity, resulting in more jobs and better paid jobs and Labour leaders before him has supported reducing company tax because they know it delivers more jobs and greater investment and Mr Speaker, that is what we have been seeing.

"We have, in the last calendar year, the largest jobs growth in our history, the largest jobs growth in our history and since the Coalition was elected under the leadership of the member for Warringah in 2013, 13,600 jobs created. So the Labor Party say that the government's economic ***plan*** is not delivering but it's delivering record jobs growth. I remember when Labor leaders going right back to Neville Wran, great leaders in the Labor arty, used to stand up and say it was all about jobs, jobs, jobs. Not any more.

"What a clown, Mr Speaker. Seriously. What an embarrassing clown. What an embarrassing clown. Here we are with record jobs growth, record jobs growth and all he wants to do is catcall, Mr Speaker. Mr Speaker, he has got as much chance of getting away with his jobs destroying, against business, against job creating policies as he does of doctoring transcripts.

block-time updated-timeUpdated at 5.11am BST

block-time published-time 4.54am BST

Bob Katter is campaigning with Rebekha Sharkie, his former crossbench colleague currently fighting for the seat of Mayo after being made to stand down because of section 44 issues.

He was asked about the Liberal candidate Georgina Downer - and said he found her too right wing.

Yes, you read that correctly - Bob Katter thinks Georgina Downer [*is too right wing.*](http://www.instagram.com.au/mikepbowers)

Let a thousand blossoms bloom.

block-time updated-timeUpdated at 4.56am BST

block-time published-time 4.32am BST

Oh - and just a reminder, it is Reconciliation Day on Monday, so there is no parliament sitting.

And no blog. But we will be back as normal, on Tuesday.

block-time updated-timeUpdated at 4.34am BST

block-time published-time 4.29am BST

We are sliding towards question time... hit us up with your predictions.

block-time updated-timeUpdated at 4.30am BST

block-time published-time 4.18am BST

'Give the economy a life-saving transplant and support company tax cuts - One Nation to Derryn Hinch

Derryn Hinch says he will support all three parts of the government's income tax ***plan***, and if someone wants to negate the stage three later, they can.

"I think I am going to support the government, all three, send me a ***plan*** and we'll go for it," he told Sky.

"Put it through and if another government comes through next year, and it will be next year, Labor comes through next year, they can negate it."

He also opened up about One Nation's lobbying of him two weekends ago, to get his support for the government's company tax cut.

Two weeks ago, One Nation was heavying me in extraordinary long texts to tell me that I must support the government 100% on the government tax cuts.

One of them even said, 'you had a transplant to extend your life and save your life, the government and Australia needs a transplant to save the economy. That's how hard they were going."

block-time updated-timeUpdated at 4.25am BST

block-time published-time 3.47am BST

Labor has been probing whether the Commonwealth Director of Public Prosecutions has enough funding to prosecute financial crimes.

The Commonwealth DPP, Sarah McNaughton, tells Senate estimates it has $3.7m for the 2018-19 financial year from the serious financial crimes taskforce funding, a commitment of $127.6m over four years that the Coalition made in the 2015 budget.

Asked by Labor's Murray Watt if it's due to expire, McNaughton confirms, "that's as I understand it". She says the DPP has had discussions amongst itself about asking for an extension of funding, but hasn't requested it from the Attorney General's Department or the attorney.

Watt asks whether the DPP will need extra funding to prosecute wrongdoing uncovered by the banking royal commission.

McNaughton: "It's so theoretical at this point, we don't have any need to have the discussion [of extra funding]. There's no request to make."

Michaelia Cash says the government will consider the need for extra funding when the royal commission hands down its report.

Labor leaps on this as evidence of a funding cliff:

enltrThe Commonwealth Public Prosecutor has just revealed that the government is cutting funding for the Serious Financial Crime Taskforce in June next year. In the middle of the [*#BankingRC*](http://www.instagram.com.au/mikepbowers). Astonishing.   [*#Estimates*](http://www.instagram.com.au/mikepbowers)

- Mark Dreyfus (@markdreyfusQCMP) [*May 24, 2018*](http://www.instagram.com.au/mikepbowers)

block-time updated-timeUpdated at 3.54am BST

block-time published-time 3.40am BST

The Australian Kitsch account, which is well worth a follow if you haven't already, has dug up this gem from the Sydney Morning Herald in 1972, of ABC bosses dealing with accusations of being "biased".

enltrABC bosses to journalists: it's not your job to interpret the news Pic: [*@smh*](http://www.instagram.com.au/mikepbowers) 1972   [*#auspol*](http://www.instagram.com.au/mikepbowers)   [*#estimates*](http://www.instagram.com.au/mikepbowers)   [*#thisdaytonight*](http://www.instagram.com.au/mikepbowers)   [*#tdt*](http://www.instagram.com.au/mikepbowers)   [*@MikeCarlton01*](http://www.instagram.com.au/mikepbowers)   [*pic.twitter.com/skLEnz9WtL*](http://www.instagram.com.au/mikepbowers)

- Australian Kitsch (@OzKitsch) [*May 24, 2018*](http://www.instagram.com.au/mikepbowers)

block-time updated-timeUpdated at 3.48am BST

block-time published-time 3.35am BST

enltrI wasn't called to [*#Estimates*](http://www.instagram.com.au/mikepbowers) today but had I been there I would have reassured senators that you can have a Race Discrimination Commissioner AND Johnathan Thurston   [*https://t.co/lWj0AVmJ17*](http://www.instagram.com.au/mikepbowers)   [*pic.twitter.com/9vGMLuDXkh*](http://www.instagram.com.au/mikepbowers)

- Tim Soutphommasane (@timsout) [*May 24, 2018*](http://www.instagram.com.au/mikepbowers)

block-time published-time 3.32am BST

The debate on the National Redress Scheme is seeing quite a few members break down.

Ann Sudmalis also got emotional, as she said she believed we were still failing children.

As police fear to follow up, charge the offenders and pursue their own action because they believe the court system will not record a charge or it may not be successful, I fear we are opening a Pandora's box of bad behaviour which is totally unacceptable.

Surely it is not too much trouble to set the dignity and safety of a child above the inconvenience of bringing the issue of the attention to the court. I know exactly of such an incident and I am greatly concerned of the consequences that could evolve from the lack of action, or action that is non-protective or action which pushes the decision making responsibility back onto the child.

How can this be? Rape of a 12-year-old child is rape. Whether inflicted by a physical instrument or biologically inflicted, it is wrong.

And inside I weep that in this day and age we still don't fully understand the term child sexual abuse.

An emotional Jenny Macklin is comforted by Bill Shorten after speaking on the bill dealing with the national redress scheme for institutional child sexual abuse. Photograph: Mike Bowers for the Guardian The member for Swan Steve Irons speaks on the bill. Photograph: Mike Bowers for the Guardian

block-time updated-timeUpdated at 4.08am BST

block-time published-time 2.55am BST

Mike Bowers has been out and about this morning. Here is some of what he saw:

Home Affairs minister Peter Dutton at a press conference in the mural hall of Parliament House, Canberra this morning. Photograph: Mike Bowers for the Guardian

Grandmothers against removal is a group working to stop what they say is the mass removal of children from their families by child protection agencies and the authorities - including police and detention centres.

Grandmothers bring a message to parliament: 'Bring our children home' - from left, Nana Doreen Nangala Carroll, Nana Christine Palmer, Helen Eason, Aunty Hazel Collins, Aunty Janette Miller and Nana Elaine Peckham. Photograph: Mike Bowers for the Guardian

Craig Kelly, who is facing a very strong preselection challenge for Hughes, seems to be enjoying himself this morning.

The member for Hughes, Craig Kelly, as the House of Representatives resumes sitting. Photograph: Mike Bowers for the Guardian

block-time updated-timeUpdated at 4.09am BST

block-time published-time 2.47am BST

Over in the Federation Chamber (where overflow speeches go, and where, you may note Andrew Hastie made his speech on Tuesday night) Andrew Leigh was talking about the need for Australia to do more to combat discrimination of the LGBTI community around the world.

From his speech:

During my lifetime we in Australia have decriminalised homosexual acts between consenting adults. We have removed many forms of institutionalised discrimination against LGBT+ Australians. And we have belatedly legislated same-sex marriage.

There is more to be done in Australia, but there is much more to be done around the world. According to the ILGA's 2017 report, as of May 2017, 72 states continue to criminalise same-sex consensual activity - that is, more than one-third of the world's nations. There are currently eight nations in which the death penalty is imposed as a punishment for same-sex consensual sexual acts.

Let me go to some examples. This month in Malaysia we saw the release of Anwar Ibrahim, but it is a reminder that Malaysia continues to make sodomy illegal under section 377 of the Penal Code, which prohibits 'carnal intercourse against the order of nature'. In Bangladesh in the capital Dhaka, Xulhaz Mannan, the founder of Bangladesh's first and only LGBT magazine, was brutally hacked to death as punishment for his activism on behalf of same-sex-attracted Bangladeshis. In Tunisia, Bouhdid Belhedi, a campaigner for LGBT rights, was assaulted by Islamic extremists and beaten by a mob outside his house in Tunis as a policeman watched.

In Ecuador, gay people are forced to undergo conversion therapy in secret clinics, where they are raped and beaten even though homosexuality is legal. Since the 2013 military ***intervention*** in Egypt, at least 250 LGBT+ people have been arrested. In Aceh, the Indonesian police recently arrested 12 transgender people. In Iran, gay men are sometimes hanged. In Russia, homophobic violence is on the rise. In Syria, there are media reports of LGBT individuals being thrown from tall buildings head first and then stoned by bystanders. And although homosexuality is legal in Turkey, it has one of the worst records of human rights violations against LGBT+ people in Europe.

Homosexuality is not a choice. Being transgender is not a lifestyle. Equality is indivisible. Human rights are universal. It doesn't matter whether you approach politics from the standpoint of freedom or from the standpoint of equality. As individuals, as civil society, as government, Australians must do more to stand up for LGBT+ rights around the globe.

block-time updated-timeUpdated at 3.15am BST

block-time published-time 2.44am BST

Can we ever trust transcripts again?

(To be clear, most of us in the press gallery take our own recordings and transcribe from there, or double check the transcript with our recording.)

Transcripts came up in the February estimates hearings, after Jenny McAllister wanted to know from Mathias Cormann why the official PMO transcript showed Malcolm Turnbull thanking Donald Trump during their meeting just once, while the White House official transcript included a much more generous four thank-yous. THE SCANDAL.

From that estimates' Hansard transcript ( [*page 134 of the February 26 hearing)*](http://www.instagram.com.au/mikepbowers) :

Senator McAllister: In the transcript issued by the prime minister, Mr Turnbull thanks President Trump twice, but in the version of the transcript issued by the White House Mr Turnbull's very effusive. He says, 'Thank you,' and, 'I just say thank you to you and Melania for your hospitality and your friendship,' and then he goes on to say thank you again. I think we get 'thank you', 'thank you so much', 'thank you' and 'thank you'. So he was very effusive.

Chair: Senator McAllister, you've uncovered thankyou-gate.

Senator Cormann: I'm really pleased that we are dealing with a major issue.

Senator McAllister: I'm just curious: how does it come about that it gets edited down, that the thank-yous are so much less prominent in the one issued by the prime minister?

I think he's just being a very thankful guest in the United States.

Chair: You might be too, Senator McAllister, if you were in the Oval Office.

Senator McAllister: But is the PMO's office in some way trying to downplay how effusive Mr Turnbull has been on this occasion?

Senator Cormann: Sorry, what are you suggesting?

Senator McAllister: I'm asking: is this deliberate or is this just an accident of transcription? Are they trying to downplay how effusive Mr Turnbull was?

Senator Cormann: I haven't had a conversation with the prime minister about the transcripts of his relevant remarks, but now that you've asked the question I will undertake an investigation as to how the transcript that you've referenced has been so edited. It's not unusual-in the context of Hansard transcription, for example - to remove any repetition of things that are said in the verbal communication that don't necessarily add anything when you read a written transcript. I think that that is precisely the way Hansard does it. You've got Hansard people at the back here, and I think you'll find that those of us in politics from time to time, for effect - particularly, a non-partisan statement, when you're in opposition; I may have done the same when I was in opposition - repeat a particular sentence. You'll find that Hansard will remove any such repetition and only provide what looks like a very eloquent, concise presentation of the point that you wanted to make.

block-time updated-timeUpdated at 3.13am BST

block-time published-time 2.36am BST

Jenny Macklin is speaking in the House on the commonwealth redress scheme for survivors of institutional child abuse.

She is crying as she reads the history of the scheme, and what led to this point, and urges the states and territories who haven't signed up to the commonwealth scheme (Tasmania and WA are yet to sign up).

As the royal commission said, many of the injuries were severe and long-lasting. Many people have been and continue to be impacted by injuries for the rest of their lives. It is the case that many, many survivors have still not had the opportunity to seek compensation for their injuries. The royal commission acknowledged that, and I quote: 'it can not be feasible for many of those who have experienced institutional child sexual abuse to seek commonwealth damages. There is a clear need to provide avenues for survivors to take effective redress for this past abuse'. The establishment of a national redress scheme will acknowledge the abuse which occurred.

Labor understands, and I think everyone understands, that no amount of money can make up for the pain and trauma experienced. However, redress is a vital step along the path to healing. A vital step that we all have an obligation to put in place.

Macklin says Labor will be supporting the bill, but wants guarantees that all survivors will be able to access the scheme and older survivors are not left out.

block-time updated-timeUpdated at 2.52am BST

block-time published-time 2.27am BST

When we get to question time, the Andrew Hastie matter is bound to come up again.

Here was some of what Mark Dreyfus had to say this morning to Radio National:

"It's been reported today that Mr Hastie did not seek any permission from US agencies or warned them, give them advance notice of the proposed use of information that he gained from US agencies. And that's a real concern. It's not something that I can recall ever having occurred from any previous chair of the Intelligence Committee. I've been on trips as a member of the Intelligence Committee and as attorney general and obtained information from briefings from the FBI, the CIA, the NSA in the United States or their like agencies in the United Kingdom. It's always in confidence, and speaking for myself I wouldn't have dreamed ever of using information that I'd obtained in that manner," he said.

"... The question that arises is one of trust. And I have to say that the prime minister is more in possession of information, obviously, than me as a member of the committee. But the committee have received highly classified information from Australian agencies, sometimes ... when it visits US agencies, and members of the committee go, as has just occurred - or sometimes to the UK - equally highly confidential information and sometimes classified information is given. And it assists us in our work. There's got to be a question of trust there about knowing that those confidences will be respected. But it is a matter for the prime minister."

Paul Karp has written more on [*that here*](http://www.instagram.com.au/mikepbowers)

block-time updated-timeUpdated at 2.43am BST

block-time published-time 2.02am BST

Linda Burney has issued ANOTHER statement (this one official, sent from Bill Shorten's office, while one was in response to questions and the second was a doorstop).

My comments on Sky News yesterday are public.

This was an error in my office and was unintentional - the staff member involved has been counselled about the mistake.

No other office had any role - it was solely my office's responsibility for transcribing the interview and checking its accuracy.

block-time updated-timeUpdated at 2.16am BST

block-time published-time 1.58am BST

There was also the time Michaelia Cash's department (not her office, and there is a BIG difference) cut out questions from Paul Karp from one of Cash's doorstops. The department at the time said it removed things which are not part of the minister's portfolio. Cash's office blamed an "overzealous" departmental staffer. From [*the story published earlier this year*](http://www.instagram.com.au/mikepbowers) :

Media coverage of the embattled employment minister, Michaelia Cash, [*hasn't been as bad as last week*](http://www.instagram.com.au/mikepbowers), but all things are relative. Earlier this week her department released a transcript of a "doorstop" interview - a huddle with reporters.

The Q&A had been redacted to remove questions and answers - including several on the raid on the Australian Workers' Union - which the department said didn't relate to the senator's portfolio of jobs and innovation. Strange, because those questions are evidently official business. Leigh Sales, presenter of 7.30, said the questions had been "censored".

Cash's office quickly blamed an "overzealous staffer" in the department and not her office for tampering with the record.

block-time published-time 1.55am BST

Jane Hume, who said on the Bad Show (Q&A) on Monday [*that women and people of colour should just work harder to get into parliament*](http://www.instagram.com.au/mikepbowers), is on Sky saying preselection challenges are "not a gendered issue".

Jane Prentice's dumping as candidate for her seat of Ryan, despite being an assistant member, and being replaced with a man, has set off another round of debate about what the Liberal party is doing about getting women into the party.

Hume, who is under pressure to hold her number one Senate spot in Victoria after openly supporting marriage equality, has given another message direct to party preselectors in the wake of Malcolm Turnbull stepping in to save Ann Sudmalis from a preselection challenge:

"It's still a democratic process... [but what about the ***intervention***]... sometimes it can be defied and that is the beaut thing about the Liberal party is that it is a democratic party no matter what.

"If the grassroots are cross at Malcolm Turnbull or Scott Morrison for doing that, then they can let him know. "

Labor's Clare O'Neil says it is "completely outrageous".

"Jane is saying it is grassroots decisions, well there is a hell of a lot of grassroots decisions being made here, where we are seeing women who are of high caliber in the Liberal party getting replaced by the same kind of people - they are young, they are male and they all seem to have worked for the Institute of Public Affairs at one stage or another."

O'Neil said she doesn't understand why Prentice wasn't saved but a "backbencher who no one has ever heard of" has been saved.

block-time updated-timeUpdated at 2.18am BST

block-time published-time 1.36am BST

Given it's Thursday, which is the day on social media for throwbacks (#TBT), let's head back to the last big "doctored document" conspiracy, when Barnaby Joyce was forced to admit his office [*changed the Hansard to correct the word "over" to "nearly"*](http://www.instagram.com.au/mikepbowers).

The ***agriculture*** minister, [*Barnaby Joyce*](http://www.instagram.com.au/mikepbowers), has admitted his staff changed Hansard records without his knowledge after Labor accused him of deliberately misleading parliament.

The Hansard record had been changed to correct an error Joyce made on Monday 20 October regarding the government's drought assistance package. In the speech, Joyce referred to "over" 4,000 people applying for drought assistance. His office changed that to read "nearly" 4,000. They also added a qualifier line that wasn't originally in the speech, saying that "recipient[s] of the Interim Farm Household Allowance" would also receive the assistance.

Joyce set the record straight in parliament after question time on Monday, saying the "minor edits were made to Hansard by my staff without my knowledge. My staff have been counselled. Consistent with standing orders, I have asked that the changes requested by my office be removed from Hansard before Hansard is finalised."

Ahhh, the more things change, the more they stay the same.

(And in the end, Paul Grimes, [*the head of the* ***agriculture*** *department, was sacked*](http://www.instagram.com.au/mikepbowers) )

block-time updated-timeUpdated at 1.44am BST

block-time published-time 1.31am BST

Asked about it directly, Linda Burney acknowledged it was her office that made the "mistake".

"It was a genuine mistake by a person in my office and I think we have been very clear about that," she said.

"My comments are on record and there was a mistake in my office and we made it very clear that there is a mistake.

block-time updated-timeUpdated at 1.42am BST

block-time published-time 1.26am BST

Labor maintains that this was a mistake made by one of Linda Burney's staffers, and that the leader's office only distributes the transcripts.

"We don't have time to watch or listen to every interview," one staffer says.

Peter Dutton sees more.

Come on. [A Labor] staffer has issued a fraudulent document. Linda Burney has presided over a fraudulent document going out, purporting to be something that it is not. Bill Shorten's office had knowledge of it and distributed the document. He needs to answer the question why his office was involved in the publication and distribution of this fraudulent document. How can Mr Shorten trust ... his frontbench - who has deliberately lied in relation to what she said? And this is not a clarification, not an improvement on grammar. It is a fabrication, pure and simple."

I think that sound you hear are opposition staffers looking for examples of when the PMO's transcripts differ from the interview.

block-time updated-timeUpdated at 1.44am BST

block-time published-time 1.23am BST

Peter Dutton on Andrew Hastie :

He has an outlook on national security that very few of us could bring to the table. He is a patriot of this country, he is a personal fine character, and in relation to the statements he has made, I won't have knowledge of the state nor documents. That was an issue to him ... and that is a very separate matter, I might say, to what we are dealing with in relation to Linda Burney.

Linda Burney has deliberately put out a statement with Bill Shorten's office knowledge, and with authorisation from a senior figures within the Labor party. It is not just a word or two that might have been brushed out or tidied up. It is a complete fabrication. And it needs to be answered by Mr Shorten today."

block-time updated-timeUpdated at 1.31am BST

block-time published-time 1.21am BST

And for anyone who wants to see Ian Macdonald's take on racism and how it doesn't exist, because an indigenous footballer is basically the ruler of Queensland, Paul Karp has cut that up for you:

enltrHere's LNP senator Ian MacDonald's thoughts on RACISM - IS IT EVEN A THING [*#auspol*](http://www.instagram.com.au/mikepbowers)   [*#estimates*](http://www.instagram.com.au/mikepbowers)   [*pic.twitter.com/qwzKKEjFpQ*](http://www.instagram.com.au/mikepbowers)

- Paul Karp (@Paul\_Karp) [*May 24, 2018*](http://www.instagram.com.au/mikepbowers)

block-time updated-timeUpdated at 1.36am BST

block-time published-time 1.20am BST

Peter Dutton has taken issue with the missing quote from the Linda Burney transcript:

This has gone through Bill Shorten's office, it has been cleared by senior people and authorised by senior people, which is written down the bottom of the transcript they have released by senior people within the Labor party. This is not some mistake by somebody transcribing and can't understand garbled words within a tape recording. This is a deliberate act of fabrication, and Mr Shorten needs to explain who in his office knew about it, who in his office authorised this document to be released, why was this transcript sent out by one of Mr Shorten's staffers. These are questions that Mr Shorten needs to answer today.

I'd want to fob you off, but the reality is this is a serious issue to the Labor party to contemplate. The Labor party has completely discredited itself in relation to border protection policy. Under Bill Shorten, caucus now is much worse than anything ... under Kevin Rudd or Julia Gillard. It is clear to us now that the Labor party vote policy has completely unravelled. It is essentially open warfare within the Labor party on ... boats. You will see some stitched together flashy statement out of conference that the Labor party has a policy that reflects the Operation Sovereign Borders policy, which has resulted in boat stopping. It is a complete and utter dodgy deal and nobody should believe it. The Labor party has lost any credibility when it comes to border protection. Mr Shorten needs to come out today quite beyond what their position is on border protection, and explain why somebody on his frontbench has fabricated a document."

block-time updated-timeUpdated at 1.30am BST

block-time published-time 1.17am BST

Kelly O'Dwyer has introduced legislation to introduce a "one-off, twelve month amnesty for historical underpayment of superannuation"

From the statement:

The Bill incentivises employers to come forward and do the right thing by their employees by paying any unpaid superannuation in full.

Employers will not be off the hook - to use the amnesty they must pay all that is owing to their employees, including the high rate of nominal interest. However, the amnesty will make it easier to secure outstanding employee entitlements, by setting aside the penalties for late payment that are normally paid to the government by employers.

Employers that do not take advantage of the one-off amnesty will face higher penalties when they are subsequently caught - in general, a minimum 50% on top of the SG charge they owe. In addition, throughout the amnesty period the ATO will still continue its usual enforcement activity against employers for those historical obligations they don't own up to voluntarily.

The ATO estimates that in 2014-15, around $2.85bn in SG payments went unpaid.

While this represents a 95% compliance rate, any level of non-compliance is unacceptable, which is why the Turnbull government is giving the ATO the tools it needs to enforce compliance going forward.

We are introducing this one-off amnesty to allow employers to wipe the slate clean and pay their workers what they're owed. All Australians workers should be paid the entitlements they are owed.

The amnesty will run for 12 months from today.

O'Dwyer said the move would build on reforms to protect workers' superannuation entitlements by :

* Giving the ATO the ability to seek court-ordered penalties in cases where employers defy directions to pay their superannuation guarantee liabilities, including up to 12 months jail in the most egregious cases of non-payment;

1. Requiring superannuation funds to report contributions received more frequently, at least monthly, to the ATO. This will enable the ATO to identify non-compliance and take prompt action;
2. Bringing payroll reporting into the 21st century through the rollout of Single Touch Payroll (STP). Employers with 20 or more employees will transition to STP from 1 July 2018 with smaller employers coming on board from 1 July 2019. This will reduce the regulatory burden on business and transform compliance by aligning payroll functions with regular reporting of taxation and superannuation obligations;
3. Improving the effectiveness of the ATO's recovery powers, including strengthening director penalty notices and use of security bonds for high-risk employers, to ensure that unpaid superannuation is better collected by the ATO and paid to employees' super accounts.

block-time updated-timeUpdated at 1.46am BST

block-time published-time 1.07am BST

We don't need a race discrimination commissioner - we have Jonathan Thurston

Senator Ian MacDonald is asking in Senate estimates whether racism is really a thing, and whether we even NEED a race discrimination commissioner.

MacDonald:

I might live in a bubble perhaps but I find it very difficult to find any but very rare cases of racism in Australia. In this building we have two ministers that don't - are clearly not white Australian male sort of thing. In my own society ... the greatest hero, in fact the king of Queensland, is Jonathan Thurston. If only I could get him to run for a political party he'd walk it in. I just don't know - there are obviously isolated aspects of racism in Australia but I would think across the board they're very isolated.

Standing in for the attorney general, Michaelia Cash confirms that the government's position is to hire a new race discrimination commissioner when Tim Soutphommasane 's term ends.

The Australian Human Rights Commissioner president, Rosalind Croucher, replies that the race discrimination commissioner used to be a commissioner for "community relations" and she might like to "shift the titles" back to that positive aspect.

She said the commissioner has a role beyond just dealing with discrimination complaints, to promoting racial harmony and tackling prejudice.

block-time updated-timeUpdated at 1.20am BST

block-time published-time 1.02am BST

Just a note - the government's $140bn over 10 years tax ***plan*** is now $144bn.

The back third of the ***plan*** (getting rid of the 37% tax bracket, which will see people on $41,000 to $200,000 pay the same rate of tax from 2024-25) will cost $40bn.

Labor had been after that figure since the budget was announced.

But we still have no idea where the extra $4bn came from overnight.

block-time updated-timeUpdated at 1.47am BST

block-time published-time 12.52am BST

US embassy responds to Hastie disclosure

The US Embassy has responded to the Andrew Hastie issue - it says relations are as "strong as ever" but ultimately it's up to the Australian government how it handles his use of parliamentary privilege.

The reason this is becoming an issue is because Hastie used information he had received as part of leading a delegation to the US in his role as head of the parliamentary intelligence committee, which is seen as a pretty big no-no.

Still, he did it under parliamentary privilege, so he's protected there. It's just a question of any wider ramifications, which Malcolm Turnbull was checking on, through his admission he had been in contact with our allies, and Labor is pursuing.

enltrThe US Embassy has released a statement on Liberal MP Andrew Hastie's speech about businessman and political donor Chau Chak Wing [*#auspol*](http://www.instagram.com.au/mikepbowers)   [*@politicsabc*](http://www.instagram.com.au/mikepbowers)   [*pic.twitter.com/1awrzIawNY*](http://www.instagram.com.au/mikepbowers)

- Jane Norman (@janeenorman) [*May 23, 2018*](http://www.instagram.com.au/mikepbowers)

block-time updated-timeUpdated at 1.02am BST

block-time published-time 12.40am BST

The Workplace Gender Equality Agency has put out a statement, after nine Australians were recognised in the Gender Equality Top 100:

Workplace Gender Equality Agency Director Libby Lyons is one of nine Australians recognised for their contribution to improving gender equality on a new list of top influencers from around the world.

Apolitical, a global network for governments and public sectors, has announced its inaugural Gender Equality Top 100 list of the most influential people in gender equality policy.

The nine Australians named in the list are:

· Libby Lyons, Director Workplace Gender Equality Agency

· Kelly O'Dwyer, Federal Minister for Women

· Julia Gillard, former Prime Minister and chair of the Global Institute for Women's Leadership

· Professor Marian Baird, Sydney University's distinguished researcher into women, work and care

· Susan Harris-Rimmer, an Australian Research Council Future Fellow in the Asia-Pacific College of Diplomacy at the Australian National University

· Rosie Batty, domestic violence campaigner and 2015 Australian of the Year

· Tracey Spicer, journalist, advocate and founder of Now Australia

· Liz Broderick, former Sex Discrimination Commissioner and UN special rapporteur on the issue of discrimination against women in law and practice

· Natasha Stott-Despoja, chair of Our Watch and former ambassador for women and girls.

"The Agency is receiving unprecedented interest in Australia's gender reporting scheme as governments worldwide grapple with the economic challenge of removing barriers to women's workforce participation and career progression.

"That nine Australians made the top 100 list, with Professor Marion Baird and Julia Gillard in the top 20, demonstrates the leading role that the Australian government and Australian employers are taking in driving change towards gender equality," said Ms Lyons.

\*\*\*end statement\*\*\*

block-time published-time 12.29am BST

In regional estimates, the live sheep trade issue is scheduled to come up in the hearing just before 4pm.

block-time published-time 12.23am BST

And we have just got the official response from Linda Burney :

My comments on Sky News yesterday are public.

This was an error in my office and was unintentional."

block-time published-time 12.21am BST

After every on-air interview, or doorstop, Labor provides transcripts of the interviews as a matter of course (the prime minister's office also does this). It's a fairly longstanding convention, with each office responsible for transcribing its member's interview (which is then sent out by the leader's office).

But Labor this morning is being questioned over the transcript it provided for Linda Burney's interview on Sky News yesterday afternoon. She was asked about the party's asylum seeker policy, which is about to become a fairly major issue at the national conference in July, where Labor will lock down its official policy direction.

There is growing support within the Labor party for a shut down of Manus and Nauru and over how long asylum seekers should be held in detention.

Here is what Labor sent out:

SPEERS : Labor will be discussing asylum seekers at its conference in a couple of months. What's your own view?

BURNEY : It will be an issue at the national conference. Indefinite detention is what we're arguing against. Look at what has happened on Manus in the last 24 hours -

SPEERS : So they shouldn't be there indefinitely?

BURNEY : That's being worked on by the appropriate people in my party. It's not my portfolio -

SPEERS : Well how long does Labor think those people should be stuck there?

BURNEY : That will become clear over the course of the next -

SPEERS : But Labor will put a time frame on it?

BURNEY : I'm not responsible for the area, but I do believe that they shouldn't be held indefinitely, and logically that means there'd be a time line.

It's missing the quote

There needs to be a time frame and I'm sure there are people who are working towards that... I think there needs to be a time limit".

enltr. [*@Kieran\_Gilbert*](http://www.instagram.com.au/mikepbowers) :   [*@AustralianLabor*](http://www.instagram.com.au/mikepbowers) is facing accusations someone within its ranks has doctored a transcript of   [*@LindaBurneyMP*](http://www.instagram.com.au/mikepbowers) 's comments on asylum policy during her interview with   [*@David\_Speers*](http://www.instagram.com.au/mikepbowers). MORE:   [*https://t.co/9qTiXts1Bq*](http://www.instagram.com.au/mikepbowers)   [*#FirstEdition*](http://www.instagram.com.au/mikepbowers)   [*pic.twitter.com/dJDKBhgCNt*](http://www.instagram.com.au/mikepbowers)

- Sky News Australia (@SkyNewsAust) [*May 23, 2018*](http://www.instagram.com.au/mikepbowers)

We are being told it's more cock-up then conspiracy and that it is a "genuine fuckup". We've been in touch with Labor and Burney's office and will get you that response when it comes through.

block-time updated-timeUpdated at 12.26am BST

block-time published-time 12.06am BST

Good morning and welcome to day 26

While the blog was sleeping, the government's income tax package passed the lower house - with Labor's support.

Labor says that's because it supports income tax cuts for lower and middle-class earners and ***plans*** on working to separate the third tranche - the flat tax for $41,000 to $200,000 earners in the never-never of budget forwards - in the Senate.

It also dulls the government's attacks that Labor doesn't support income tax cuts. On the flip side, the government can argue that Labor has supported its whole package (Labor attempted to amend the legislation in the House to separate the bill and were defeated). So watch that space.

There is still no byelections date, but that is expected to come very soon. 30 June or 7 July are shaping up as the dates to watch but at this stage, everyone just wants to know if the campaign is actually on.

Meanwhile, Mark Dreyfus has picked up on Labor's three questions in QT yesterday about Andrew Hastie's actions, telling Radio National that the whole Labor frontbench believed there were questions to answer over whether or not Hastie's revelations have damaged Australia's relationship with its intelligence agencies.

Malcolm Turnbull admitted yesterday he had been in contact with the spooks about the matter.

Dreyfus had to say Labor frontbench, because Michael Danby and Anthony Byrne have both indicated support for Hastie's actions.

And estimates continues! ABC is up again this morning, with Michelle Guthrie due to appear, as well as the Human Rights Commission. Basically it's Eric Abetz's favourite day. And Pauline Hanson has been spotted walking around the halls, after somehow magically choosing the chair right in front of the cameras at the royal banking commission for a spell yesterday. Anyone would think she was attempting to reset her image and achieve some sort of relevance again, ahead of the Longman byelection and a general election.

Mike Bowers is wandering around here somewhere. Stay up to date with him at [*@mikepbowers*](http://www.instagram.com.au/mikepbowers) and of course, you can see him annoying me as part of the instagram story on   [*@pyjamapolitics*](http://www.instagram.com.au/mikepbowers).

Everyone ready? Let's get going.

block-time updated-timeUpdated at 12.23am BST

**Load-Date:** May 24, 2018

**End of Document**



[***Beekeeping as a family artisan entrepreneurship business***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5Y97-2DC1-JBN9-R0RT-00000-00&context=1516831)

International Journal of Entrepreneurship Behaviour

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**Length:** 6504 words

**Byline:** Veland Ramadani, Robert D. Hisrich, Leo-Paul Dana, Ramo Palalic, Laxman Panthi.

**Body**

**ABSTRACT**

Purpose

Throughout Macedonia, beekeeping is becoming popular regardless of ethnicity. Studying ethnicity, the purpose of this paper is to determine what beekeepers in Macedonia thought in their own words about their beekeeping entrepreneurship. The objective is to identify whether motivations of ethnic Albanian beekeepers in Macedonia were the same or different compared to those of ethnic Macedonians in the same country, and if different, how.

Design/methodology/approach

To accomplish this objective, in-depth interviews were conducted with 40 beekeepers in Macedonia. A total of 29 interviews were conducted face-to-face and the other 11 by phone. The first set of interviews took place between December 2016 and February 2017, followed by more interviews in June 2017. In total, 27 respondents said they were ethnic Albanians, and 13 identified themselves as ethnic Macedonians. Also, ten respondents were women. While eight were full-time beekeepers, 32 were part-time beekeepers.

Findings

The results indicated that beekeeping businesses play a significant role in the transition economy of Macedonia. Beekeeping provides additional earnings that support rural families and keeps them financially stable. The majority of both Albanians and Macedonians understood that beekeeping on a part-time job basis provided a needed supplement to their income. Some part-time beekeepers are also working as auto-mechanics, locksmiths, medical doctors, restaurant/cafeteria owners, and tailors. A few in the sample were retired from their jobs or full-time beekeepers. An important difference between ethnic Albanian beekeepers and ethnic Macedonians in Macedonia is that the majority of ethnic Albanian participants see beekeeping as following in “my father’s footsteps”, while most Macedonians were motivated by the perceived opportunity of having a good business.

Research limitations/implications

Limitations of the research are twofold. First, financial data of family beekeeping are not available, which would be useful in determining the contribution made to economic development. It is common, especially in transition economies such as the western Balkans, that financial results are very sensitive to their owners. Second, unavailable databases for beekeepers make any quantitative approach difficult, if not impossible, resulting in most research using the qualitative research approach.

Originality/value

This paper is one of the first to treat beekeeping as a form of artisan entrepreneurship, which also contributes to the understanding of family business. As in other countries, the important and operation of the family business among family members in Macedonia is passed from generation to generation. The results of this research revealed the value of networking, which was found to be very important to income. For beekeepers to develop, grow, and be branded in the community, networking is an important ingredient.

**Introduction**

This paper focusses on ethnic Albanians and Macedonians who are beekeepers in the Republic of Macedonia, a transition economy which was formerly a part of the Yugoslavia federation. While the importance of entrepreneurship impacting the economic development of a region is well understood, the risks → uncertainty and issues in creating and growing new businesses → are so substantial that a significant number of all started businesses are bought, gathered into another company, or fail within the first five years (Hisrich *et al.*, 2017). This is particularly the case in a developing economy like Macedonia.

Any business in transition economies vs established economies requires sensitivity to a variety of conditions that are significantly different. These differences include: company and individual tax policy; governmental rules and regulations particularly those regarding hiring and firing, bankruptcy, business formation and dissolution, and import duties and restrictions, and currency; ease of business formation; facilitation of doing business; availability of government support (grants, evaluation, and training); the banking and distribution system; and the overall attitude of the government towards businesses. Depending on the nature and the extent of outside businesses doing business in a transition country, some issues are more acute for these companies outside the transition country and include: telecommunication problems; lack of skilled managers in some areas; labour force having different values and skills; political problems of doing business in the country (red tape, instability, unemployment, and inflation); currency problems; limited infrastructure and support; and problems due to absence of concrete business laws, their enforcement, and interpretation.

Whereas family firms in Western Europe have thrived for many generations without significant interruption, central ***planning*** during the twentieth century interrupted family businesses and the role of family businesses in transition economies. While important, this area has not received much research attention. Yet, just taking a simple count, the number of businesses that are owned or controlled by families usually exceed those that are not. To contribute to the understanding of family businesses in developing economies, this research focusses on the role of family businesses in one such transition economy → Macedonia → by looking at a small but important industry → beekeeping. This type of business provides “for employment, income, and economic security for the families and others in rural areas. It requires little start-up investment, does not require complex technologies and techniques, and the bees usually look after themselves with little need for tendering” (Hilmi *et al.*, 2011, p. 5). These authors noted that beekeeping as a business, built on pre-existing skills, will contribute to enhancing the knowledge and capacity of beekeepers, who are also often the owners of small family farms. Beekeeping as an artisan entrepreneurial business will improve the beekeeping’s local traditions, contribute to the development of the local community, and enhance the beekeeping techniques and equipment in order to make it easier and more successful.

The structure of the paper is as follows → after the introduction, the literature review is presented in which artisan entrepreneurship such as beekeeping and the Macedonian context are broadly discussed. The methodology section is followed by findings, discussion, and conclusions. The paper ends with limitations and further research suggestions.

**Literature review**

**Artisan entrepreneurship**

In the literature, different definitions of artisans and artisan entrepreneurship are found. According to Oxford Dictionary, originally, the word “artisan” dates from the sixteenth century from the Italian word *artigiano* or the Latin word *artitus*, which in English means art. Tweneboah-Koduah and Adusei (2016) define artisans as individuals who possess special skills for manual production of products and are usually gifted in making products from simple materials. Most individuals go through apprenticeship before opening their own business and few go through vocational training or formal education. Kalinina (2016) defines artisan as “small business or individual engaged in ***producing***, transforming, or repairing goods without the use of machinery and not having more than five employees” (p. 1). Artisan entrepreneurs have skills, talents, traditions, and passions, and believe in themselves to realise their particular goal (Glenn, 2016), and, respectively, to ***produce*** products/services in limited quantities (Baldacchino and Cutajar, 2011). According to Ratten *et al.* (2017), artisan entrepreneurs “utilize their passion and creativity to sell products including organic locally grown food, craft beers, and handmade clothes” (p. 1).

**Family business**

One area of entrepreneurship that represents the majority of companies and is an important source of job generation is the family entrepreneurship or, what is more commonly referred to as family business (Hacker and Dowling, 2012; Hoy and Sharma, 2010; Ramadani and Hoy, 2015). Since a family business can range from one-person ice-cream shop in Budapest, Hungary, to a multinational company such as Ford Motor Co. in the USA, its definition is a complex issue. It is generally felt that the key aspect of a family business is the interaction of the family, the family system, and the business system (Chua *et al.*, 1999).

Generally, it is agreed that a family business is any business where at least 15-25 per cent of the ownership and control lies in the family, and at least one family member is directly involved. Since there are two systems involved (business and family), they overlap and are dynamic in nature. Yet, both are unique in their challenges, history, strengths, weaknesses, opportunities, and threats. Since each of the two systems (family and business) has its own rules, roles, and requirements, family members involved directly need to carefully navigate both. Conflicts can be especially difficult when the problems in one system (family) are transferred to the other system (business) (Bowman-Upton, 2009; Ramadani *et al.*, 2017). Poza and Daugherty (2013) and Schulze *et al.* (2001) noted that every business in order to be considered as a family business needs to meet these features: 15 per cent or higher ownership/control by two or more family members; family members should have ***strategic*** influence on the management of the firm → either by involvement in day-to-day operations, or by being an active shareholder; and continuity across generations. These family business issues are addressed by Bizri (2016), Chua *et al.* (1999), Mandl (2008), and Poza and Daugherty (2013).

**Beekeeping as artisan family entrepreneurship**

The literature about beekeeping entrepreneurship is growing. Roessingh (2007) wrote about Springfield Mennonites selling honey in Belize. Dana and Paulin (2008) wrote of honey production in New Zealand. Mair *et al.* (2012) focussed on the provision of microfinance and training to small-scale beekeepers in Kenya. Giovannini (2015) looked at honey production in Mexico. Kelman and Shreve (2015) mentioned honey from Scotland. Ellis and Rømer (2016) investigated beekeeping in Denmark.

Although beekeeping has long been an activity in the Balkans, the literature is sparse. Dana (1996) observed beekeepers in Albania. Dana (1999) discussed self-employed families who set beehives in less-fertile areas to ***produced*** thyme honey in Greece. Kraemer (2016) noted beekeeping in Moldova. However, there have not been many studies about beekeeping as artisan entrepreneurship in the Balkans. The work of Bilali *et al.* (2014) discussed possibilities, constraints, and opportunities in the ***agriculture*** sector in Macedonia, but beekeeping was not the main topic.

Economic and political transition brings unknown, uncertain, positive, and/or negative outcomes. The Western Balkan countries have seen this slow process, and many ex-Yugoslavia Republics (Macedonia, Kosovo, Serbia, Bosnia and Herzegovina, and Montenegro) suffer from a slow socio-economic development. Being used to rely on the command economy, the whole nation of ex-Yugoslavia was guided by this strategy, so people were not aware of self-employment or any kind of artisan entrepreneurial activities. Relying on the state, the people of ex-Yugoslavia were secure in terms of employment and income. The “self-reliance”, as discussed by Taylor and Mackanzie (1992), was not known during the time of ex-Yugoslavia. In rural areas, it was rare for individuals to have additional work (like beekeeping) to earn extra income to supplement their income. In fact, beekeeping was more of a hobby or a source of medicine than income from entrepreneurial activity. Due to political and economic instability, people in Macedonia implemented a new model (self-relied), as was discussed by Taylor and Mackanzie (1992). In order to further develop themselves and their businesses, these artesian entrepreneurs rely on their personal skill and knowledge to survive and grow to obtain extra income (Etienne *et al.*, 2000).

Beekeeping knowledge and skills are required for both new and senior beekeepers. The new beekeeper needs the basic knowledge and skills to start a new business. The senior beekeeper needs to increase his/her current knowledge and skills to improve the existing business and develop new products. They need to exchange knowledge and skills with establishing networks in order to learn from each other, as well as make strong connections with each other to keep an indigenous beekeeping business growing. The importance of this networking is discussed by Renzulli *et al.* (2000), Wasserman and Faust (1994), and Zhao and Aram (1995). Such “symbiotic” (Etemad *et al.*, 2001) ties should be established regardless of ethnicity and cultural values, overcoming the barriers to develop an artisan beekeeping industry in Macedonia.

While Etienne *et al.* (2000) look at beekeeping as an “additional source of food” rather than “solely a source of income”, in some countries like Cameroon, beekeeping contributes as much as 52 per cent of household incomes (Ingram and Njikeu, 2011). In Tanzania, beekeeping accounts for over 60 per cent (Quong, 1993). The EU is the second largest ***producer*** of honey in the world. Romania, Spain, Hungary, Germany, Italy, Greece, France, and Poland are the largest ***producers*** of honey in the EU (EU Commission, 2015). This production is only 60 per cent of the honey consumption of the EU, creating an opportunity for beekeeping as a family business in the EU. Since Macedonia is located in the Southeast Europe, the climate favours development and growth of the beekeeping industry in the country.

The purpose of this research is to determine the importance of artisan beekeeping entrepreneurship and its impact on the socio-economic development of Macedonia. Beekeeping as a family business is one of the important sources of the social capital (Bubolz, 2001), and adds value to the social capital in general (Bebbington, 1997). Social capital is one of the “explanatory factors” of economic development (Jones *et al.*, 2009; Light and Dana, 2013; Shi and Dana, 2014). Additionally, social capital is related to natural resource management (Adger, 2003; Pretty, 2003), which is important for economic development of a nation. According to Hogan (2001, p. 1), social capital is related to “the trust, safety, reciprocity, and exchanges that integrate family members within a community”.

**Context and beekeeping in Macedonia**

A part of the former Yugoslavia, the Republic of Macedonia is a small country located on the Central Balkan Peninsula, in Southeastern Europe. Macedonia declared its independence on 8 September 1991. The country became a member of United Nations under the Provisional Reference of the Former Yugoslav Republic of Macedonia, due in part to a name dispute with Greece (United Nations, 1993). Macedonia covers 25,713 km2 (9,928 square miles), bordering Albania (west), Bulgaria (east), Greece (south), and Kosovo and Serbia (north). Skopje, the capital and the home of Mother Teresa, is the largest city of the country inhabited by 30 per cent of the population. Based on the 2012 Republic of Macedonia State Statistical Office, Macedonia has 2,022,547 inhabitants, a 3.9 per cent increase since 1994, and a 43 per cent since 1948. The population of the Republic of Macedonia consists of 1,297,981 Macedonians (64.2 per cent), 509,083 Albanians (25.2 per cent), 77,959 Turks (3.9 per cent), 53,879 Romani (2.7 per cent), 35,939 Serbs (1.8 per cent), 19,571 Bosnians/Muslims (0.9 per cent), and 30,688 under the heading of “others” (1.4 per cent).

Tetovo is the second largest city in the North-west region of the Republic of Macedonia, and, after Skopje, was a centre of artisan beekeepers who operate in the city. Tetovo is located on the foothills of Mali Sharr, a mountain range that goes from the Southeast Kosovo to Northeastern Macedonia. Tetovo covers an area of 1,080 km2 (417 square miles) at 468 metres (1,535 ft) above sea level, which ***produces*** a mixed Continental and Mediterranean climate (Baba *et al.*, 2011). Tetovo has 52,915 inhabitants, and Albanians represent a relative majority (54.6 per cent), followed by Macedonians, Romani and Turks. Tetovo is regarded as the unofficial capital and the centre of Albanian Nationalism (Cohen, 2003). Tetovo is characterised by a large ethnic diversity, as is all of Macedonia. Aspects of the culture, demographics, economy, and history of Macedonia and Tetovo are discussed by Bexheti (2008), Cook (2001), and Ramet (1997)[[1]](#footnote-2)1.

The Republic of Macedonia is considered as a relatively small ***producer*** of honey. The country has around 75,000 beehives that are growing with a total average annual production of 800-1,200 tons of honey. Mircea Nastoski, the President of “The Beekeeping Association of Macedonia”, stated:Natural environments and the possibility of beekeeping, especially joyous relief structure can condition this number to increase even five times. This is of interest to total ***agriculture***. It is known that bees perform the best pollination and thanks to them, in the places where have beehives are getting increased production and higher quality ***agricultural*** crops. Beekeeping enhances also the family budget, because, statistically speaking, from one beehive could be received an annual average of 12 to 15 kilograms of honey. In terms of a more favourable environment, these contributions may be larger[[2]](#footnote-3)2.

The development of beekeeping as an artisan entrepreneurship is supported through a ***programme*** of direct payments (subsidies) by the Ministry of ***Agriculture***, Forestry and Water Management according to the following conditions: condition: minimum 35 beehives; subsidy: 500 denars[[3]](#footnote-4)3 per beehive; condition: minimum 15 beehives; subsidy: 350 denars purchased matrix, up to ten matrixes; and condition: minimum 35 beehives, minimum 0.2 ha area; subsidy: 2,500 denars per ha or 8 denars per seedling honey plants.

Macedonian beekeepers mostly ***produce*** meadow and acacia honey, but the production of chestnut honey is on the rise. The retail price of a kilogram of honey ranges from 180 denars in east Macedonia to 500 denars in west Macedonia. The advantage of beekeeping, compared to other ***agricultural*** sectors, is the opportunity of ***producing*** a large number of bee products with excellent nutritional, pharmacological, and cosmetic values, such as: honey (foodstuff), pollen (foodstuff), beeswax (pharmaco-cosmetic-industrial product), beebread (food-pharmacological product), propolis (pharmacological, cosmetic, and industrial products), and bee venom (pharmaco-cosmetics)[[4]](#footnote-5)4.

Macedonia is a bi-cultural country with two important ethnic groups. It is evident that beekeeping is becoming popular across Macedonia, and the lacuna in the literature is how beekeeping is different between these ethnicities of the Republic. What do beekeepers in Macedonia have to say in their own words, about their beekeeping entrepreneurship? Are the motivations of ethnic Albanian beekeepers in Macedonia the same or different as those of ethnic Macedonians in the same country? If so, how?

**Methodology**

The research ***plan*** employed followed the mentor model, with authoritative local individuals assisting in the research process. The authors were first introduced to Tetovo’s beekeepers by Jonuz M., a retired Teacher and the President of the Beekeepers’ Association of Tetovo. Participants were selected using snowball sampling (Goodman, 1961; Müller-Wille and Hukkinen, 1999). As discussed by Goodman (1961), interviewing concludes when the last respondent can suggest only individuals already named by others. “Asking questions and getting answers is a much harder task than it may seem at first” (Fontana and Frey, 2003, p. 61). It was also important to know what questions that should not be asked (Dana and Riseth, 2011). It was suggested by Mr Jonuz to avoid questions about the amount of revenues, profits, and kilograms of honey ***produced***, sensitive issues in Tetovo, and the entire Macedonian culture. The majority of participants in this study requested anonymity, and a few allowed their responses to be presented by first name only.

The overall objective of the research was to learn about beekeeping in Tetovo and to contribute to the literature on beekeeping as an artisan entrepreneurship activity. Following Dana and Dana (2005) and Eisenhardt (1989), the authors were able to collect data and take pictures. The first interviews took place on December 2016 and continued through June 2017. A total of 29 interviews were conducted face-to-face and the others were done by phone. A total of 40 beekeepers were interviewed; 27 were ethnic Albanians and 13 Macedonians. In total, 32 were part-time beekeepers and eight operated as full-time beekeepers. The oldest age was 72 and the youngest 19. The shortest interview conducted by phone was for 18 minutes in Macedonian language and the longest by phone was about two hours in Albanian language.

The interviews contained these questions: why are you beekeeper instead of another occupation? Who encouraged you to be a beekeeper? What do family members or friends think about your business? Is beekeeping a profitable business? Is beekeeping considered as a main business or just as a supplement to other incomes? How old were you when you started to be a beekeeper? Are your children interested to continue with beekeeping? How does social capital help beekeeping? What is your ethnic background and native language?

**Findings and discussion**

In 2013, the majority of the Macedonia beekeeping, 61 per cent, started their business out of necessity, and 23 per cent did so because of perceived opportunities (GEM Macedonia, 2014). In total, 5 of interviewed beekeepers were motivated to become full-time beekeepers because they had no other alternatives; 16 were continuing the family tradition; and 9 became beekeepers because of the perceived opportunity for a successful, profitable business. Those who emphasised beekeeping to be a good opportunity for profitable business were Macedonians, while those beekeepers continuing the family tradition or viewed as a “necessity” were mostly ethnic Albanians. Macedonians dominate in all economic and social aspects, and can be employed in state and public institutions. Albanians had two alternatives: leave the country or start their own businesses. Some ethnic Albanians left Macedonia and others decided to do beekeeping as an entrepreneurial business. These differences in conditions are discussed broadly by Bexheti (2006) and Zeqiri (2005).

Jonuz, a 72-year-old Albanian who introduced the authors to the other beekeepers, has been a teacher for 41 years and a beekeeper for 40 years. When asked what inspired him to work both jobs, he stated:My teacher’s salary wasn’t enough to fulfil the family requirements and I needed an additional income source. Since my father was a beekeeper and I as a child, 6 or 7 years old, helped him in beekeeping, I thought I could continue this activity and realise some additional incomes.

He also indicated that he received around €8,000 as subsidy from the government in order to expand his beekeeping business; although he has a big family, none has showed any interest in this business. Only his nephew Mensur helps sell honey to his colleagues at the university where he works.

Sulejman, a 68-year-old ethnic Albanian who has over 30 years working as a welder in Germany, stated that his father in the early 1950s ***produced*** honey. Profit was not his father’s goal, rather, the production of honey “medicine” for his family, neighbours, and friends. When Sulejman was young and worked with his father, he believed the production of honey would be a good source of income. However, these revenues were not sufficient to ensure the existence of his family:At the age of 31, I was forced to migrate to Germany to ensure better living conditions. However, after retirement and returning to my hometown, I had not forgotten the bees. I started my “old craft” again with beekeeping, some for myself, and some to sell. Selling usually goes through my friends. They are also my regular customers and a valuable “promotional tool” to others who need honey. I sell a little bit to “pump” my pension, which I receive from Germany.

Biljana, a widowed 39-year-old Macedonian, indicated that she was forced to be an artisan beekeeping entrepreneur. Three years previously, when her husband died, the inherited pension was not enough to meet the family”s basic needs or educate her daughter:I learned beekeeping from an Albanian neighbour. It is too difficult to do this as a female, but with an extraordinary devotion somehow, I succeed to ensure an additional “salary” to survive. My daughter, Nikolina, helps me to sell the honey.

Garip worked for 23 years for “Teteks”, a well-known company in the former Yugoslavia serving the textile sector. Over time, profit margins decreased and many workers including Garip were fired. Having five children, and no other qualifications than “cutting and sewing shirts and pants”, he joined one of his colleagues, Boban, a Macedonian, in the Boban’s family business → beekeeping and honey production. He stated:After five years, I began to keep my bees and ***produce*** honey by myself. There are 5-6 conventional small shops in my village, which sell the most of my honey. A jar of honey costs 200-250 denars, where the shop receives 50 denars of provision for the service. I am full-time beekeeper and beekeeping is my only source of income.

When asked about to the price of honey, Kadri, another beekeeper, indicated:During the summer, the price rises and goes up to 400 denars for a jar. Why? As all businessmen in the country, beekeepers misuse the arrival of the emigrants in the country who have more money and can pay better. So, during their 40-50 days of stay at homeland, we try to gain a little more. Tetovo is known for the large number of emigrants.

Zoran, a 52-year-old Macedonian, and his wife Sladjana, who is Serbian, have been involved in beekeeping for 20 years. They registered their company and considered it a family business. Because of their wide network of friends and acquaintances, the production and sale of the honey has been fine. Their network regularly consumes honey; by understanding the “snowballing” effect, sales are at the desired level. In addition to sales in Tetovo, they also sell honey in Skopje and Gostivar, two neighbouring cities. They have two children, one son and one daughter. Despite their desire for at least one of the two to take over the artisan entrepreneurial business, the children do not show even the slightest interest in doing so. Sladjana laughingly said that her son Gordan said:At the time of the iPhones and iPads, I should be a beekeeper?! No way. I and Zoran are not really happy that none of our children are willing to continue with our business and benefit from all the investments made by us over the years. Most probably, we will be forced to sell the business to a friend of ours, also a beekeeper.

Zulkufli, a 45-year-old beekeeper who followed the footsteps of his father, thinks the revenue from year to year has been reduced due to a decline in the amount of quality of the honey as a result of climate change. He does not consider beekeeping as a professional entrepreneurial activity, but rather a hobby. He is presently a part-time beekeeper; honey is an integral part of cookies that is for sale at a local grocer. His son, Kadri, a student at the Faculty of Business and Economics, helps his father to manage the business. He, like his father, does not consider beekeeping a profitable business.

Hajrie, a 26-year-old Albanian, is a teacher. She considers beekeeping as “pleasure and rest” after finishing her work at school. Hajrie learned beekeeping from her grandfather, now deceased. Hajrie explained:As a little girl, I was scared of bees, but now they are my best friends. I spend with them a good part of the day. It’s a real passion. From beekeeping, the income is very low, but provides some extra money, at least to go in our neighbour countries for shopping or for short holiday during the weekends.

She is not married, lives with their parents, and does not know whether she will continue with beekeeping after being married. “It depends on the circumstances of the new family” she explains, alluding to the economic conditions of the husband’s family and the need for any additional income.

Goran, a 53-year-old Macedonian, is also not satisfied with the income from beekeeping. He is a tailor and views beekeeping as a supplement to his income earned from tailoring. He complained about the decreasing income and stating:This year, the weather was not adequate for beekeeping. For a good production, the average temperature should be around 28oC. This year was colder than last year.

Gordana, a 36-year-old Macedonian, is jobless. She married Borjan when she was only 17, which resulted in a divorce. She states, “from this marriage she had learned a trade → beekeeping”. Borjan and his parents had a long family tradition in beekeeping. Now, with her parents, she continues beekeeping as her source of income. Her parents work in state administration and their wages are not high enough for a comfortable life. Now, with Gordana at home, the family needs additional sources of income without beekeeping. Gordana indicates that even if she finds a job, she does not intend to quit beekeeping.

The results of the interviews indicate that all respondents realise beekeeping in the traditional way with no investments in technology is not profitable. As Jonuz stated:If we invest a little bit in technology, we could convert beekeeping to a very profitable business. How? Now we are oriented only in a honey production. For example, if we would ***produce*** pollen, beeswax, beebread, propolis and bee venom we can increase the incomes and profits.

In addition, Jonaz mentioned the prices of honey products in the Macedonian market: beeswax → €5-7 per kg; pollen → €25-30 per kg; propolis → €50-60 per kg; beebread → €5-6 per gram. While he did not know the exact price of bee venom, he indicated that 1 g bee venom ***produces*** around 100 injections, which was a medicine for those who suffer from multiple sclerosis, rheumatoid arthritis, and nerve pain.

Some individuals interviewed saw social organisations, such as the Association for Promotion of Apiculture in Macedonia and the Beekeeping Association “Matica”, as very useful in terms of marketing and creating networks between beekeepers. The Beekeeping Association “Matica” organises the traditional September event → “Day of Macedonian Honey” where most beekeepers from Macedonia gather. While traditionally, this event occurred in a street of Macedonia, in front of the memorial house of Mother Teresa in Skopje, which is now under the sponsorship of the Ministry of ***Agriculture***, Forestry, and Water Management. The Macedonian beekeepers were satisfied with the Economic Chamber of North-West Macedonia (ECNWM), which is considered as a facilitator of cooperation between beekeepers in Tetovo. A beekeeper from Tetovo stated that:Thanks to events organised by ECNWM, I achieved to sign a good contract with the (greatest supermarket chain)[[5]](#footnote-6)5 in the country. Now, more than 40% of my whole production, I am selling to them.

Another beekeeper stated:During the event organised by ECNWM and Regional Development Agency from Kosovo, I met a beekeeper from Kosovo, with whom we agreed to see the opportunity to import a modern technology from Germany in order to increase the production quality of our honey and to try entering at the Western market.

ENCWM sponsored an event on 8 October 2014 in Tetovo. The beekeepers were not satisfied with the Beekeeping Association of Macedonian Republic, stating that the association did not represent them in an appropriate manner and they did not see benefit from its existence. Regarding the issues of cooperation and networking → our interviewees’ only desire was for cooperation between beekeepers in the Albanian ethnic group. Apparently, after 14 years of the armed conflict between these, the Albanians and the Macedonians, wounds have not yet healed. When a Macedonian respondent was asked about the possibility to cooperate with beekeepers from Tetovo, he said, “they are different, we cannot deal with them […]”. Similar statements were made by Albanian beekeepers.

Based on the results of the interviews, the Albanian beekeepers ***produce*** less honey, yet albanians consume more honey than Macedonians. As an Albanian beekeeper stated, “Macedonians, the lack of sugar in the blood, compensate with wine”; wine consuming is forbidden for ethnic Albanians, since the majority of them are Muslims. Based on Jonuz, consuming honey is closely related to the religion of the majority of Albanians being Muslim. The famous Bulgarian Doctor Stojmir Mladenov, in his book *Honey and Healing with Honey*, concluded that Muslims are good beekeepers and use honey often (Iljazi, 2010). The Qur’an talks about healing with honey with a whole chapter being dedicated to bees (chapter *En-Nahl* → The bee). The Prophet Muhammad SAW also advised his followers to consume honey because they can be healed by it (El-Ubejdi, 2011). One of the interviewed Albanian beekeepers commented “this has created broader financial opportunities and developed the culture of consuming honey among people”.

While, for most Albanians, beekeeping is seen as following the “father’s footsteps”, most of Macedonians were motivated by the perceived opportunity for a good business. The majority of both Albanians and Macedonians felt that beekeeping was a part-time job supplementing their salary/income. The primary jobs of the interviewed part-time beekeepers included: teachers, tailors, restaurant/cafeteria owners, locksmiths, doctors, and auto-mechanics. The other interviewees were retired persons and full-time beekeepers.

A successor, learning beekeeping from an older generation, obtained the necessary skills and knowledge to maintain an artisan beekeeping family business. In addition, respondents felt that it was necessary to have strong social networks (mainly beekeepers) for learning. Social networks are perceived as a necessity for a successful beekeeping artisan entrepreneurial business.

While ***producing*** honey, beekeepers need to establish business networks to help sell honey to customers. Selling honey to new customers provides a small percentage of sales. The outcome of the entire process is reflected in the development of social capital as beekeepers run businesses (Lee and Tuselmann, 2013) and supports socio-economic development in the country. As one of the family business artisan entrepreneurs stated: “beekeeping adds the value of job creation that contributes to the development of the country” (Hacker and Dowling, 2012; Hoy and Sharma, 2010), which deserves support from the state.

Figure 1 depicts the artisan entrepreneurship within the framework of beekeeping. The artisan entrepreneurship comes first from tradition. The root of the family business is inherited from one generation to another through decades. One of the key factors for a successful artisan entrepreneur, besides tradition, is to be passionate about the business (Barringer and Ireland, 2010; Bizri, 2016). Younger generations are learning from older generations the beekeeping traditions and the benefits of the honey business. This younger generation will eventually inherit the beekeeping family-tradition business. Selection of a beekeeping business head in the next generation is usually very simple. The main criterion for succession is passion.

**Conclusion**

This research focussed on the beekeepers in Macedonia. The results have indicated that beekeeping entrepreneurship is very important to customers and plays a significant role in the transition economies. Beekeeping can provide additional income that keeps rural families financially stable. Or as in the case of Macedonia, beekeeping has become popular among citizens regardless of their ethnicity. Economic need forces Macedonian people to rely on self-employment to have enough family income. This self-employment engages other family members who are capable growing the entrepreneurial business. In order to improve and advance their business in the community, skills and knowledge are exchanged. Through this, the beekeepers are able to earn extra income for their families.

This research makes important contributions to the literature in terms of the family artisan entrepreneurial business. Heredity of family business among family members in Macedonia is passed from parents to their children, as discussed earlier by Hoffmann *et al.* (2015). Albanians in Macedonia take this tradition seriously, and the family business lasts for decades.

Although some feel that the family business is not significant in terms of economic growth of the nation (Fitzgerald and Muske, 2016), this research demonstrates the opposite. In the long term, the family artisan entrepreneurship contributes to the economic development of the country at least in terms of Macedonia. It appears that the beekeeping sector will develop and grow with many families running beekeeping business, making beekeeping as a family business a source of new jobs.

This research adds value to the importance of networking. For beekeeping to develop, grow, and be branded in the community, networking is necessary to keep beekeepers connected and tied to the local and broader communities.

There are some limitations of the research. First, financial data of family beekeeping are not available, which are needed to show the contribution honey makes to economic development. It is very common, especially in transitional economies in the Western Balkan that financial results are very sensitive. Usually, they do not disclose amount of any earned income or a profit (Palalic, 2017). Second, the unavailable database of beekeepers makes quantitative research very difficult. Research in this area needs to be qualitative research, even though the combination of quantitative and qualitative research would be most useful.

Future research in the beekeeping artisan entrepreneurial business should focus on: creating a database of beekeepers; obtaining financial data on each beekeeping business to research the development and growth of the business; determining the motivational factors of present and aspiring beekeepers; and exploring any gender issues in the beekeeping business and the barriers to success based on cultural and regional constraints.

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HINA Digest

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**Body**

Zagreb, 21 June 2017 (Hina) - PM: Croatia committed to ***strategic*** goals within EU and NATOZAGREB, June 21 (Hina) - Croatia is committed to its ***strategic*** goals within its membership of the European Union and NATO and also to other goals including the development of good relations with its neighbours, Prime Minister Andrej Plenkovic said at a reception he held on Tuesday evening for foreign ambassadors and diplomats on the occasion of Croatia's Statehood Day, observed on 25 June.On 25 June 1991, the Croatian parliament adopted a decision to launch the process of dissolution from other republics of the then Socialist Federal Republic of Yugoslavia (SFRY), following a referendum on independence held on May 19, 1991 when the lion's share of Croatians (92.18%) voted that Croatia should not remain in Yugoslavia."We are committed to our ***strategic*** foreign policy goals as a member of the European Union and of NATO, as a country that wants to build good neighbourly relations, settle outstanding issued and contribute to global peace and security," the Prime Minister said in his speech and thanked foreign ambassadors for their efforts to build increasingly good relations between Croatia and their respective countries.I would like also that we, in dialogue with you, continue contributing to the development of European project, Plenkovic said and noted that the Brexit would require new energy for the strengthening of joint policies.The government in cooperation with the head of state, the Croatian parliament and political party will work on positioning Croatia on a global map as a country dedicated to its values, the premier added.Plenkovic expressed satisfaction with the preservation of political stability thorough a recent government reshuffle.This is a good sign for our society.

We will continue working on achieving positive economic trends, Plenkovic said.Presidents: Croatia, Slovakia friendly countries without outstanding issuesZAGREB, June 20 (Hina) - Croatia and Slovakia are friendly countries cooperating well and without outstanding issues, Croatian President Kolinda Grabar-Kitarovic and her Slovak counterpart Andrej Kiska said in Zagreb on Tuesday.Speaking to reporters after meeting with Kiska, who was on a two-day visit to Croatia, Grabar-Kitarovic said she received all four presidents of Visegrad Group countries this spring, Milos Zeman of the Czech Republic, Janos Ader of Hungary, Andrzej Duda of Poland and now Kiska. She said Croatia considered those countries friends and that it wished to cooperate with them as closely as possible.She said Croatia had many interests in common with those countries, from transport and energy to European Union enlargement, migrations and security, economic and social issues. She announced that Croatia could host a Visegrad Group meeting in the autumn or next spring."Croatia and Slovakia are two friendly countries. We have no outstanding issues but cooperation which I believe could be stronger and better," Grabar-Kitarovic said, adding that the two countries shared the same views on the EU's future, advocating a Europe of equal states and not a multi-speed Europe."We must bring that much closer to our own citizens as well as other EU citizens at a time when there is euroscepticism around Europe, notably after Brexit. We should strengthen European institutions. We don't need more but we do need better and stronger institutions which will be closer to citizens and understand problems and deal with what is essential to the European population, first of all young people, employment, economic growth, investments and security, of course," Grabar-Kitarovic said."Our cooperation in defence and security might be modest in terms of volume but it is very important when it comes to substance, and I hope we will continue to cooperate in military and defence matters, notably in dealing with the threats with which all of Europe is faced, in the east and in the south, as well as those potentially facing our two countries, and that, within the EU and NATO, we will continue to advocate common positions and solidarity with the aim of solvingall the problems burdening the EU and NATO," Grabar-Kitarovic said.She added that Croatia and Slovakia wished to raise their defence budgets to 2% of GDP and invest 20% of that in technology.She thanked Slovakia for supporting Croatia's bid to enter the Schengen Area, saying it was very important for tourism, security, free movement and the equality of Croatian citizens in the EU.Grabar-Kitarovic said the Slovak minority was well-protected in Croatia and that it had an MP. She voiced hope that the Slovak government would support the Croatian minority in Slovakia in the learning of Croatian and the nurturing of their heritage.President Kiska said Croatia had a significant role in the region, that it was an inspiration for the whole region and an example for its neighbours. He said Slovakia had always helped the countries in the region get a chance to join the European family.The two presidents said it was necessary to boosteconomic cooperation given Croatia's big deficit in the trade with Slovakia. "We will try to boost the role of Croatian companies in Slovakia when it comes to exports and, I hope, investments," said Grabar-Kitarovic.Kiska said Slovakia could learn a lot from Croatia in tourism given that tourism accounted for 18-19% of Croatia's GDP and only 2.5% of Slovakia's. He said that as a developed industrial country, Slovakia could help Croatia in that field, noting that Slovakia has the highest number of cars ***produced*** per capita in the world.Kiska said nearly 400,000 Slovak tourists spent the summer in Croatia annually and that they were very well-received.Asked by Slovak reporters if Croatia was a safe destination in the wake of the terrorist attacks in Europe, Grabar-Kitarovic said Croatia was safe and that Croatian services worked together with the services in the neighbourhood, in Southeast Europe, within the EU and NATO, in the transatlantic community and Islamic states.Since Slovakia objects to the European quota system for migrants stationed in Italy and Greece, Kiska said, responding to a question from the press, that the quota issue was very complex but that successful states had the moral obligation to help people forced to flee their homes because of war and violence.The EU is based on common values, it's not a business but a political project, a project where there is solidarity and help, and that's how I look atour task in the EU, he said.Asked about an upcoming arbitration decision on Croatia's border dispute with Slovenia, Grabar-Kitarovic said the decision would mean nothing as Croatia had walked out of the proceedings. "The arbitrationno longer exists for us. We have parliament'sunanimous decisionthatCroatia is walking out of the arbitration, given that it was irreversibly compromised."Croatian-Slovak innovation forum highlights many cooperation possibilitiesZAGREB, June 20(Hina) - Croatia and Slovakia have good economic relations but there is room for progress in many sectors such as energy, infrastructure, the electrical industry, transport and tourism, the Croatian-Slovak Innovation Forum heard at the Croatian Chamber of Commerce (HGK) on Tuesday.The auto industry, road-building, the chemical industry and environmental protection are also promising cooperation areas, it was said.The forum, bringing together representatives of 18 Slovak and 36 Croatian companies, was held as part of Slovak President Andrej Kiska's official visit at the invitation of Croatian President Kolinda Grabar-Kitarovic.Opening the forum, Grabar-Kitarovic said that Croatia had a high deficit in the trade with Slovakia and that Slovak companies' investments in the Croatian economy were five times higher than Croatian companies' investments in the Slovak economy.In order to achieve a balance, Croatia must intensify efforts regarding investments and the development of trade relations, which it can do only by reforming its economy into one offering more complex and more advanced products and services as well as a stimulating investment climate, Grabar-Kitarovic said.She underlined the importance of innovations and modern technologies. "Innovations are crucially important in the creation of an efficient and competitive market economy. Investmentsin research and development, in science and innovations, are the fundamental prerequisites for faster economic development and international competitiveness."The Slovak president too underlined the importance of ideas, innovations and new technologies. He said business people from both countries should use the chance provided by the common European Union market of 500 million people.Those who wish to be successful must be capable of utilising the possibilities of that large market, he added.HGK president Luka Burilovic said the forum was aimed at boosting economic relations and that it created room for new business opportunities.According to Croatia's statistical office, Croatian-Slovak trade in 2016 totalled EUR 499.1 million, down 4.7% on the year. Croatian exports totalled EUR 176.1 million (-0.07%), while imports went up 7.16% to EUR 323.1 million, resulting in a Croatian deficit of EUR 147 million.Nearly 381,000 Slovak tourists visited Croatia in 2016, accounting for 2.6 million nights, down on the year by about 2% in both arrivals and nights.According to the Croatian National Bank, Slovak direct investments in Croatia from 1993 through 2016 totalled EUR 114.2 million, ranking Slovakia 23rd among foreign investors in Croatia. Croatian investments in Slovakia in said period were EUR 23.4 million, ranking Slovakia 21st among the countries in which Croatia invested.PM, parliament speaker meet with visiting Slovak presidentCroatia's Prime Minister Andrej Plenkovic and Parliament Speaker Gordan Jandrokovic on Tuesday met separately with the visiting Slovak President and the interlocutors describedrelations between the two countries as friendly and called for stepping up economic cooperation.A statement from PM Plenkovic's office said that he and his Slovak guest discussed possibilities of stepping up cooperation in the energy industry, transport and the auto industry.Attending Plenkovic's meeting with the Slovak president was Foreign Minister Marija Pejcinovic Buric.Plenkovic and Kiska agreed that their countries should also strengthen their cooperation within the EU, notably with regard to topics of common interest such as the enlargement of the EU to southeast Europe.A statement from Parliament Speaker Jandrokovic's office said that he and Kiska agreed that their countries had excellent relations and were tied by their alliance in NATO, cooperation in the EU and the fact that Croatia was a favourite destination for Slovak tourists.They discussed further possibilities of cooperation within the Visegrad Group and the Three Seas Initiative, primarily in the energy and transport sectors, as well as the possibility for Croatia to useSlovakia's experience in preparations for joining the Schengen area of passport-free movement and its experience in chairing the Council of the European Union.Kiska and Jandrokovic agreed about the importance of "making the two countries' economic cooperation stronger, as there is room for progress in many sectors, and strengthening the central European dimension of their cooperation along the north-south vertical," the statement from Jandrokovic's office said.Croatia, Hungary ink memoof understanding on two-way gas pipelineZAGREB, June 20(Hina) - Croatian and Hungarian government officials signed in Budapest on Tuesday a memorandum on gas supply based on reverse gas flows along the existing gas pipelines.The two governments signed an agreement on cooperation to improve energy supply security in 2011 and the memorandum signed today defines ways of achieving full two-way gas flowcapacity between the two countries.The memorandum wassigned as part of the Central and South Eastern Europe Gas Connectivity (CESEC) by the State Secretary for Energy at the Hungarian Ministry of National Development, Andras Aradszki, and the State Secretary at the Croatian Ministry of Environmental Protection and Energy, Mario Siljeg. Attending the signing ceremony were also Hungarian Foreign Affairs and Trade Minister Peter Szijjarto, Croatian Deputy Prime Minister and Economy Minister Martina Dalic, and the European Commissioner forEnergy Union, Maros Sefcovic.Sefcovic said the memorandum was an example of good regional partnership that would increase energy security, and thatthe CESEC initiative was bringing very concrete results, notably in the gas business.Soon we will celebrate the launch of operation of a floating LNG terminal on the island of Krk, which is a very important southern source for Europe, said Sefcovic.Szijjarto said the memorandum was very important for Croatia, Hungary and Central Europe.Energy security in Central Europe is a very critical issue due to economic reasons and reasons of nationalsecurity, he said.Szijjarto believes the document signed today will contribute to the establishment of a north-south energy route connecting the Baltic and Adriatic seas.The southern leg of that route is now lagging behind, he said, adding that the LNG terminal on Krk was of crucial importance for its development. Hungary fully supports that project, Szijjarto said, adding that Hungary's two-way gas connection to the south was of ***strategic*** importance for the country.Dalic said that the memorandum would contribute to the security of the energy market and strengthenthe friendly relations between Croatia and Hungary.She said that the LNG terminal on Krk was the most important energy project in Croatia and that it was important for supplying gas to Central Europe.Preparations for the construction of the terminal are proceeding as ***planned*** and it should start delivering gas in the first quarter of 2019, said Dalic.Answering a reporter's question, Szijjarto and Dalic said that they did not discuss today relations between INA shareholders, with Dalic noting that the Croatian government understood that MOL was willing to sell its stake in INA and that a political decision had been made to buy out that stake.That process is complex and it is proceeding, said Dalic.Szijjarto said that it was important for the Hungarian side to get back what it had invested in INA.Croatian and Hungarian gas supply systems have been connected by an interconnector gas pipeline since the summer of 2011, when the first gas deliveries from Hungary arrived via that pipeline in Croatia. The project was realised by the Croatian and Hungarian gas pipeline operators Plinacro and FGSZ Natural Gas Transmission.Nonetheless, the interconnector pipeline still does not operate both ways.Upon its accession to the EU, Croatia assumed the obligation to ensure two-way capacity for reversible gas flows on all cross-border points between EU member-states, which arises from EU Regulation 994/2010 concerning measures for the protection of gas supply security. The regulation requires ensuring physical reverseflow capacity, except in cases when a request for exemption is made and granted.In 2015 the European Commission started dialogue with Croatia and Hungary with the aim of reaching an agreement on the reversecapacity between the two member-states.Croatia and Hungary then reached agreement,in consultation with the EU, to sign a memorandum of understanding on a joint approach to establishing a permanent two-way flow capacity between the two countries, in the context of the initiative of central and southeast European countries to connect their gas supply systems ((CESEC).The memorandum defines an exemption from the obligation to ensure two-way gas flows to last until the end of March 2019, it postponesthe launching of proceedings in cases when EC regulations are breached, and defines a three-stage ***plan*** for the introduction of two-way flow capacity.In the first stage, short-term measures areto be taken to enable interruptible physical reverse flow capacity forup to 50,000 cubic metres per hour by using a Hungarian compressor station until the first such station is built in Croatia.The second stage concerns the medium-term measure of building the first compressor station in Croatia by March 2019, which will enable permanent flow capacity in the direction of Hungary, while the third stage concerns the construction of additional infrastructure necessary to increase capacity, on the condition new gas sources are secured.HRK 1 mln grant for feasibility study of southern inter-connection with BosniaZAGREB, June 20 (Hina) - Croatia's gas transmission operator Plinacro announced on Tuesday that it hasbeen awarded a million kuna grant from the EU ConnecTA fund for a comprehensive feasibility studyof a southern inter-connectionbetween Croatia and Bosnia and Herzegovina."The European Commission has approved a grant from the European Union ConnecTA pre-accession fund for a comprehensive feasibility and cost-benefit analysis (CBA) of the Croatia-Bosnia and Herzegovina southern inter-connection along the Zagvozd-Imotski-Posusje-Novi Travnik route with a branch toward Mostar," Plinacro said in a press release.The CBA will be completely financed with the grant following a joint application by Plinacro and BH-Gas under the auspices of the Energy Community Secretariat with the support of the European Bank for Reconstruction and Development (EBRD).Plinacro noted that the Croatia-Bosnia and Herzegovina southern inter-connection is listed as a Project of Mutual Interest (PMI) by the Energy Community. The Bosnian government has also declared that project to be of ***strategic*** value for the Federation of Bosnia and Herzegovina and that it will secure supplies, diversify sources and develop the natural gas market.Plinacro and BH-Gas signed a Memorandum of Understanding in April and agreed to continue to intensify joint activities in preparing inter-connections for gas transmission between the two countries along the Zagvozd-Imotski-Posusje-Travnik/Novi Travnik, Slobodnica-Brod-Zenica, and Licka Jesenica-Rakovica-Trzac-Bosanska Krupa routes.These pipelines will form part of the EC Gas Ring providing diversification of gas sources via the Ionian-Adriatic Gas Pipeline and Croatia's south transmission system, Plinacro said in its press release.Agrokor's majority stake in Mercator not pledged as securityZAGREB, June 20 (Hina) - The Agrokor food company said on Tuesday that it holds a 69.57 stake in Slovenian retailer Mercator and this stake has not been pledged as security or in any way brought into question, adding that Russian lender Sberbank can initiate enforcement proceedings only for assets owned by the Dutch company Agrokor Investment B.V."Agrokor d.d. is the owner of 69.57 percent of Mercator and this property has not been pledged or brought into question in any way. Agrokor d.d. exercises all ownership rights in Mercator based on this majority ownership stake," Agrokor said in a statement in response to Hina's query following Slovenian media reports that Sberbank had started to "seize" the 18.53% stake in Mercator held by theDutch company Agrokor Investment B.V.Agrokor says in its response that the minority stake of 18.53% in Mercator is not held by Agrokor d.d. but by Agrokor Investment B.V., a Dutch-based company fully owned by Ivica Todoric."According to information available to the emergency administration of Agrokor d.d., while taking a EUR 100 million loan from Sberbank in February this year, Ivica Todoric pledged the shares of Mercator owned by Agrokor Investment B.V. as additional security. Based on that, Sberbank has a direct claim on those assets and can initiate enforcement proceedings," Agrokor said.Since Agrokor d.d. is not the owner ofAgrokor InvestmentB.V., the law on emergency administration does not apply to that company, it added.The emergency administration of Agrokor has the authority only over the property of Agrokor d.d., which the minority stake in Mercator is not. However, any disposal of this minority stake will not affect the future of Mercator or the restructuring process at Agrokor d.d., the statement said.The Slovenian business newspaper Finance said on Tuesday, citing the Bloomberg business news agency, that Sberbank, one of the largest creditors of the debt-ladenAgrokor conglomerate,had taken steps to seize the 18.53% stake in Mercator held by Agrokor Investment B.V. with the intention of selling it to partly recover potential losses from loans it had granted to Agrokor.143 companies identified in Agrokor Group; some property to be sold this yearZAGREB, June 20 (Hina) - A detailed analysis of the Agrokor concern's core business is continuing and certain property will be sold this year, the emergency administration of the debt-laden food and retail group said in its second monthly report, noting that Agrokor Group has so far identified 143 companies in which it holds stakes, which, in a large number of cases, are majority stakes."The detailed analysis of the concern's core business is expected to continue for the duration of the term of the emergency administration and certain property will be sold in 2017. Intensive work is underway regarding the sale of property that is not of relevance to Agrokor's core business as well as regarding better management of immovable property," the government's emergency administrator, Ante Ramljak, said in the report covering the period from May 11 to June 10.The report, consisting of some 30 pages, was published on the web sites of Agrokor and the Economy Ministry, and among a dozen topics it deals with are management and accountability; assessment of short-term cash needs; talks with new creditors; the issue of promissory notes and the evaluation of business operations.The Agrokor Group has identified 143 companies in which it holds stakes (most of which are majority stakes), reads the section of the report on the evaluation of business operations.The companies were initially divided into four groups - Retail and wholesale trade, with 26 companies; Food sector, with 33 companies; ***Agriculture***, with 17 companies; and Agrokor property portfolio (AIP), with 67 miscellaneous companies, apparently unrelated to one another, including 14 shell companies of no value.Along with related companies, a team in charge of AIP has identified a preliminary list of property that consists of 267 units of real estate, including big development sites, housing, commercial, business and industrial real estate, land plots and movable property (a yacht and a helicopter), says the report.Businesses or properties that are expected to generate certain value will be included in the process of sale, the emergency administration said, noting that an in-depth analysis of certain companies was under way to prepare them for sale.The emergency administration also said that it had started "a detailed review of long-term ***strategic*** options for each of the 26 companies that account for 90% of cash flows of the core group," as well as that subsequent reviews were also possible for other companies of the group.PM says govt considering different options for INA buyoutZAGREB, June 20 (Hina) - The Croatian government and its council for INA's buyout are considering a set of options to restore Croatia's ownership of INA and there are several models for that, Prime Minister and HDZ party leader Andrej Plenkovic said in Ivanec on Tuesday.The relevant government services are analysing the situation, PM Plenkovic said when asked about announcements that a stake in the HEP power company would be sold to obtain money to buy Hungarian oil company MOL out of INA.Plenkovic underlined the importance of hiring the best possible international consultants to "help in what is the most important - appraisal of the company".Plenkovic visited the northern town of Ivanec at the invitation of Mayor Milorad Batinic of the Croatian People's Party (HNS), now the HDZ's coalition partner.Committee okays national security strategy but not homeland security system billZAGREB, June 20 (Hina) - The parliamentary Defence Committee on Tuesday unanimously upheld a draft National Security Strategy but it did not give the green light to the Homeland Security System Bill as Social Democratic Party (SDP) members consider that it does not introduce any new system but merely a coordinating committee for the homeland security system that does not have any powers.The bill was supported by the four Croatian Democratic Union (HDZ) lawmakers while four SDPMPs voted against and SDP MP Zdravko Ronko abstained.SDP MPs warned that the proposed coordinating committee forthe system of homeland security would not have any authority in relation to ministries and ministers, wondering about its purpose.Deputy Prime Minister and Minister of Defence Damir Krsticevic said that the coordinating committee was not any parallel body and would have mechanisms for successful work. He explained that the National Security Council was the central body of the homeland security system that madedecisions of importance for that system, however, until now there had not been any mechanism to implement the Council's conclusions."The bill establishes the Coordinating Committee for the System of Homeland Security as a body that will harmonise and coordinate the work of the homeland security system. We have been testing the coordinating committee for six months in the incumbent government," Krsticevic said. He underscored that the coordinating committee would considerall issues vital to the homeland security system, harmoniseplans and considerand directthe implementation of ***plans*** and operating procedures.Unlike the Bill on the System of Homeland Security, the draft Homeland Security Strategy was commended by committee members, who underscored that it was high time Croatia got such a document.Bridge MP Miro Bulj asked Minister Krsticevic whether the government hadbacked out of the idea of reintroducing conscription."There is not backing down, we are dealing with matters systematically," Krsticevic said, adding that classic conscription would not be introduced.The ministry is considering the introduction of basic military training of up to one month. After that, if someone wishes to, they can continue the existing voluntary military training for an additional two months. After that, they can opt for specialised military training of three months, said Krsticevic, adding that analyses would be completed in a month or two, after which the proposal would be presented to the public.The Defence Committee also adopted decisions on the participation of Croatian troops in the NATO Enhanced Forward Presence in Poland and Lithuania, in EUNAVFOR MED SOPHIA and in the Inherent Resolve coalition forces' operation.Opposition: Decisions on deployment of troops abroad inadequately explainedZAGREB, June 20 (Hina) - The Opposition in the Croatian parliament on Tuesday criticised the government for failing to appropriately explain to the parliament its decisions on the participation of Croatian troops in NATO's activities in Poland and Lithuania and in the operations EU Sophia and Inherent Resolve, warning that the number of troops to participate in those missions was not in proportion to the size of the country's army.The government has proposed that up to 90 Croatian servicemen and servicewomen be deployed in Poland and up to 200 troops be deployed in Lithuania within NATO's Enhanced Forward Presence operation, as well as that up to three troops be deployed in the EUNAVFOR MED SOPHIA operation in the central Mediterranean and up to three soldiers in the USA-led Inherent Resolve operation, said Defence Minister Damir Krsticevic.He noted that involvement in those operations would improve interoperability, enable participation in training and exercises with other allies and strengthen international cooperation."You have explained the advantages of those operations... but this issue is primarily a foreign policy issue, an issue of how those decisions affect our relations with other countries," said Social Democrat Josko Klisovic, adding that next time similar topics were discussed, the foreign minister, too, should address the parliament and explain how deployment of troops abroad would improve relations within NATO or affect relations with Russia.Klisovic said that his party would support the government's decision on the deployment of Croatian soldiers abroad but expressed dissatisfaction that the parliament had not been consulted on the matter nor had the government's decision been discussed by the parliamentary committees.Robert Podolnjak of the Bridge party supported Klisovic's position, saying that his party would abstain from a vote on the government's decisions."We believe that these decisions should have been explained better from the aspect of national security. The parliament must not be a mere voting machine when decisions of the utmost importance for national security are made," said Podolnjak.He also pointed to a disproportionately high number of troops Croatia was sending when compared to other, much bigger countries."According to available data, France and Spain will contribute 300 troops each, Germany and Canada 450 each, Italy 160, Romania 120, Belgium 100, and Slovenia 50. When you see these data, you could conclude that Croatia, with close to 300 troops to be deployed, is a military super-power," said Podolnjak, noting that Portugal, Iceland, Denmark, the Czech Republic, Slovakia, Hungary, Bulgaria, Greece and Turkey were not participating in the NATO missions in the Baltic and Poland.The Human Shield party said it would vote against the ***planned*** deployment of Croatian troops in missions abroad.Its MP Branimir Bunjac said Croatia should declare neutrality as it was too small a country to be involved in geopolitical conflicts.PM says half of diplomats to be rotated in next few monthsZAGREB, June 20 (Hina) - In the next few months Croatia will replace almost a half of its diplomats, and it also ***plans*** to open consulates in Vitez and Livno, Bosnia and Herzegovina, Prime Minister Andrej Plenkovic said during a visit to the northern Croatian town of Ivanec on Tuesday.Answering reporters' questions, Plenkovic said that the appointment of 16-17 ambassadors was on the agenda of the parliamentary Foreign Affairs Committee and that diplomats were usually rotated during a recess in an academic year."We have decided to open consulates in line with Croatia's priorities, in Vitez and Livno, in Bosnia and Herzegovina," Plenkovic said.Croatian PM receives outgoing Apostolic NuncioZAGREB, June 21 (Hina) - Croatian Prime Minister Andrej Plenkovic on Tuesday received Apostolic Nuncio Alessandro D'Errico for the farewell visit and during the talks the two interlocutors confirmed good and friendly relations between Croatia and the Vatican, reads a press release issued by the press office of the Croatian government.The talks underscored traditionally good and friendly relations between the Republic of Croatia and the Holy See.The interlocutors confirmed that good cooperation exists between the Croatian Bishops' Conference's commission for the relations with the state and the governmental commission for the relations with religious communities in Croatia.Plenkovic thanked D'Errico for his strong contribution to the strengthening of bilateral relations.In attendance at the meeting was Foreign and European Affairs Minister Marija Pejcinovic Buric.Croatian president to attend Serbian president's inauguration on FridayZAGREB, June 20(Hina) - Croatian President Kolinda Grabar-Kitarovic will attend Serbian President Aleksandar Vucic's inauguration on Friday, a source from her office announced on Tuesday, adding that the two heads of state would also hold a brief meeting.Grabar-Kitarovic recentlytold Novi List daily thatshe "finally" had "a real interlocutor (in Vucic) for honest and open talks. We don't need to pretend to be friends but deal with outstanding issues and build relations step by step."She dismissed the assessment that there had been no progress in Croatia-Serbia relations after last year's declaration on the advancement of the relations, saying "that's not so publicly visible" and that the declaration "was an important step at the right time."The source from the president's office announced that on June 30, she would attend a meeting of heads of state and government of theSouth-East European Cooperation Process in Dubrovnik, while on July 1, the president would attend the 12th Dubrovnik Forum.On July 6-7, Grabar-Kitarovic will attend a Three Seas summit in Warsaw at which US President Donald Trump will be a special guest.On June 22, the president will attend an Antifascist Struggle Day commemoration at Brezovica near Sisak. On July 18, she will attend a trilateral meeting in Salzburg with her Slovenian and Austrian counterparts, while on July 22, the president's office will hold an Open Day at which over 1,000 guests are expected, mainly Croatian expatriates.The source said mostof Croatian ambassadors would be rotated in July and the rest in the autumn.Via Dinarica trail presented at European ParliamentZAGREB, June 20(Hina) - A photoexhibition entitled "Via Dinarica - Connecting Naturally" was staged at the European Parliament on Monday, and a Croatian member of the European Parliament, Davor Skrlec, on Tuesday organised a presentation of the Via Dinarica project, designed to connectthe mountains and people of the Dinaric Alps.The Via Dinarica international project is designed to contribute to the social and economic development of a 1,300 kilometre long Dinaric Alps stretch running from Slovenia to Albania, by promoting mountain tourism, sustainable development and local production.The trail covered by the Via Dinarica project is intended for trekkers, cyclists and holiday makers who visit the Dinarides as tourists. One of the goals of the project is also improvement of the necessary infrastructure and support to small ***producers*** and providers of services in rural and less developed regions.The project involves travel agencies, ***producers*** and associations from Albania, Bosnia and Herzegovina, Croatia, Kosovo, Macedonia, Montenegro, Serbia and Slovenia. In Croatia, Via Dinarica includes sixnational parks, four nature parks, two nature reserves and numerous nature attractions.TheVia Dinarica project was presented at the European Parliament by the project heads for Croatia and Bosnia and Herzegovina, Alan Caplarand Kenan Muftic respectively."Activities of Via Dinarica are not aimed at developing mass tourism but at connecting the existing and new potential into a functional whole, in line with the UN International Year of Sustainable Tourism concept. Via Dinarica contributes to closer ties between peoples living in the Dinaric Alps, notably between Croatia, Slovenia and Bosnia and Herzegovina," said Skrlec.The Via Dinarica exhibition features some 80 photographs and after Brussels it will be staged at various locations in Croatia.The tourist magazine Outdoor has named Via Dinarica the world's best new trail and it was also featured in Lonely Planet and National Geographic. The National Geographic Travel magazine has named Via Dinarica one of the world's top ten destinations for outdoor activities in 2017.The Via Dinarica project was launched by the United Nations Development ***Programme*** (UNDP). As the UNDP closed its office in Croatia at the end of 2016, project activities were taken over by the Via Dinarica Croatia association.North Atlantic Council supports Bosnia's NATO integrationZAGREB, June 20(Hina) - NATO's North Atlantic Council on Tuesday supported stepping up Bosnia and Herzegovina's NATO integration, while the President of the Bosnian Serb entity, Milorad Dodik, said the entity authorities would not allow NATO to set up a border towardsSerbia along the Drina river.Council of Ministers Chairman Denis Zvizdic said the activation of the Membership Action ***Plan*** (MAP) and NATO integration "is one of Bosnia and Herzegovina's priorities."He informed theNorth Atlantic Council that Bosnia had adopted the key ***strategic*** documents and made progress in registering military properties. He said Bosnia was dedicated to promoting peace, stability and progress in the region,to strengthening cooperation in defence and security, and to stepping up Euro-Atlantic integration.Bosnian Presidency Chairman Mladen Ivanic said there was agreement in the country about MAP activation, while Dodik told reporters that the Serb entity, Republika Srpska, would not give its consent for Bosnia'sNATO integration as that would mean that NATO wouldhavea border along the Drina.ICTY president says war crimes tribunal has fulfilled its missionZAGREB, June 20(Hina) - The president of the International Criminal Tribunal for the former Yugoslavia (ICTY), Carmel Agius, said in Sarajevo on Tuesday that the ICTY had fulfilled its mission in prosecuting those most responsible for war crimes.The tribunal has fulfilled its mission. Some are notsatisfied and some are extremely satisfied with what we have accomplished. Our task wasn't to fulfil the wishes of this or that side, of anyone, but to bring to justice those who are the most responsible for the war crimes that were committed during conflicts. I believe we did that, Agius said.He added that the ICTY's task had not beento prosecute everyone responsible for war crimes and that now the responsibility lay with the three states (Croatia, Bosnia and Serbia) to prosecute those who had committed war crimes.There is no peace without justice and as long as there is no justice, there will be no peace, Agius said.One should hurry because nearly a quarter of a century has passed since those events, he added.He visited the Genocide Museum and met with the Croat and Bosniak members of the Bosnian Presidency, Dragan Covic and Bakir Izetbegovic respectively, informing them about the completion of the ICTY's mission and the legacy of the tribunal which will stop working at the end of the year.The Bosnian Presidency said in a press release its members said they were satisfied with Bosnia's cooperation with the ICTY and expressed their thanks for the legal aid provided to Bosnia's judicial bodies.In other news:Croatian Makers League robotics awards presentedZAGREB, June 20(Hina) - The most successful teams of elementary school students on Tuesday received awards for participating inthe Croatian Makers League robotics competition, which involves more than 360 schools and other institutions in Croatia, 8,000 students and 1,800 educational robots.The award ceremony was attended by Croatia's President Kolinda Grabar-Kitarovic and Education Minister Blazenka Divjak,British Ambassador Andrew Dalgleish, and the head of the Institute for Youth Development and Innovativity (IRIM), Nenad Bakic.Grabar-Kitarovic, the Croatian Makers Leaguesponsor, said Croatia needed a new elementary school education and that IRIM'sLeague project showed that unity concerning education and children's future was possible in Croatia. She said the League was a unique philanthropic project that had expanded to Bosnia and Herzegovina and Serbia.Divjak said there was a strong need to come out of political trenches and put education before ideology.Bakic said his project was a symbol of technological development and inclusion which showed that education was the future.Two competitions were held this year, one physical and one online, with 1,500 pupils participating.Croatian household loans reach HRK 118 billionZAGREB, June 20 (Hina) - The volume of household loans in Croatia reached HRK 117.99 billion in April 2017, up 0.7% from the previous month, according to figures from the Croatian National Bank (HNB).Loans in the national currency, the kuna, continued to grow along with deleveraging in foreign currency-denominated loans, so that the share of kuna loans in the total loans in this sector reached 44.1 percent, analysts atRaiffeisenbank Austria (RBA) said in their comment on the HNB data on Tuesday.Total loans stagnated compared with April 2016, after steadily declining since July 2015.RBA says that people have become more aware of foreign currency-related risks after the conversion of Swiss franc-denominated loans into euro loans, which together with a fall in interest on kuna loans led to a rise in the share of kuna loans in the household credit portfolio.RBA analysts noted that general purpose cash loans were the only groupof household loans that had seen annual growth.With a monthly increase of HRK 326 million or 0.8%, general purpose cash loans rose by HRK 1.6 billion or 3.9% compared with April 2016. "Their share in the total household loans was 35%, ranking second, immediately after housing loans which accounted for 44% of the household loans," the RBA report says.At the end of April 2017, housing loans totalled HRK 51.9 billion, or 1.1% less than in April 2016. RBA analysts noted an increase in the volume of kuna-denominated housing loans to 22%, although euro-indexed loans prevailed, accounting for 75% of housing loans.After the conversion of CHF-denominated loans into euro loans, about HRK 1.3 billion worth of loans, or less than 3%, remained indexed to the Swiss franc."We believe that the process of household sector deleveraging is drawing to a close and that indications of credit demand recovery should have an effect on credit activity returning to this sector. However, we expect the recovery to be very modest and largely dependent on movements on the labour market which is still not showing more significant growth of employment, which in turn is a precondition for taking on new financial obligations," RBA said.ZSE main indices dipZAGREB, June 20(Hina) - The main Zagreb Stock Exchange (ZSE) indices dipped on Tuesday, the Crobex by 0.10% to 1,856.03 points and the Crobex10 by 0.01% to 1,106.61 points, with regular turnover amounting to HRK 5.1 million, about 600,000 more than yesterday.Only one stock crossed the million kuna mark, the Arena Hospitality Group, which turned over2.26 million, closing at HRK 471 per share, up 1.07%.(EUR 1 = HRK 7.389352)THIS BULLETIN INCLUDES ITEMS RELEASED BY 0830 HRS WEDNESDAY. (Hina) rml Masthead Brief News Bulletin is published by the Croatian News Agency HINA Marulićev trg 1610 000 ZagrebCroatia web:[*www.hina.hr*](http://www.hina.hr) mail: [*hina@hina.hr*](mailto:hina@hina.hr) phone: (+385 1) 48 08 660; fax (+385 1) 48 08 822 Publisher: Branka Gabriela Valentić, DirectorEditor in Chief: Serđo Obratov Bulletin Editor: Marija Šestan

ZAGREB, June 21 (Hina) - Croatia is committed to its ***strategic*** goals within its membership of the European Union and NATO and also to other goals including the development of good relations with its neighbours, Prime Minister Andrej Plenkovic said at a reception he held on Tuesday evening for foreign ambassadors and diplomats on the occasion of Croatia's Statehood Day, observed on 25 June.

On 25 June 1991, the Croatian parliament adopted a decision to launch the process of dissolution from other republics of the then Socialist Federal Republic of Yugoslavia (SFRY), following a referendum on independence held on May 19, 1991 when the lion's share of Croatians (92.18%) voted that Croatia should not remain in Yugoslavia.

"We are committed to our ***strategic*** foreign policy goals as a member of the European Union and of NATO, as a country that wants to build good neighbourly relations, settle outstanding issued and contribute to global peace and security," the Prime Minister said in his speech and thanked foreign ambassadors for their efforts to build increasingly good relations between Croatia and their respective countries.

I would like also that we, in dialogue with you, continue contributing to the development of European project, Plenkovic said and noted that the Brexit would require new energy for the strengthening of joint policies.

The government in cooperation with the head of state, the Croatian parliament and political party will work on positioning Croatia on a global map as a country dedicated to its values, the premier added.

Plenkovic expressed satisfaction with the preservation of political stability thorough a recent government reshuffle.

This is a good sign for our society. We will continue working on achieving positive economic trends, Plenkovic said.

ZAGREB, June 20 (Hina) - Croatia and Slovakia are friendly countries cooperating well and without outstanding issues, Croatian President Kolinda Grabar-Kitarovic and her Slovak counterpart Andrej Kiska said in Zagreb on Tuesday.

ZAGREB, June 20(Hina) - Croatia and Slovakia have good economic relations but there is room for progress in many sectors such as energy, infrastructure, the electrical industry, transport and tourism, the Croatian-Slovak Innovation Forum heard at the Croatian Chamber of Commerce (HGK) on Tuesday.

PM, parliament speaker meet with visiting Slovak president

Croatia's Prime Minister Andrej Plenkovic and Parliament Speaker Gordan Jandrokovic on Tuesday met separately with the visiting Slovak President and the interlocutors describedrelations between the two countries as friendly and called for stepping up economic cooperation.

ZAGREB, June 20(Hina) - Croatian and Hungarian government officials signed in Budapest on Tuesday a memorandum on gas supply based on reverse gas flows along the existing gas pipelines.

ZAGREB, June 20 (Hina) - Croatia's gas transmission operator Plinacro announced on Tuesday that it hasbeen awarded a million kuna grant from the EU ConnecTA fund for a comprehensive feasibility studyof a southern inter-connectionbetween Croatia and Bosnia and Herzegovina.

ZAGREB, June 20 (Hina) - The Agrokor food company said on Tuesday that it holds a 69.57 stake in Slovenian retailer Mercator and this stake has not been pledged as security or in any way brought into question, adding that Russian lender Sberbank can initiate enforcement proceedings only for assets owned by the Dutch company Agrokor Investment B.V.

ZAGREB, June 20 (Hina) - A detailed analysis of the Agrokor concern's core business is continuing and certain property will be sold this year, the emergency administration of the debt-laden food and retail group said in its second monthly report, noting that Agrokor Group has so far identified 143 companies in which it holds stakes, which, in a large number of cases, are majority stakes.

"The detailed analysis of the concern's core business is expected to continue for the duration of the term of the emergency administration and certain property will be sold in 2017. Intensive work is underway regarding the sale of property that is not of relevance to Agrokor's core business as well as regarding better management of immovable property," the government's emergency administrator, Ante Ramljak, said in the report covering the period from May 11 to June 10.

The report, consisting of some 30 pages, was published on the web sites of Agrokor and the Economy Ministry, and among a dozen topics it deals with are management and accountability; assessment of short-term cash needs; talks with new creditors; the issue of promissory notes and the evaluation of business operations.

The Agrokor Group has identified 143 companies in which it holds stakes (most of which are majority stakes), reads the section of the report on the evaluation of business operations.

The companies were initially divided into four groups - Retail and wholesale trade, with 26 companies; Food sector, with 33 companies; ***Agriculture***, with 17 companies; and Agrokor property portfolio (AIP), with 67 miscellaneous companies, apparently unrelated to one another, including 14 shell companies of no value.

Along with related companies, a team in charge of AIP has identified a preliminary list of property that consists of 267 units of real estate, including big development sites, housing, commercial, business and industrial real estate, land plots and movable property (a yacht and a helicopter), says the report.

Businesses or properties that are expected to generate certain value will be included in the process of sale, the emergency administration said, noting that an in-depth analysis of certain companies was under way to prepare them for sale.

The emergency administration also said that it had started "a detailed review of long-term ***strategic*** options for each of the 26 companies that account for 90% of cash flows of the core group," as well as that subsequent reviews were also possible for other companies of the group.

ZAGREB, June 20 (Hina) - The Croatian government and its council for INA's buyout are considering a set of options to restore Croatia's ownership of INA and there are several models for that, Prime Minister and HDZ party leader Andrej Plenkovic said in Ivanec on Tuesday.

The relevant government services are analysing the situation, PM Plenkovic said when asked about announcements that a stake in the HEP power company would be sold to obtain money to buy Hungarian oil company MOL out of INA.

Plenkovic underlined the importance of hiring the best possible international consultants to "help in what is the most important - appraisal of the company".

Plenkovic visited the northern town of Ivanec at the invitation of Mayor Milorad Batinic of the Croatian People's Party (HNS), now the HDZ's coalition partner.

ZAGREB, June 20 (Hina) - The parliamentary Defence Committee on Tuesday unanimously upheld a draft National Security Strategy but it did not give the green light to the Homeland Security System Bill as Social Democratic Party (SDP) members consider that it does not introduce any new system but merely a coordinating committee for the homeland security system that does not have any powers.

ZAGREB, June 20 (Hina) - The Opposition in the Croatian parliament on Tuesday criticised the government for failing to appropriately explain to the parliament its decisions on the participation of Croatian troops in NATO's activities in Poland and Lithuania and in the operations EU Sophia and Inherent Resolve, warning that the number of troops to participate in those missions was not in proportion to the size of the country's army.

The government has proposed that up to 90 Croatian servicemen and servicewomen be deployed in Poland and up to 200 troops be deployed in Lithuania within NATO's Enhanced Forward Presence operation, as well as that up to three troops be deployed in the EUNAVFOR MED SOPHIA operation in the central Mediterranean and up to three soldiers in the USA-led Inherent Resolve operation, said Defence Minister Damir Krsticevic.

He noted that involvement in those operations would improve interoperability, enable participation in training and exercises with other allies and strengthen international cooperation.

"You have explained the advantages of those operations... but this issue is primarily a foreign policy issue, an issue of how those decisions affect our relations with other countries," said Social Democrat Josko Klisovic, adding that next time similar topics were discussed, the foreign minister, too, should address the parliament and explain how deployment of troops abroad would improve relations within NATO or affect relations with Russia.

Klisovic said that his party would support the government's decision on the deployment of Croatian soldiers abroad but expressed dissatisfaction that the parliament had not been consulted on the matter nor had the government's decision been discussed by the parliamentary committees.

Robert Podolnjak of the Bridge party supported Klisovic's position, saying that his party would abstain from a vote on the government's decisions.

"We believe that these decisions should have been explained better from the aspect of national security. The parliament must not be a mere voting machine when decisions of the utmost importance for national security are made," said Podolnjak.

He also pointed to a disproportionately high number of troops Croatia was sending when compared to other, much bigger countries.

"According to available data, France and Spain will contribute 300 troops each, Germany and Canada 450 each, Italy 160, Romania 120, Belgium 100, and Slovenia 50. When you see these data, you could conclude that Croatia, with close to 300 troops to be deployed, is a military super-power," said Podolnjak, noting that Portugal, Iceland, Denmark, the Czech Republic, Slovakia, Hungary, Bulgaria, Greece and Turkey were not participating in the NATO missions in the Baltic and Poland.

The Human Shield party said it would vote against the ***planned*** deployment of Croatian troops in missions abroad.

Its MP Branimir Bunjac said Croatia should declare neutrality as it was too small a country to be involved in geopolitical conflicts.

ZAGREB, June 20 (Hina) - In the next few months Croatia will replace almost a half of its diplomats, and it also ***plans*** to open consulates in Vitez and Livno, Bosnia and Herzegovina, Prime Minister Andrej Plenkovic said during a visit to the northern Croatian town of Ivanec on Tuesday.

Answering reporters' questions, Plenkovic said that the appointment of 16-17 ambassadors was on the agenda of the parliamentary Foreign Affairs Committee and that diplomats were usually rotated during a recess in an academic year.

"We have decided to open consulates in line with Croatia's priorities, in Vitez and Livno, in Bosnia and Herzegovina," Plenkovic said.

ZAGREB, June 21 (Hina) - Croatian Prime Minister Andrej Plenkovic on Tuesday received Apostolic Nuncio Alessandro D'Errico for the farewell visit and during the talks the two interlocutors confirmed good and friendly relations between Croatia and the Vatican, reads a press release issued by the press office of the Croatian government.

The talks underscored traditionally good and friendly relations between the Republic of Croatia and the Holy See.

The interlocutors confirmed that good cooperation exists between the Croatian Bishops' Conference's commission for the relations with the state and the governmental commission for the relations with religious communities in Croatia.

Plenkovic thanked D'Errico for his strong contribution to the strengthening of bilateral relations.

In attendance at the meeting was Foreign and European Affairs Minister Marija Pejcinovic Buric.

ZAGREB, June 20(Hina) - Croatian President Kolinda Grabar-Kitarovic will attend Serbian President Aleksandar Vucic's inauguration on Friday, a source from her office announced on Tuesday, adding that the two heads of state would also hold a brief meeting.

ZAGREB, June 20(Hina) - A photoexhibition entitled "Via Dinarica - Connecting Naturally" was staged at the European Parliament on Monday, and a Croatian member of the European Parliament, Davor Skrlec, on Tuesday organised a presentation of the Via Dinarica project, designed to connectthe mountains and people of the Dinaric Alps.

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BBC Monitoring Former Soviet Union - Political

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**Length:** 3221 words

**Body**

By BBC Monitoring

Syria

Newspapers give extensive coverage to the deteriorating situation in Syria

Izvestia: Op-ed by Vladimir Yevseyev "Trump's short-sightedness" says that the "situation in Syria has sharply worsened due to the ***intervention*** of external forces, primarily, the US, Israel and the UK". "Israel has called on the US to attack Syria as punishment for the so-called use of chemical weapons by the Syrian troops in Douma on 7 April," author says; p 3 (850 words). unavailable online

Komsomolskaya Pravda: Viktor Baranets report "Does macho Trump begin World War III?" says that the "US prepares a missile attack on Syria". "Russia has promised to retaliate. This may result in an open conflict of the nuclear powers," author adds; p 4 (700 words). [*https://www.msk.kp.ru/daily/26816/3853491/*](https://www.msk.kp.ru/daily/26816/3853491/)

Nezavisimaya Gazeta: Vladimir Mukhin article "Russia targets Kalibr missiles at US bases in Syria" says that Russia's UN representative Vasily Nebenzya has warned of a tough response in case the US resorts to a military strike against al-Assad's forces over the alleged chemical attack in Douma; pp 1-2 (802 words). [*http://www.ng.ru/world/2018-04-11/1\_7209\_calibrs.html*](http://www.ng.ru/world/2018-04-11/1_7209_calibrs.html)

Rossiyskaya Gazeta: Yevgeny Shestakov article "Trump does not need compromise" focuses on recent UN Security Council meetings and looks at "how the US president is destroying the international security system"; p 8 (1,000 words). [*https://bit.ly/2JC8LfK*](https://bit.ly/2JC8LfK)

Nezavisimaya Gazeta: Igor Subbotin article "Iranian bases in Syria can cost Russia and US dearly" says that the strengthening of Iran's positions in Syria may cause Israel to take more active measures in Syria; p 6 (753 words). [*http://www.ng.ru/world/2018-04-09/6\_7209\_siria.html*](http://www.ng.ru/world/2018-04-09/6_7209_siria.html)

Moskovsky Komsomolets: Andrei Yashlavsky article "Storm gathers over Syria" says that Bashar al-Assad has no reasons to use chemical weapons near Damascus, but the West denies logic and accuses him as well as Russia and Iran of the attack. With US President Trump's promise to make a tough decision on further actions in Syria, the situation is extremely dangerous given the presence of the Russian military in the republic; pp 1, 3 (802 words). [*https://bit.ly/2GPwdZh*](https://bit.ly/2GPwdZh)

Moskovsky Komsomolets: Andrei Kamakin article "If there is war tomorrow" features an interview with former officer of the Russian Foreign Intelligence Service and ***strategic*** ***planning*** expert Andrei Bezrukov who speaks about Russia's escalating confrontation with the West over the developments in Syria, the Skripal case and Ukraine. Bezrukov forecasts drastic worsening of the situation in Ukraine's east ahead of the Fifa World Cup and refers to the Skripal poisoning as "obvious provocation"; pp 1, 4 (3,291 words). [*https://bit.ly/2HbuFrP*](https://bit.ly/2HbuFrP)

Moskovsky Komsomolets: Ekaterina Sazhneva article "'We are used to expecting US's intrusion'" features a brief interview with a Syrian political analyst and journalist who is currently in Syria's Douma where the Syrian authorities have allegedly conducted a chemical attack. There was no chemical attack at all, he says and expresses doubt that the US will resort to a direct intrusion in Syria; p 3 (316 words). [*https://bit.ly/2GQLW6j*](https://bit.ly/2GQLW6j)

Moskovsky Komsomolets: Olga Bozhyeva article "Syrian gambit" says that despite the drastic stepping up of rhetoric and the arrival of the second US guided missile destroyer, the US president is not ready for direct confrontation with Russia in Syria, which is inevitable if the US attacks al-Assad's troops; p 3 (1,107 words). [*https://bit.ly/2IJngNE*](https://bit.ly/2IJngNE)

Vedomosti: Alexei Nikolsky article "US ready for second blow" says that the US may strike Syria with missiles at any moment. Russia's reaction will depend on what they will target; p 3 (600 words). [*https://bit.ly/2IJv81y*](https://bit.ly/2IJv81y).

Novaya Gazeta: Tatiana Vasilchuk article "On the verge" features an interview with pundit Alexander Shumilin who does not rule out that it is France or England rather than the US that will strike at al-Assad's forces in Syria; p 2 (686 words). [*https://bit.ly/2Hqbxny*](https://bit.ly/2Hqbxny)

Rossiyskaya Gazeta: Yuri Gavrilov article "Where is America sailing?" comments on the re-deployment of the US guided missile destroyers closer to the Syrian shore, which can be considered the beginning of a military operation against Al-Assad's forces; p 7 (700 words). [*https://bit.ly/2IG9fAk*](https://bit.ly/2IG9fAk)

Aftermath of US sanctions

RBC: Anna Mikheyeva et al. report "Chopped rate" says that the rouble exchange rate to the dollar has hit a two-year low. The decrease is attributed to investors' emotional reaction to the risks ensuing from US sanctions, article says. "According to analysts, the decrease will not continue if geopolitics does not intervene," article says; pp 1, 8-9 (2,900 words). [*https://www.rbc.ru/newspaper/2018/04/11/5acca4b49a7947366ba90291*](https://www.rbc.ru/newspaper/2018/04/11/5acca4b49a7947366ba90291)

Komsomolskaya Pravda: Unattributed report "What will happen to rouble and prices" looks at the Russian currency that is being devalued following the new US sanctions. The article says that it is better to keep money in three currencies: the rouble, the dollar and the euro; p 8 (600 words). [*https://www.msk.kp.ru/daily/26816/3853722/*](https://www.msk.kp.ru/daily/26816/3853722/)

Rossiyskaya Gazeta: Yevgeny Gayva article "Opened reserves" says that the new US sanctions will help speed up the return of capital to Russia; p 4 (900 words). [*https://bit.ly/2GQCiRc*](https://bit.ly/2GQCiRc)

Novaya Gazeta: Arnold Khachaturov article "Rouble follows market" speculates why the new US sanctions have hit financial markets and the rouble so hard; pp 4-5 (1,171 words). [*https://bit.ly/2v3bUC1*](https://bit.ly/2v3bUC1)

Vedomosti: Polina Trifonova article "Peace under sanctions" says that the new US sanctions have frozen a conflict in Nornickel: now Vladimir Potanin and Oleg Deripaska will not be able to buy out each other's shares; p 11 (600 words).

Moskovsky Komsomolets: Nikolai Makeyev et al. report "There is no euro left, but you keep up" says that people have rushed to exchange the rouble for other currencies after its plunge caused by the new US sanctions. More sanctions are possible, experts say and warn of challenging times looming ahead; p 2 (1,298 words). [*https://bit.ly/2GNRmid*](https://bit.ly/2GNRmid)

Vedomosti: Editorial by Pavel Aptekar and Vladimir Ruvinsky "Government of salvation" looks at how the government may help companies affected by the new US sanctions and warns against imposing retaliatory sanctions; p 6 (750 words). [*https://bit.ly/2v6vYn4*](https://bit.ly/2v6vYn4)

Nezavisimaya Gazeta: Olga Solovyeva article "Government has neither ***plan*** A, nor ***plan*** B" says that the Russian authorities do not seem to notice a new sanctions crisis unfolding in Russia: they speak on financial stability, a low inflation rate and inevitable economic growth at two economic forums in Moscow. According to them, "nothing threatens macro-economic stability" and "the current developments on the markets are just an adjustment to which the economy will adapt as usual"; pp 1, 4 (869 words). [*http://www.ng.ru/economics/2018-04-11/1\_7209\_****plan****.html*](http://www.ng.ru/economics/2018-04-11/1_7209_plan.html)

Vedomosti: Alexandra Astapenko and Danis Yumabayev article "Financial markets still agitated" says that the Russian currency has lost 9 per cent against the euro in two days. The rouble is weakening due to fundamental causes as investors are selling Russian assets over the US sanctions; p 10 (750 words). [*https://bit.ly/2Jzov30*](https://bit.ly/2Jzov30)

Nezavisimaya Gazeta: Anastasia Bashkatova article "Washington, Moscow close to hot financial war" says that the rouble keeps weakening reacting to reports that a bill to ban transactions with the Russian government bonds for US individuals and companies has been tabled with US Congress; pp 1-2 (1,156 words). [*http://www.ng.ru/economics/2018-04-11/1\_7209\_washington.html*](http://www.ng.ru/economics/2018-04-11/1_7209_washington.html)

Kommersant: Vitaly Gaydayev article "Sanctions aggravated with debt" says that a bill to ban operations with Russian government bonds drafted by US congressmen has sent the rouble down. The Central Bank does not see risks for the financial system and does not ***plan*** to stop the rouble's weakening. Experts, however, warn that the rouble may lose up to 30 per cent of its value if the bill is passed; pp 1-2 (750 words). [*https://www.kommersant.ru/doc/3599604*](https://www.kommersant.ru/doc/3599604)

Kommersant: Dmitry Butrin article "Rouble to endure everything" says that the government and the Central Bank are not going to react to the new US sanctions for the time being. Prime Minister Medvedev has stated that "Russia's economy is absolutely stable"; pp 1-2 (950 words). [*https://www.kommersant.ru/doc/3599502*](https://www.kommersant.ru/doc/3599502)

Vedomosti: Irina Sinitsyna and Alyona Sukharevskaya article "Manufacturers ready to increase prices" says that two days of the weakening of the rouble have turned out to be enough for manufacturers of consumer goods to announce an increase in prices; pp 1, 13 (1,200 words). [*https://bit.ly/2GODf07*](https://bit.ly/2GODf07)

Kommersant: Yulia Tishina et al. report "Electronics heats prices" says that the rouble's weakening has made a number of domestic appliances and gadget ***producers*** voice ***plans*** to increase prices; pp 1, 10 (900 words). [*https://www.kommersant.ru/doc/3599593*](https://www.kommersant.ru/doc/3599593)

Rossiyskaya Gazeta: Roman Markelov article "Floating rouble" says that the Russian authorities have resorted to verbal ***interventions*** to calm down the markets; pp 1, 3 (1,000 words). [*https://bit.ly/2Hg81P1*](https://bit.ly/2Hg81P1)

Skripal case

Izvestia: Tatiana Baikova et al. report "Request to replace" says that "Russia is ready to receive new diplomats as replacement for those expelled as a response to the Western countries' diplomatic demarche over the Skripal case". Moscow did not decrease the number of diplomatic staff in the embassies. The UK is the only country that will not have as many diplomats in Russia as before, a diplomatic source says; pp 1, 3 (600 words). [*https://bit.ly/2GP98lh*](https://bit.ly/2GP98lh)

Moskovsky Komsomolets: Ilona Khatagova article "They find 'safe place' for Skripal" says that Yulia Skripal, poisoned along with her father in Salisbury, has been discharged from hospital and moved to "a safe place". Article wonders how she could possibly have recovered if it really was the lethal chemical agent Novichok, as London says; p 4 (534 words). [*https://bit.ly/2GOsMxD*](https://bit.ly/2GOsMxD)

Rossiyskaya Gazeta: Article by Andrei Kortunov, head of the Russian Council for International Affairs, "We will have to resume dialogue" looks at a conflict with Britain over the poisoning of the Skripals and urges Moscow and London to resume dialogue; p 8 (950 words). [*https://bit.ly/2Hrcuw0*](https://bit.ly/2Hrcuw0)

North Korean minister visits Russia

RBC: Polina Khimshiashvili report "Pyongyang agrees to contact" says that the "representatives of the North Korean authorities continue to prepare for the first over the last 10 years summit of North and South Koreas: the [North Korean] foreign minister has arrived in Moscow". "According to analysts, North Korea wants to show that it goes to the negotiations in alliance with China and Russia," article says; pp 6-7 (1,700 words). [*https://www.rbc.ru/newspaper/2018/04/11/5accbb769a79475466a9027a*](https://www.rbc.ru/newspaper/2018/04/11/5accbb769a79475466a9027a)

Kommersant: Mikhail Korostikov article "Russia and North Korea bring US closer" focuses on a visit of the North Korean foreign minister to Moscow. He emphasized the need for closer cooperation between Moscow and Pyongyang hinting at escalating tension between Russia and the US; p 6 (850 words). [*https://www.kommersant.ru/doc/3599390*](https://www.kommersant.ru/doc/3599390)

Nezavisimaya Gazeta: Yuri Paniyev article "Will Putin give go-ahead to Kim's meeting with Trump?" says that a visit of the North Korean foreign minister to Russia may mean preparations for the North Korean leader's visit to Moscow ahead of his summit with the South Korean and US presidents set for early June; pp 1, 6 (794 words). [*http://www.ng.ru/world/2018-04-11/1\_7209\_kndr.html*](http://www.ng.ru/world/2018-04-11/1_7209_kndr.html)

Russia-West

Rossiyskaya Gazeta: Article by political analyst Fyodor Lukyanov "Not even a shadow of US" says that given a current escalation of tension with the US and the UK, Russia should not lay hopes on a deal with the West, which opens new opportunities in the East and the South; p 3 (950 words). [*https://bit.ly/2qknmV6*](https://bit.ly/2qknmV6)

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Nezavisimaya Gazeta: Ivan Rodin article "Why Tuleyev has to be returned to power on ninth day" says that the fact that the Kremlin has refrained from any reaction to the news that Aman Tuleyev was elected speaker of the Kemerovo Region legislative assembly has prompted rumours that it happened against the Kremlin's will; p 3 (773 words). [*http://www.ng.ru/kartblansh/2018-04-11/3\_7209\_kartblansh.html*](http://www.ng.ru/kartblansh/2018-04-11/3_7209_kartblansh.html)

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Izvestia: Alexandra Krasnogorodskaya interview "'Main thing in struggle against corruption is change in public conscience"' with Deputy Prosecutor-General Alexander Buxman who looks at the sacking of officials and at whether death penalty for bribing should be introduced in Russia; p 3 (2,200 words). [*https://bit.ly/2JzNraM*](https://bit.ly/2JzNraM)

Komsomolskaya Pravda: Article by the Russian president's aide Vladislav Surkov headlined "Loneliness of half-blood" says that "Russia moved eastward for four centuries and moved westward for another four centuries". "Russia has not taken root anywhere. Both paths are done. The ideology of the third path, third type of civilisation, third world, third Rome will be in demand now," author says' p 6 (2,000 words). [*https://www.msk.kp.ru/daily/26817/3853772/*](https://www.msk.kp.ru/daily/26817/3853772/)

Nezavisimaya Gazeta: Daria Garmonenko article "State Duma expects Pamfilova" says that the Central Electoral Commission ***plans*** to create an "unprecedentedly open and secure" electoral system for the next federal election. For now, it is going to propose only pinpoint amendments to the legislature, which may mean easing the municipal filter and a more convenient date for voting; p 3 (784 words). [*http://www.ng.ru/politics/2018-04-10/3\_7209\_pamfilova.html*](http://www.ng.ru/politics/2018-04-10/3_7209_pamfilova.html)

Kommersant: Andrei Kolesnikov article "Atom about this or radium of all saints" gives an ironic account of President Putin's visit to the Kurchatov nuclear research centre; pp 1, 5 (2,000 words). [*https://www.kommersant.ru/doc/3599565*](https://www.kommersant.ru/doc/3599565)

Nezavisimaya Gazeta: Ekaterina Trifonova article "Day in remand centre equals one day and a half in prison" says that human rights activists, the Interior Ministry and the Federal Penal Service have agreed on drafting joint proposals on the penal system humanisation which may result in the setting up of a nationwide system of control over prisons; p 3 (612 words). [*http://www.ng.ru/politics/2018-04-11/3\_7209\_sizo.html*](http://www.ng.ru/politics/2018-04-11/3_7209_sizo.html)

Nezavisimaya Gazeta: Editorial "Gods forgive everything for the sake of strong state" says that the Russian Orthodox Church tends to condemn the "godless" West, but turns a blind eye to persecution of different religions in China; p 2 (485 words). [*http://www.ng.ru/editorial/2018-04-11/2\_7209\_red.html*](http://www.ng.ru/editorial/2018-04-11/2_7209_red.html)

Domestic economic

Kommersant: Evgenia Kryuchkova article "***Agriculture*** Ministry harvests fruit of support" says that the ***Agriculture*** Ministry has stated that a decision to allocate R30bn of additional financial support to the ***agricultural*** sector has basically been made; p 2 (750 words). [*https://www.kommersant.ru/doc/3599542*](https://www.kommersant.ru/doc/3599542)

Vedomosti: Vitaly Petlevoy article "Rosneft suspected of pressure" says that the Federal Antimonopoly Service suspects that Rosneft has artificially created a lack of petrol which has resulted in price growth; p 4 (750 words). [*https://bit.ly/2H9moVg*](https://bit.ly/2H9moVg)

Brexit

Nezavisimaya Gazeta: Evgeny Pudovkin article "Backup ***plan*** drafted for Brexit" says that British MPs have warned the government about challenges it will face when implementing a tough scenario of Brexit and asked to draft a backup ***plan*** for talks with Brussels envisaging more concessions; p 6 (922 words). [*http://www.ng.ru/world/2018-04-10/6\_7209\_brexit.html*](http://www.ng.ru/world/2018-04-10/6_7209_brexit.html)

Russia-UK

Novaya Gazeta: Yulia Latynina report "Old, old lie" looks at the reason why the Russian Prosecutor-General's Office has recalled an attempt to poison Boris Berezovsky. The prosecutors have presented their own theory of the death of Alexander Litvinenko: 12 years on, they thought that "Litvinenko was killed by Berezovsky because Litvinenko blackmailed the latter" over the terms of receiving British asylum, author says; p 6 (1,900 words). [*https://www.novayagazeta.ru/articles/2018/04/10/76119-staraya-st*](https://www.novayagazeta.ru/articles/2018/04/10/76119-staraya-st) araya-lozh

Ukraine

Nezavisimaya Gazeta: Tatiana Ivzhenko article "Poroshenko has a new project for Donbass" focuses on Ukrainian President Poroshenko's visit to Germany where he has talked about bringing UN peacekeepers to Donbass and tried to convince Berlin to give up support for the Nord Stream 2 project and invest in modernization of the gas transportation system in Ukraine; pp 1, 5 (1,129 words). [*http://www.ng.ru/cis/2018-04-11/1\_7209\_donbass.html*](http://www.ng.ru/cis/2018-04-11/1_7209_donbass.html)

Belarus

Nezavisimaya Gazeta: Anton Khodasevich article "Lukashenko equips his mass media for war" says that Belarusian President Alexander Lukashenko has for the first time given a news conference where foreign mass media outlets, including Russian ones, were not invited. Moreover, the leader has issued instructions to protect the country's information space from Russian influence, article notes; p 5 (658 words). [*http://www.ng.ru/cis/2018-04-10/5\_7209\_belorus.html*](http://www.ng.ru/cis/2018-04-10/5_7209_belorus.html)

Sources: as listed

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BBC Monitoring Former Soviet Union - Political

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**Length:** 3221 words

**Body**

By BBC Monitoring

Syria

Newspapers give extensive coverage to the deteriorating situation in Syria

Izvestia: Op-ed by Vladimir Yevseyev "Trump's short-sightedness" says that the "situation in Syria has sharply worsened due to the ***intervention*** of external forces, primarily, the US, Israel and the UK". "Israel has called on the US to attack Syria as punishment for the so-called use of chemical weapons by the Syrian troops in Douma on 7 April," author says; p 3 (850 words). unavailable online

Komsomolskaya Pravda: Viktor Baranets report "Does macho Trump begin World War III?" says that the "US prepares a missile attack on Syria". "Russia has promised to retaliate. This may result in an open conflict of the nuclear powers," author adds; p 4 (700 words). [*https://www.msk.kp.ru/daily/26816/3853491/*](https://www.msk.kp.ru/daily/26816/3853491/)

Nezavisimaya Gazeta: Vladimir Mukhin article "Russia targets Kalibr missiles at US bases in Syria" says that Russia's UN representative Vasily Nebenzya has warned of a tough response in case the US resorts to a military strike against al-Assad's forces over the alleged chemical attack in Douma; pp 1-2 (802 words). [*http://www.ng.ru/world/2018-04-11/1\_7209\_calibrs.html*](http://www.ng.ru/world/2018-04-11/1_7209_calibrs.html)

Rossiyskaya Gazeta: Yevgeny Shestakov article "Trump does not need compromise" focuses on recent UN Security Council meetings and looks at "how the US president is destroying the international security system"; p 8 (1,000 words). [*https://bit.ly/2JC8LfK*](https://bit.ly/2JC8LfK)

Nezavisimaya Gazeta: Igor Subbotin article "Iranian bases in Syria can cost Russia and US dearly" says that the strengthening of Iran's positions in Syria may cause Israel to take more active measures in Syria; p 6 (753 words). [*http://www.ng.ru/world/2018-04-09/6\_7209\_siria.html*](http://www.ng.ru/world/2018-04-09/6_7209_siria.html)

Moskovsky Komsomolets: Andrei Yashlavsky article "Storm gathers over Syria" says that Bashar al-Assad has no reasons to use chemical weapons near Damascus, but the West denies logic and accuses him as well as Russia and Iran of the attack. With US President Trump's promise to make a tough decision on further actions in Syria, the situation is extremely dangerous given the presence of the Russian military in the republic; pp 1, 3 (802 words). [*https://bit.ly/2GPwdZh*](https://bit.ly/2GPwdZh)

Moskovsky Komsomolets: Andrei Kamakin article "If there is war tomorrow" features an interview with former officer of the Russian Foreign Intelligence Service and ***strategic*** ***planning*** expert Andrei Bezrukov who speaks about Russia's escalating confrontation with the West over the developments in Syria, the Skripal case and Ukraine. Bezrukov forecasts drastic worsening of the situation in Ukraine's east ahead of the Fifa World Cup and refers to the Skripal poisoning as "obvious provocation"; pp 1, 4 (3,291 words). [*https://bit.ly/2HbuFrP*](https://bit.ly/2HbuFrP)

Moskovsky Komsomolets: Ekaterina Sazhneva article "'We are used to expecting US's intrusion'" features a brief interview with a Syrian political analyst and journalist who is currently in Syria's Douma where the Syrian authorities have allegedly conducted a chemical attack. There was no chemical attack at all, he says and expresses doubt that the US will resort to a direct intrusion in Syria; p 3 (316 words). [*https://bit.ly/2GQLW6j*](https://bit.ly/2GQLW6j)

Moskovsky Komsomolets: Olga Bozhyeva article "Syrian gambit" says that despite the drastic stepping up of rhetoric and the arrival of the second US guided missile destroyer, the US president is not ready for direct confrontation with Russia in Syria, which is inevitable if the US attacks al-Assad's troops; p 3 (1,107 words). [*https://bit.ly/2IJngNE*](https://bit.ly/2IJngNE)

Vedomosti: Alexei Nikolsky article "US ready for second blow" says that the US may strike Syria with missiles at any moment. Russia's reaction will depend on what they will target; p 3 (600 words). [*https://bit.ly/2IJv81y*](https://bit.ly/2IJv81y).

Novaya Gazeta: Tatiana Vasilchuk article "On the verge" features an interview with pundit Alexander Shumilin who does not rule out that it is France or England rather than the US that will strike at al-Assad's forces in Syria; p 2 (686 words). [*https://bit.ly/2Hqbxny*](https://bit.ly/2Hqbxny)

Rossiyskaya Gazeta: Yuri Gavrilov article "Where is America sailing?" comments on the re-deployment of the US guided missile destroyers closer to the Syrian shore, which can be considered the beginning of a military operation against Al-Assad's forces; p 7 (700 words). [*https://bit.ly/2IG9fAk*](https://bit.ly/2IG9fAk)

Aftermath of US sanctions

RBC: Anna Mikheyeva et al. report "Chopped rate" says that the rouble exchange rate to the dollar has hit a two-year low. The decrease is attributed to investors' emotional reaction to the risks ensuing from US sanctions, article says. "According to analysts, the decrease will not continue if geopolitics does not intervene," article says; pp 1, 8-9 (2,900 words). [*https://www.rbc.ru/newspaper/2018/04/11/5acca4b49a7947366ba90291*](https://www.rbc.ru/newspaper/2018/04/11/5acca4b49a7947366ba90291)

Komsomolskaya Pravda: Unattributed report "What will happen to rouble and prices" looks at the Russian currency that is being devalued following the new US sanctions. The article says that it is better to keep money in three currencies: the rouble, the dollar and the euro; p 8 (600 words). [*https://www.msk.kp.ru/daily/26816/3853722/*](https://www.msk.kp.ru/daily/26816/3853722/)

Rossiyskaya Gazeta: Yevgeny Gayva article "Opened reserves" says that the new US sanctions will help speed up the return of capital to Russia; p 4 (900 words). [*https://bit.ly/2GQCiRc*](https://bit.ly/2GQCiRc)

Novaya Gazeta: Arnold Khachaturov article "Rouble follows market" speculates why the new US sanctions have hit financial markets and the rouble so hard; pp 4-5 (1,171 words). [*https://bit.ly/2v3bUC1*](https://bit.ly/2v3bUC1)

Vedomosti: Polina Trifonova article "Peace under sanctions" says that the new US sanctions have frozen a conflict in Nornickel: now Vladimir Potanin and Oleg Deripaska will not be able to buy out each other's shares; p 11 (600 words).

Moskovsky Komsomolets: Nikolai Makeyev et al. report "There is no euro left, but you keep up" says that people have rushed to exchange the rouble for other currencies after its plunge caused by the new US sanctions. More sanctions are possible, experts say and warn of challenging times looming ahead; p 2 (1,298 words). [*https://bit.ly/2GNRmid*](https://bit.ly/2GNRmid)

Vedomosti: Editorial by Pavel Aptekar and Vladimir Ruvinsky "Government of salvation" looks at how the government may help companies affected by the new US sanctions and warns against imposing retaliatory sanctions; p 6 (750 words). [*https://bit.ly/2v6vYn4*](https://bit.ly/2v6vYn4)

Nezavisimaya Gazeta: Olga Solovyeva article "Government has neither ***plan*** A, nor ***plan*** B" says that the Russian authorities do not seem to notice a new sanctions crisis unfolding in Russia: they speak on financial stability, a low inflation rate and inevitable economic growth at two economic forums in Moscow. According to them, "nothing threatens macro-economic stability" and "the current developments on the markets are just an adjustment to which the economy will adapt as usual"; pp 1, 4 (869 words). [*http://www.ng.ru/economics/2018-04-11/1\_7209\_****plan****.html*](http://www.ng.ru/economics/2018-04-11/1_7209_plan.html)

Vedomosti: Alexandra Astapenko and Danis Yumabayev article "Financial markets still agitated" says that the Russian currency has lost 9 per cent against the euro in two days. The rouble is weakening due to fundamental causes as investors are selling Russian assets over the US sanctions; p 10 (750 words). [*https://bit.ly/2Jzov30*](https://bit.ly/2Jzov30)

Nezavisimaya Gazeta: Anastasia Bashkatova article "Washington, Moscow close to hot financial war" says that the rouble keeps weakening reacting to reports that a bill to ban transactions with the Russian government bonds for US individuals and companies has been tabled with US Congress; pp 1-2 (1,156 words). [*http://www.ng.ru/economics/2018-04-11/1\_7209\_washington.html*](http://www.ng.ru/economics/2018-04-11/1_7209_washington.html)

Kommersant: Vitaly Gaydayev article "Sanctions aggravated with debt" says that a bill to ban operations with Russian government bonds drafted by US congressmen has sent the rouble down. The Central Bank does not see risks for the financial system and does not ***plan*** to stop the rouble's weakening. Experts, however, warn that the rouble may lose up to 30 per cent of its value if the bill is passed; pp 1-2 (750 words). [*https://www.kommersant.ru/doc/3599604*](https://www.kommersant.ru/doc/3599604)

Kommersant: Dmitry Butrin article "Rouble to endure everything" says that the government and the Central Bank are not going to react to the new US sanctions for the time being. Prime Minister Medvedev has stated that "Russia's economy is absolutely stable"; pp 1-2 (950 words). [*https://www.kommersant.ru/doc/3599502*](https://www.kommersant.ru/doc/3599502)

Vedomosti: Irina Sinitsyna and Alyona Sukharevskaya article "Manufacturers ready to increase prices" says that two days of the weakening of the rouble have turned out to be enough for manufacturers of consumer goods to announce an increase in prices; pp 1, 13 (1,200 words). [*https://bit.ly/2GODf07*](https://bit.ly/2GODf07)

Kommersant: Yulia Tishina et al. report "Electronics heats prices" says that the rouble's weakening has made a number of domestic appliances and gadget ***producers*** voice ***plans*** to increase prices; pp 1, 10 (900 words). [*https://www.kommersant.ru/doc/3599593*](https://www.kommersant.ru/doc/3599593)

Rossiyskaya Gazeta: Roman Markelov article "Floating rouble" says that the Russian authorities have resorted to verbal ***interventions*** to calm down the markets; pp 1, 3 (1,000 words). [*https://bit.ly/2Hg81P1*](https://bit.ly/2Hg81P1)

Skripal case

Izvestia: Tatiana Baikova et al. report "Request to replace" says that "Russia is ready to receive new diplomats as replacement for those expelled as a response to the Western countries' diplomatic demarche over the Skripal case". Moscow did not decrease the number of diplomatic staff in the embassies. The UK is the only country that will not have as many diplomats in Russia as before, a diplomatic source says; pp 1, 3 (600 words). [*https://bit.ly/2GP98lh*](https://bit.ly/2GP98lh)

Moskovsky Komsomolets: Ilona Khatagova article "They find 'safe place' for Skripal" says that Yulia Skripal, poisoned along with her father in Salisbury, has been discharged from hospital and moved to "a safe place". Article wonders how she could possibly have recovered if it really was the lethal chemical agent Novichok, as London says; p 4 (534 words). [*https://bit.ly/2GOsMxD*](https://bit.ly/2GOsMxD)

Rossiyskaya Gazeta: Article by Andrei Kortunov, head of the Russian Council for International Affairs, "We will have to resume dialogue" looks at a conflict with Britain over the poisoning of the Skripals and urges Moscow and London to resume dialogue; p 8 (950 words). [*https://bit.ly/2Hrcuw0*](https://bit.ly/2Hrcuw0)

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Domestic political

Izvestia: Alexandra Krasnogorodskaya interview "'Main thing in struggle against corruption is change in public conscience"' with Deputy Prosecutor-General Alexander Buxman who looks at the sacking of officials and at whether death penalty for bribing should be introduced in Russia; p 3 (2,200 words). [*https://bit.ly/2JzNraM*](https://bit.ly/2JzNraM)

Komsomolskaya Pravda: Article by the Russian president's aide Vladislav Surkov headlined "Loneliness of half-blood" says that "Russia moved eastward for four centuries and moved westward for another four centuries". "Russia has not taken root anywhere. Both paths are done. The ideology of the third path, third type of civilisation, third world, third Rome will be in demand now," author says' p 6 (2,000 words). [*https://www.msk.kp.ru/daily/26817/3853772/*](https://www.msk.kp.ru/daily/26817/3853772/)

Nezavisimaya Gazeta: Daria Garmonenko article "State Duma expects Pamfilova" says that the Central Electoral Commission ***plans*** to create an "unprecedentedly open and secure" electoral system for the next federal election. For now, it is going to propose only pinpoint amendments to the legislature, which may mean easing the municipal filter and a more convenient date for voting; p 3 (784 words). [*http://www.ng.ru/politics/2018-04-10/3\_7209\_pamfilova.html*](http://www.ng.ru/politics/2018-04-10/3_7209_pamfilova.html)

Kommersant: Andrei Kolesnikov article "Atom about this or radium of all saints" gives an ironic account of President Putin's visit to the Kurchatov nuclear research centre; pp 1, 5 (2,000 words). [*https://www.kommersant.ru/doc/3599565*](https://www.kommersant.ru/doc/3599565)

Nezavisimaya Gazeta: Ekaterina Trifonova article "Day in remand centre equals one day and a half in prison" says that human rights activists, the Interior Ministry and the Federal Penal Service have agreed on drafting joint proposals on the penal system humanisation which may result in the setting up of a nationwide system of control over prisons; p 3 (612 words). [*http://www.ng.ru/politics/2018-04-11/3\_7209\_sizo.html*](http://www.ng.ru/politics/2018-04-11/3_7209_sizo.html)

Nezavisimaya Gazeta: Editorial "Gods forgive everything for the sake of strong state" says that the Russian Orthodox Church tends to condemn the "godless" West, but turns a blind eye to persecution of different religions in China; p 2 (485 words). [*http://www.ng.ru/editorial/2018-04-11/2\_7209\_red.html*](http://www.ng.ru/editorial/2018-04-11/2_7209_red.html)

Domestic economic

Kommersant: Evgenia Kryuchkova article "***Agriculture*** Ministry harvests fruit of support" says that the ***Agriculture*** Ministry has stated that a decision to allocate R30bn of additional financial support to the ***agricultural*** sector has basically been made; p 2 (750 words). [*https://www.kommersant.ru/doc/3599542*](https://www.kommersant.ru/doc/3599542)

Vedomosti: Vitaly Petlevoy article "Rosneft suspected of pressure" says that the Federal Antimonopoly Service suspects that Rosneft has artificially created a lack of petrol which has resulted in price growth; p 4 (750 words). [*https://bit.ly/2H9moVg*](https://bit.ly/2H9moVg)

Brexit

Nezavisimaya Gazeta: Evgeny Pudovkin article "Backup ***plan*** drafted for Brexit" says that British MPs have warned the government about challenges it will face when implementing a tough scenario of Brexit and asked to draft a backup ***plan*** for talks with Brussels envisaging more concessions; p 6 (922 words). [*http://www.ng.ru/world/2018-04-10/6\_7209\_brexit.html*](http://www.ng.ru/world/2018-04-10/6_7209_brexit.html)

Russia-UK

Novaya Gazeta: Yulia Latynina report "Old, old lie" looks at the reason why the Russian Prosecutor-General's Office has recalled an attempt to poison Boris Berezovsky. The prosecutors have presented their own theory of the death of Alexander Litvinenko: 12 years on, they thought that "Litvinenko was killed by Berezovsky because Litvinenko blackmailed the latter" over the terms of receiving British asylum, author says; p 6 (1,900 words). [*https://www.novayagazeta.ru/articles/2018/04/10/76119-staraya-st*](https://www.novayagazeta.ru/articles/2018/04/10/76119-staraya-st) araya-lozh

Ukraine

Nezavisimaya Gazeta: Tatiana Ivzhenko article "Poroshenko has a new project for Donbass" focuses on Ukrainian President Poroshenko's visit to Germany where he has talked about bringing UN peacekeepers to Donbass and tried to convince Berlin to give up support for the Nord Stream 2 project and invest in modernization of the gas transportation system in Ukraine; pp 1, 5 (1,129 words). [*http://www.ng.ru/cis/2018-04-11/1\_7209\_donbass.html*](http://www.ng.ru/cis/2018-04-11/1_7209_donbass.html)

Belarus

Nezavisimaya Gazeta: Anton Khodasevich article "Lukashenko equips his mass media for war" says that Belarusian President Alexander Lukashenko has for the first time given a news conference where foreign mass media outlets, including Russian ones, were not invited. Moreover, the leader has issued instructions to protect the country's information space from Russian influence, article notes; p 5 (658 words). [*http://www.ng.ru/cis/2018-04-10/5\_7209\_belorus.html*](http://www.ng.ru/cis/2018-04-10/5_7209_belorus.html)

Sources: as listed

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[***Washington: Department of Defense Press Briefing by General Nicholson via teleconference from Kabul, Afghanistan***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5R13-FF01-JDG9-Y2JW-00000-00&context=1516831)

Impact News Service

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**Length:** 6799 words

**Body**

Washington: U.S Department of Defense has issued the following news release:

STAFF:  Good morning, everyone.

Today, we are joined by U.S Army General John Nicholson.  General Nicholson is the commander, Resolute Support and U.S Forces Afghanistan, and he joins us from Kabul.  He has 45 minutes this morning.

Of note:  Today's counternarcotics operation is being conducted under the U.S Forces Afghanistan authorities, and not NATO's Resolute Support.  We'll start with a quick radio check.  Sir, how do you hear us?

GENERAL JOHN W. NICHOLSON:  (inaudible).

STAFF:  A little -- a little garbled, sir.  (Laughter.)

GEN. NICHOLSON:  Okay.  Hey, I'm coming across a little garbled here, guys.  Is there a problem?  Little garbled here -- they're reporting we're a little garbled.  Is this any better, (Mike ?)?  Over.

STAFF:  No, sir, but I think we're probably just going to have to press on.

GEN. NICHOLSON:  Okay.

Okay, (Mike ?).  How's that?  Any better?

STAFF:  That's much better.  Over.

GEN. NICHOLSON:  Okay.  Got it.  I'll hold the mic.

Okay.  You ready for me to start, here?

STAFF:  Yes, sir.

GEN. NICHOLSON:  Okay.  Great.  Thank you.

Well thanks, Mike, and thanks, everyone, for joining me today.  I also want to reference a statement made by President Ghani this morning regarding our strikes yesterday.  And I'd also like to thank him, as well as General Yaftali, the Chief of General Staff of the Afghan army, who joined me earlier for a joint press conference here in Kabul.  So I refer you all to those, as well.

And I'm currently scheduled to be back with you next week, as well, to talk about the 2017 season, and looking ahead to 2018.  I recognize we may get into some of that today, as well.  But primarily, I'm going to talk about the strikes we've done in the last 24 hours.

So the south -- the new South Asia strategy's not quite 90 days old.  And under this strategy, I received new authorities -- and this is for U.S Forces Afghanistan -- again, thanks, Mike, for highlighting that -- and these new authorities allowed us to attack the enemy across the breadth and the depth of the battle space, and also functionally, to attack their financial networks, their revenue streams.

Previously, the authorities required us to be operating in proximity to Afghan forces, so we could strike when they were in the defense, we could strike when they were -- (inaudible).  But our targets that went after revenue streams, support infrastructure, training bases, infiltration lanes -- these targets were much harder to get to, and really were not a part of the authority.

So the new authorities have been significant in that, in enabling us to get after the enemy in new ways.  And so that's what I'm going to focus on in my statement, then, these strikes.  They were led by the Afghan Security Forces yesterday, with air strikes against drug labs in Helmand.

But the primary focus of this particular operation's been in Northern Helmand, the so-called emirate of the Taliban, where they have enjoyed relative freedom of action for the last several years and where much of their drug enterprise is located.

So the Afghan air force led these strikes yesterday with A-29 attacks against drug labs.  And then, last night, they were supported by the U.S Air Force, with B-52s and other strike aircraft, to include the F-22 Raptor.

This -- these also complemented Afghan Special Forces strikes.  So a raid went in yesterday against a Taliban prison in Now Zad.  And then these also complemented conventional offensive operations being conducted by the 215th Corps in Central Helmand.

So there's a just -- this is much more than just a series of air strikes in Northern Helmand.  It's part of a larger, comprehensive campaign ***plan***, and it's part of our sustainment of offensive operations through the winter against the enemy's financial engine in Helmand.

This -- in order to do these strikes -- they required hundreds of hours of preparation, our intelligence enterprise, ISR, as well as the actual sorties flown last night and in the coming days, because this will continue.

I want to -- I want to mention the -- before getting into more detail on the strikes -- over the last several years -- the last three years, in particular, since the end of ISAF, the Afghan Security Forces have really been carrying the war to the enemy -- to the Taliban, the Haqqani Network and ISIS.

It's been a tough fight.  In the last year, we've seen offensive operations, kind of unprecedented over the last few years, by the Afghan security forces.  At one point, we had all six corps conducting offensive operations simultaneously around the country.  And this I would contrast with last year -- in 2017, when in October, we saw attacks on cities -- four cities simultaneously, at the same time, so big change from the past.

The special forces, the special police, the air force have all continued to grow in capability, and they're -- and they're all making great appearances on the battlefield.  The commandos in particular have never lost a battle against the Taliban, and we are doubling the size of the commandos.  So that is going to be a significant addition to the offensive arsenal of the Afghan security forces.

This has not been without cost.  I want to take a moment to recognize and show our respect for the bravery and the sacrifice of Afghan security forces and the hard work of their government.  They are fighting corruption, they're fighting external influence and terrorism, not just for the benefit of their own country and the region, but indeed, the entire world.

And so our message to the Afghans is very straightforward:  We are with you, and we will stay with you.  And their fight on terror is the most important fight in the world, and it's -- and it's a fight on behalf of us, as well as them.  It's a fight that makes our homeland secure and the homelands of our coalition secure, as well as the Afghans'.

And the Afghans really deserve security and a lasting peace.  And that stability that would come with that would help significantly to reduce the threat of terrorism from the region, and migrancy, as well.

So let me shift back again to our operations over the last 24 hours.  These are a demonstration of our -- of our new authorities.  They're also a demonstration of our will to take the fight to the enemy in all of its dimensions.  And specifically, in striking northern Helmand and the drug enterprises there, we're hitting the Taliban where it hurts, which is their finances.

Now, the -- in 2017, again, I'll elaborate more today or next week -- the Taliban failed to meet any of their military objectives.  They failed to take any cities, as they've attempted for the last two years.  They suffered a significant amount of casualties from the Afghan-led offensive operations.  And we are -- we are seeing signs of friction and disagreement within the Taliban leadership ranks.

They know they cannot win -- they can't win in the face of this growing capability.  In September, we saw them, in the face of these tactical setbacks, take a knee and change their tactics.  And so they're -- they decided to stop attacking cities, stop attack -- trying to seize and hold terrain, and instead shift to suicide attacks and attempts to inflict casualties to prove their relevance.

And so this, actually, is a step back in terms of enemy tactics to a guerrilla warfare type of strategy, from one where they attempt to seize and hold terrain.

Now, the Taliban are interested, though, in making money, and to some extent it's fair to say that this movement has evolved into a narco-insurgency, so that the profits from narcotics now exceed their operating expenses, and we find that the leadership of the Taliban fight over the money, and it's often divided along tribal lines.

This -- they make their money in a couple of ways.  One is the narcotics trafficking; second, illegal mining; kidnapping for hire; murder; et cetera.  So, largely, they've evolved into a criminal organization and truly fit the definition of a narco-insurgency.

Our message to the enemy is that you cannot win the war.  It's time to lay down your arms and enter into a reconciliation process.  And if they -- if they don't, they're going to be confined to irrelevance, as the Afghans expand their control of the country, or death.  And so these are the choices they face.

So let me take a moment to describe what the ANDSF and U.S forces struck yesterday.  As we all know, heroin's become a global problem -- health, economic, security concerns.  And so, just like terror, heroin and opiates have become a global issue.  The -- these criminals living in Afghanistan, who are closely linked to the Taliban and part of the Taliban, are responsible for up to 85 percent of the world's opium.

It's an illegal economy that, in terms of street value, is something close to $60 billion, as estimated by our law enforcement agencies.  We currently estimate, I'm told by our law enforcement professionals, that about 4 percent of the heroin in the U.S is from Afghanistan, but that they expect that that number might grow.

We also see that it -- that Afghan heroin has made inroads in most of the other areas around the world, to include as close as Canada, Europe, Russia, Iran, and of course all across the Balkans, et cetera.

So at least $200 million of this opium industry goes in -- into -- into the Taliban's bank accounts, and this fuels -- really pays for the insurgency.  So, increasingly, a fight to retain control of the areas of poppy production -- and we see that the vast majority of the poppy grown in Afghanistan is grown in Taliban-controlled or contested areas.

The -- I need to make the point here that we are not going after the farmers who are growing the poppy.  They are largely compelled to grow the poppy.  And this is kind of a tragic part of the story.  When the farmer can't pay their debts, they end up -- the Taliban end up taking their sons or daughters as collateral, or they -- or they simply live in debt, a form a slavery, to the Taliban.  And when they live in a Taliban-controlled area, they essentially are required to grow opium as a -- as a price for being there.

So these strikes are focused on -- on the places where the poppy's processed further, eventually, into heroin -- into opium, morphine, and then heroin.  So we attack the drug traffic organizations that operate in this area.  There's about 20 drug trafficking -- major drug trafficking organizations in the region -- the APAC region, 13 in Afghanistan, and seven of these have operations in Helmand.  And this is why the strikes started there.

So the -- I have to say also that the level of trust and cooperation that exists between the United States and Afghanistan has never been better.  And it's because of this that we're able to conduct these kind of joint operations, and we're able to do these operations with the full support and, indeed, leadership of the Afghan government.

So President Ghani's -- the palace issued a statement earlier today about these strikes.  They were fully aware of these strikes, and consulted.  And indeed, it was a joint operation on the ground, within their capabilities.

So all of this adds up to a form of pressure on the enemy.  We will continue to apply military pressure on the battlefield.  That pressure's going to grow in the coming years, as the offensive capability of the Afghans grow through their growth in Special Forces, the growth in the air force.  And again, I'll talk a little bit more about that all next week.

We're also seeing diplomatic and economic pressure applied by the international community, especially on the external enablers of the insurgency.  And then soon, the elections in Afghanistan, if done credibly -- and this is extremely important, of course -- this will apply social pressure on the enemy.

And so these forms of pressure, military, diplomatic, economic, social, are the -- are the things that will mean that the Taliban cannot win.  These forms of pressure is what will compel them to join the reconciliation process.

So now what I'd like to do is take a moment and step you through a few videos that cover some of the strikes last night.  So I'll give you a short description of this first video, and then ask Mike to play it.

So, in the first one, you're going to see a strike by a U.S B-52.  This is on a Taliban narcotics production facility in Northern Helmand.  We used six 500-pound, low-collateral-damage, precision-guided munitions.  Why did we use these?  In order to keep the collateral damage to an absolute minimum, and we did.

So this strike -- these kinds of strikes are a result of numerous hours of surveillance, not only of the region to pinpoint the specific objectives, but the objective itself to ensure that we come up with the best targeting solution to minimize the collateral damage.

And so, Mike, if you could please roll the first video.

STAFF:  The first video is complete.

GEN. NICHOLSON:  Okay.  Thanks, Mike.

Okay, the second video is a strike that's being carried out by an F-22 Raptor, which, as you know, is one of our most advanced fighter aircraft.  This aircraft was used because of its ability to deliver precision munitions, in this case a 250-pound bomb, small-diameter, that causes the minimum amount of collateral damage.

And so this target was also a Taliban narcotics production facility in Musa Qala.  So I want to draw your attention -- as you look at this strike, you're going to see that inside this compound are multiple structures, and we destroy only two of them, while leaving the third standing, which we did to avoid collateral damage.

And so, Mike, if you could please play that video.

STAFF:  Video is complete, sir.

GEN. NICHOLSON:  There's another B-52 strike on another Taliban narcotics production facility.  Now, this particular facility was the largest one we struck last night, with over 50 barrels of opium cooking at the time of the strike.  And, of course, this -- the street value of this is in the millions of dollars.  So this was a B-52 strike, several 2,000-pound bombs, and it completely obliterated the facility.

So please roll that video, Mike.

STAFF:  Video is complete, sir.

GEN. NICHOLSON:  Okay, great.

At this time, Mike, I'll turn it back to you for questions.

STAFF:  Okay, thanks, sir.

We'll start off with Tom Bowman, NPR.

Q:  General, thanks for doing this.

Could you talk about how many districts the Taliban now control or influence, compared to last year?  Has it increased?  Has the number dropped?  Or has it roughly stayed the same as last year?

And also, you said you're going after the drug labs.  What about the poppy crop itself, when it comes back in the spring?  Will you also go after the crop?  Or do you leave it up to the Afghan forces, once they take over those areas of Helmand?

GEN. NICHOLSON:  Yes, Tom, thanks for the question.  Thanks for your visit here, also.

The districts -- the amount of -- the amount of control by the -- by the Afghan force is roughly the same as last year.  So you’ll remember that, of course, we got the policy decision in late August -- 21 August.  So, we essentially fought, in 2017, at the lowest level of capability that the U.S has had in Afghanistan in the entire war.

And so, this month, we were at a higher level of risk.  So the -- so the fighting depended heavily on the Afghans.  And they went on the offensive, and we supported them within our capabilities.

But a couple of things changed over the summer:  One, of course, we got the policy decision.  Two, things have gone well in Iraq and Syria.  So we're beginning to see the effects of a shift of resources, which will increase over the course of the winter, going into the spring, as the situation continues to improve there.  So the assets we used for these strikes, for example, were available from across the AOR.

So, again, about the same as last year in terms of territory and population control.  We didn't see the enemy attempt to take cities like they did previously.  They did attempt to take some districts, but they suffered heavily and then the -- and then, because of the offensive operations of the Afghans, they were able to take back some districts.

One example would be Nawa district in central Helmand.  It was under the control of the Taliban for two years.  The Afghan Army and 215th Corps took it back this summer.  Ghorak district in Kandahar -- under control of the enemy.  The 205th Core took it back last month.  Kunduz -- we killed most of the leadership of the Pamir Network in and around Kunduz.  This enabled the security around Kunduz to improve significantly this year over last, when it was attacked four times.

So these are just a few examples.  But the net effect was we're at about the same spot we were.  Now, the difference going into next year, of course, is going to be this increased offensive capability that I referred to.  Over.

Q:  As far as the poppy crop, will you -- will you and the Afghan government go after the crop itself, or leave it up to the Afghans once they take over more area?

GEN. NICHOLSON:  Right, Tom.  So what we're seeing is -- so the immediate answer to your question -- this is interdiction.  This is us going after narcotics production facilities.  This operation does not represent in any way going after the farmers or after the crops.

Okay, so the -- what we -- what we're finding, though, is that the poppy -- the growth in poppy production has been in those areas that are either under Taliban control, or are contested.  And, as I mentioned, that's about a third of the country.

So two-thirds of the country, the population is under government control, and then about a third is either under Taliban control, or contested.  So, of that one-third, maybe 20, 20 to 25 percent is contested.  This is where most of the poppy is being grown.  Eighty -- something like 80 to 85 percent of the poppy is being grown in these areas.

So, as the government expands its control through offensive operations and brings those areas back under government control, then we expect to see those areas under cultivation, when the farmers have a choice and they don't necessarily -- they aren't forced in to growing poppy -- we believe the government, in those areas, so far, in the country, has been pushing the licit ***agriculture***.

Why is this new?  Because the markets in India are being opened up to Afghan licit ***agriculture***, as you've heard President Ghani talk about the air bridge to India and the export of ***agricultural*** products to India is a major push.

So again, we think expanded government control will equate to less poppy cultivation.  And, to your point, there is still some level of government eradication.  Frankly, this hasn't been -- been very successful.  And again, largely because the poppy's being grown in the Taliban-controlled areas.

STAFF:  Phil Stewart, Reuters.

Q:  Hi, General, just a couple follow-ups.  First, on the -- on the number of districts, can you give us the exact number of districts?  And could you also let us know, you know, what is the Afghan casualty rate of the ANDSF this year versus last year and the size of the Afghan forces.  How many have you actually -- how close to your goal of the Afghan forces are you at right now with your training and equipping?

GEN. NICHOLSON:  Okay.  I'll have to get back to you on the exact number of districts.  Again, it's about two-thirds population control.  That's the main thing we look at.  We can -- we can get you the exact number of districts.  But again, it's roughly the same as last year.  As I said in February, in my testimony before the SASC, we're at -- we're at a stalemate.

The new U.S South Asia policy gives us the authorities and additional capabilities we need to break that.  And now, what you're seeing is the application of air power in new ways in accordance with the authorities on top of what was already a robust use of air in support of the Afghans.  This, coupled with additional offensive capabilities in the Afghan army is going to enable them to go on the offensive next year and increase the population control.

And -- and by virtue of that, the terrain control.  The casualties.  The casualties up to August were roughly the same as previous years, but what we saw in September was a 20 percent drop in casualties.  And this was primarily due to the offensive operations that the Afghan security forces have been conducting.  And so we find when they go on the offensive, their casualties go down.

And this is -- the reason we attribute this drop in casualties that occurred in the fall.  Now, last year, as you looked at the casualty figures, they remain steady all the way into the fall.  And this year, we did see that drop.  On the size of the forces, they -- the forces are not at their -- at their full strength.  We are in the process of biometrically enrolling every soldier and police official, officer in the -- in the Afghan security forces.

This process is going to be carried on and will be complete by April.  And when we have completed that, we're going to have a very precise count on Afghan security forces.  We do this for a couple reasons.  One, primarily, is corruption.  It's the way we protect American taxpayer dollars from being siphoned off through this practice of ghost soldiers.

And in keeping with this, President Ghani has also granted us authority to go into and audit, to follow U.S dollars as they go through the ministry of finance and go through the banking system to ensure that they reach the intended person or the intended ***program***.

This is unprecedented.  This never would have happened under the previous regime, and this is something that President Ghani has allowed us to do.  And we have -- we have just begun our first audit to follow the money through the system.

So the size of the forces is lower than their authorized strength, and I'd say, roughly -- we're authorized about 352,000 total.  We're running around 320,000, but that's a -- that's a rough figure.  And, again, as we biometrically enroll every soldier, we're going to be able to give you a much more precise answer.  Over.

Q:  What are -- what are your -- what are the metrics by which we should gauge your operations for next year?  I mean, do you -- do you have an idea in mind about how much territory you'd like to regain, where you'd like to see Afghan casualties?  As someone who's been following this war for a long time, it's hard for us to know, you know, whether this -- which way is up.

GEN. NICHOLSON:  Right.  So the metric that's most telling in a counterinsurgency -- this is what the Afghans are waging.  We're training, advising and assisting them as they fight a counterinsurgency -- is population control.  So, currently, they control about two-thirds of the population.

So we would like to see that increase to at least 80 percent.  Why 80 percent?  Because we think that gives them a critical mass where they control 80, the Taliban are driven to less than 10 percent of the population, maybe the rest is contested.

And this, we believe, is the critical mass necessary to drive the enemy to irrelevance, meaning they're living in these remote, outlying areas, or they reconcile, or they die, of course, is the third choice.

So, this 80 percent population control is also important for the elections coming up over the next two years.  So there will be several thousand polling places -- between 7,000 and 8,000 polling places throughout the country.

So, as we go on the offensive, we expand control over the population.  This means that voting can be done in a safer manner, which leads to a more credible election.  Voting can be observed, because the areas are secured by the government.  This leads to greater credibility.

So the -- so the expansion of control over the population, then, is key there.  So that's the key factor that we're looking at.  So I mentioned over the next two years.  So, why two years?  Because this is when we're doubling the size of the Afghan commandos.  We're continuing to increase the size of their air force.  Of course, they'll have U.S combat enablers provided through the U.S authorities.  So this will help their offensive operations.

So this is -- this, we think, is going to take about two years to get to this 80 percent.  Could go faster than that, but, again, I think it's -- my best military judgment right now is -- going to take a couple years to get there.

But the pressure mounting on the enemy is going to be in multiple forms, as I mentioned before.  The pressure on the sanctuaries that's being delivered at the ***strategic*** level, at the national level, by President Trump and his secretaries, is, we think, going to have an affect on the enemies' ability to regenerate and fight; the military pressure on the battlefield; and then the social pressure at the ballot box.

STAFF:  Courtney Kube, NBC.

Q:  Hi, General.  Thank you very much for doing this.

I have a couple -- one more clarification on the districts.  When you talk about the districts that are controlled by the Taliban haven't -- they haven't -- that hasn't changed since about this time last year.  What about the number that's contested?

There's this think tank here called Foundation for Defense of Democracies.  They put out a report a month or so ago that found the number of districts that were contested by the Taliban from last year to this year had virtually tripled, to 115 to 119 districts.

Are you finding that as well?  Are those numbers somewhat -- I know you said you had to come back with numbers, but have you found that the number that are contested has gone up dramatically in the past year?

GEN. NICHOLSON:  There's a slight increase in contested, but then we also saw the Afghan government retake some districts as well.  So I'd be happy to come back to you with specific numbers, but the contested -- that the contested district resulted from the enemy's strategy of shifting focus away from major cities, from provincial capitals, and trying to expand into certain districts.

They ended up suffering a lot of casualties this way, because, anytime they amass to take a district center, they are at risk of U.S airpower.  So I would -- if you said the number of contested districts tripled, I would strongly disagree with that.  There may have been a slight increase in districts that were contested, but not anything near doubling or tripling.

Q:  One more.  Actually, two more.  One quick one on the air strikes that you took in the last 24 hours:  Just to be clear, those are the first ones that were taken under the new authorities?  Is that what you said?

GEN. NICHOLSON:  Essentially, yes.  But let me explain that a little bit.  So the new authorities allowed me to go after revenue streams of the enemy, and so we -- taking air strikes in close support of Afghan force is a relatively straightforward affair.

You see them, you see the enemy, you make sure there's no collateral damage, and you drop the weapon.  These strikes required mapping of their revenue streams and mapping of their infrastructure in areas where we had not done this before.

So when we talked about mapping for strikes, the narcotics trafficking networks in Northern Helmand, this required getting the intelligence community focused on that, so it involved hundreds of analysts kind of mapping this out over northern Helmand.

It involved ISR soaking this area for hundreds of hours to then find, pinpoint, assess the targets.  There are many, many targets that have been identified.  We are striking some that -- we will continue to strike these targets as we further refine them.

So this is why it takes weeks, if not months, to actually prepare to wage a campaign like this.  And so this is something akin to what has been conducted against ISIS revenue streams in Syria, a similar model.  And this, again, hits the enemy where it hurts, which is their financial apparatus.  And then, of course, this ***produces*** great friction inside the enemy leadership as they fight over dwindling resources.

So that's why it takes some weeks or months to set up something like this.  And, again, we're less than 90 days into the new -- the new U.S policy and new authorities.

STAFF:  Tara Copp, Military Times.

Q:  Thank you.  Hi, General.

So a couple of follow-ups on Courtney's question:  Could you tell us how many facilities were hit in the operation so far?  Is it a named operation?  And right now, how many U.S aircraft are involved?  And can you give us a breakdown?

GEN. NICHOLSON:  Yes, this -- these strikes are going on over a period of several days, so yesterday, there were two facilities struck by the Afghans and another eight struck by the -- by U.S aircraft.  We showed you the images from three of those strikes.

And then, again, these operations will continue on -- in the coming days.  So I don't want to get into tactical information that might be of value to the enemy, but that's roughly the tempo we're going to maintain, going into the future.

And so, to give you a sense of scale, in Afghanistan, there's an estimated -- you know, the Drug Enforcement Agency would estimate there's anywhere between 400 and 500 drug labs active at any given time.  So, last night, we took about 10 of those out -- off the battlefield in one night.

So this is the tempo we maintain.  Now, of course, we're very deliberate and judicious about striking these, in order to ensure that there's no collateral damage and there's no civilian casualties.  But this is going to be steady pressure that's going to stay up, and we're not going to let up.

Q:  A follow-up on the -- on aircraft:  What aircraft besides the B-52s and the Raptor were involved?  And why would you involve an F-22?  It seems a little bit, I guess, over -- just an opium production facility.

GEN. NICHOLSON:  Yes.  The -- this aircraft, of course, can deliver the smallest munitions that we have -- the 250-pound bomb.  The B-52s deliver larger ordnance.  So we're looking for a mixture of ordnance in the air over the targets so that, as we make the final decision on the use of which weapon, based on concerns about collateral damage, we needed to have a variety of airframes available with different kinds of munitions.

And so the decisions to ensure minimal collateral damage are made literally at the last minute, based on the final soak of the objective, and that's why we had that airframe -- because it was capable of delivering that munition.  And so that was the purpose.  It wasn't because of some of the other capabilities of that aircraft.

Q:  And then one, just to clear up on the authorities response you gave Courtney, that -- was this the first time you had used these expanded authorities ever, or just specific to airstrikes?  Have you used the expanded authorities in other ways, in ground operations?

GEN. NICHOLSON:  As you probably are aware, we've used airpower -- dropped more munitions this year than any year since 2012.  And so we did this because the Afghans were on the offensive more.

And so we were able to get out there in a pre-***planned*** manner, bringing in assets to assist, to deliver a lot of munitions.  So we've -- we've been very robust in our use of airpower in support of the Afghans on the offensive this year.

Now, the aspect of the new authorities that we used in this case was the ability to strike revenue streams and support infrastructure.  So their -- so it was not necessary, in terms of close support of Afghan offensive operations, to use that particular aspect of the new authorities.

But I -- but I -- but I need to say these new authorities give me the ability to go after the enemy in ways that I -- that I couldn't before.  So it was -- without getting into a lengthy explanation, it does free us up now to use -- to use airpower in the most effective way, going forward.

And part of the reason it took time to do this was because, again, it opened up new target sets that we had not used ISR on, because we weren't authorized to strike them before.  So this required an initial investment of ISR in order to do that.

As you know, ISR's one of the most precious commodities that the warfighter has.  Our priority's been in Iraq and Syria.  And, as we continue to see success there, we hope to see more assets coming over to enable -- to enable us to do more of these kinds of operations.

Q:  And I'm sorry if I miscommunicated my question, but is this the example of the new authorities being used for the first time ever, or have they been used in other instances that didn't involve an airstrike?

GEN. NICHOLSON:  I'd say this would be the -- this would be the first significant use of the new authorities.  That would be a good way to put it.

STAFF:  Tom Watkins, AFP.

Q:  Okay.  Well, thanks for doing this.

Just going back to -- I think it was still earlier, you mentioned the 20 percent decrease in ANDSF casualties in September.  It's a little bit hard for us to -- when you -- when you tout figures like that, it's hard for us to put it in a correct context, now that we're no longer getting the actual releases from the -- from the Afghans themselves.

The -- I guess this is more of an observation.  But is there any way you can, you know, encourage your Afghan colleagues to kind of be more accountable, as they had been before?  You know, when things are going well, then you want to tout a figure; when not, then apparently not.  So is there any pressure you can put on them?

GEN. NICHOLSON:  Well I appreciate your comment.  And this was a request from the Afghan government.  It has generated a dialogue about our policy on this.  I think I -- I'd go back to President Trump's comment in his remarks on the 21st of August, because we don't want to provide information to the enemy that's of value to them.

I think this is in the -- in the spirit of that.  It has to do with the request that we got from our Afghan partners.  Let me put it this way.  The Afghans are fighting very hard.  They've taken -- they've taken a tough fight to the enemy.  The enemy casualties are greater.

We are trying not -- we won't get into body counts.  And -- we all -- we all know the history of those, and how those are not an effective way of communicating what's going on the battlefield.  I understand your request, however, and thank you for sharing that.

We completely understand the need to be able to measure the progress in the campaign.  You know, we're going to -- we're going to work hard to give you those kind of metrics.

You know, I talked about population control.  Another one would be levels of violence, as we see levels of violence come down we think that's going to be an important measure going into the future.  So I take your point, I understand it and we'll keep working this.

Q:  Thank you.  And then just a second point.  I'm sorry.  I know there's lots of other people who need questions.  But just putting your NATO hat on for a moment, after the ministerial a week and a half ago, did you get any additional commitment from any NATO members?  Because they'll -- there was a shortfall in terms of troop pledges.  Has any of that been made up, subsequent to the meeting?

GEN. NICHOLSON:  Right.  So I was very encouraged at that -- the NATO ministerials, that we had two dozen nations talk about increasing their -- their troop presence in Afghanistan.  So this is very encouraging.

Having said that, as you know, we're measuring that against a combined joint statement of requirements.  Each nation has its own individual decision-making cycle, which, having been on my fourth assignment in NATO as a general, I can tell you we just need to let these play out.

I'm very encouraged by the strong show of support that we heard at those defense ministerials.  I mean, the two dozen nations talking about potential increases is just one way of illustrating that.  But, almost to a minister, we heard very strong shows of support for the mission.

So, as the commander, number one, I'm concerned about international will and international will to succeed.  And in this -- you know, war is a contest of wills.  And, from 2011 to 2016, we telegraphed to the enemy that we were leaving.  We drew down our forces steadily -- I'd say too far and too fast.  And so the enemy believed that, in this contest of wills, we had lost our will.

And what came across to me loud and clear in that defense ministerial was we now have the will to succeed.  And so this is crucial.  It's an intangible -- okay, we can talk about the specific troop numbers, but I'm above 93 percent of the requirement.

Again, looking forward to the -- as the political processes play out in each of the respective capitals, I expect we're going to get more.  So to me, it was a very encouraging outcome.

STAFF:  Last question, Ryan Browne.

Q:  General, thank you for that.

Just to follow really quickly on Thomas'squestion, on the additional NATO troops, are you looking for any of the allies, specifically Germany and Italy, who control -- or who advises the west and the north, to also give their troops the authority to advise closer to the battlefield, the Kandak level?

Are you -- is that something you want the allies to also do, or is it only U.S advisers going to be the ones closer to the battlefield, helping call in airstrikes, helping provide the support?

GEN. NICHOLSON:  Yes, so under -- we're examining right now the authorities and the NATO SOFA and working through the implications of your question.  First off, training, advising and assisting below the corps level has been embraced in principle by NATO.  And this was in guidance -- this was back in 2016.

And so this led to the creation of brigade-level advising teams.  And, in fact, the Germans created a brigade-level advising team that goes in an expeditionary manner to Kunduz to advise the 20th Division.  We've employed U.S brigade-level advising teams in the west.  And then there have been elements of Italian leadership, of course, supervising those efforts.  So we'll continue to work closely with our allies on that.

Next week, when I meet with you all, I'll talk about the S-FAB, the Security Force Assistance Brigade, which will be deployed in time for spring offensive operations.  And then -- and then I can get into this question in a little greater detail.  But the allies are making extremely important contributions in ways that they can, within the NATO SOFA and within the intent of the NATO O-***PLAN***.

In particular, I've asked for their help in the schools of the Afghan training and education base.  There's 13 schools; 11 of them, now, are being filled by allies who will be coming in and helping with the training and education.

The other dimension to this, which is important to understand -- that, under the U.S bilateral security agreement, we are unique in having authorities to do certain things in the country that our allies are not.

And so there is -- there is a difference between the NATO SOFA and the bilateral security agreement that enables us to do some of the things in terms of combat enabling that we do at the lower levels.  And then much of this has been done in the past, as part of our special forces advising.  And now, with the new South Asia policy, that will be extended out to the conventional ANDSF.  But, again, it's U.S forces that have those unique authorities under the bilateral security agreement.

Sorry for the complicated answer.  But there's many -- there's many dimensions to this.  And, again, I come back to the will demonstrated by our allies.  Around 7,500 coalition forces on the ground alongside their American partners -- and that's a strong show of support by the 39 nations in the coalition.

STAFF:  All right.  So, unfortunately, we're out of time.  General Nicholson will be back next week.  Sir, thank you very much for your time.  I know you've had a very long day.  Do you have any closing words for the group?

GEN. NICHOLSON:  Well, I wanted to say thanks to all of you.  I know maybe half of the group has been out to Afghanistan recently.  We really look forward to seeing any of you, all of you -- come on out and see us, so you can see for yourselves on the ground the improvements that are happening in the Afghan army, the Afghan police, the growth of the special forces, the air force.

And again, I want to thank -- so thank you for telling the story.  Thanks -- you know, thanks for your interest in it.  I do think the next two years are going to be significant in terms of where we're going, and I look forward to seeing you all when you get a chance to get over here, and of course seeing some of you next week, as well.

Thank you very much.

STAFF:  Thank you very much.

Ladies and gentlemen, the videos from today's briefing will be up on DVIDS shortly.  Thank you.

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[***Council of the European Union: JOINT STAFF WORKING DOCUMENT The EU Special Incentive Arrangement for Sustainable Development and Good Governance ('GSP+') assessment of Georgia covering the period 2016 - 2017 Accompanying the document Report from the Commission to the European Parliament and the Council Report on the Generalised Scheme of Preferences during the period 2016 - 2017 ST 5544 2018 ADD 4***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5RP3-61X1-F0YC-N2F4-00000-00&context=1516831)

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**Body**

Brussels: Council of the European Union has issued the following document:

5544/18 ADD 4 ACZ/asz DGC 1 EN Council of the European Union Brussels, 22 January 2018 (OR. en) 5544/18 ADD 4 SPG 2 WTO 9 COVER NOTE From: Secretary-General of the European Commission, signed by Mr Jordi AYET PUIGARNAU, Director date of receipt: 19 January 2018 To: Mr Jeppe TRANHOLM-MIKKELSEN, Secretary-General of the Council of the European Union No. Cion doc.: SWD(2018) 26 final Subject: JOINT STAFF WORKING DOCUMENT The EU Special Incentive Arrangement for Sustainable Development and Good Governance ('GSP+') assessment of Georgia covering the period 2016 - 2017 Accompanying the document Report from the Commission to the European Parliament and the Council Report on the Generalised Scheme of Preferences during the period 2016 - 2017 Delegations will find attached document SWD(2018) 26 final. Encl.: SWD(2018) 26 final EN EN EUROPEAN COMMISSION HIGH REPRESENTATIVE OF THE UNION FOR FOREIGN AFFAIRS AND SECURITY POLICY Brussels, 19.1.2018 SWD(2018) 26 final JOINT STAFF WORKING DOCUMENT The EU Special Incentive Arrangement for Sustainable Development and Good Governance ('GSP+') assessment of Georgia covering the period 2016 - 2017 Accompanying the document Report from the Commission to the European Parliament and the Council Report on the Generalised Scheme of Preferences during the period 2016 - 2017 {COM(2018) 36 final} - {SWD(2018) 23 final} - {SWD(2018) 24 final} - {SWD(2018) 25 final} - {SWD(2018) 27 final} - {SWD(2018) 28 final} - {SWD(2018) 29 final} - {SWD(2018) 30 final} - {SWD(2018) 31 final} - {SWD(2018) 32 final} 1 Georgia GSP+ Assessment 1. Country Overview During the reporting period 2016-2017, Georgia's aspiration of political association and economic integration with the EU, embodied by the EU-Georgia Association Agreement, continued to attract broad support from across the Georgian society. The legislative elections of October 2016 confirmed the country's orientation towards political association and economic integration with the EU.

Chapter 13 of the Association Agreement stipulates an overarching objective of developing trade by taking into consideration the economic, social and environmental dimensions of sustainable development. In this framework, parties hold an intense dialogue aimed, inter alia, at monitoring compliance with core international standards in the areas of human rights, labour rights, environmental protection and good governance. Overall, the implementation of commitments stemming from the Association Agreement, including its Deep and Comprehensive Free Trade Area (DCFTA), have continued within agreed timelines. With extensive support from the EU, Georgia has implemented during the reporting period a number of reforms strengthening democracy and the rule of law. Georgia's democratic institutions have been consolidated, and a comprehensive legislative framework for human rights and anti-discrimination has been adopted. Implementation and consolidation of existing legislation remains fundamental in order to strengthen the independence of the judiciary and ensure the effective rights of minorities and vulnerable groups, in line with Georgia's Association Agenda commitments. Since 1 July 2016, the main political forum for trade-related issues is the EU-Georgia Association Committee in the Trade Configuration. The parties also meet in the format of the EU-Georgia Sub-Committee on Trade and Sustainable Development (TSD) and update the Joint Civil Society Dialogue Forum on their activities. Due to the preferential market access obtained under the DCFTA with the EU, Georgia ceased to benefit from GSP+ on 1 January 2017. Until 31 December 2016, Georgia benefited from a period of transition under GSP+, allowing businesses to adjust to the DCFTA. The present assessment of Georgia under GSP+ therefore considers relevant developments up until January 2017. During its time as GSP+ beneficiary, Georgia maintained ratification of all GSP+ relevant conventions and continued implementing the relevant legal framework. During 2016-2017, an impressive set of legislation has been passed and starts to be implemented. Concerns expressed in this document have to be mainly considered in this perspective: as elements still to be achieved in order to meet best EU standards. The EU will continue supporting Georgia's sustainable development in the framework of the TSD Chapter of the DCFTA and through the Single Support Framework for 2017-2020, focusing on smart, sustainable and inclusive economic growth. 2 2. Compliance with GSP+ Obligations 2.1 UN Human Rights Conventions (Conventions 1-7) Status of ratification and reporting Over the reporting period 2016-2017, Georgia maintained ratification of all GSP+ relevant UN human rights conventions. In 2016, Georgia made an effort to catch up with its reporting obligations to the monitoring bodies of these conventions. Two reports remained overdue: a report under the International Covenant on Economic, Social and Cultural Rights due since 2007 and a report under the Convention against Torture and Other Cruel, Inhuman or Degrading Treatment or Punishment due since 2011. At the time of writing, according to the Georgian Government, these reports should be submitted before the end of 2017. Status of implementation of the conventions The second Human Rights Action ***Plan*** (AP) for 2016-2017 was adopted in June 2016. This new Action ***Plan*** offers improved indicators and activities. Some issues, such as lack of specific budgets assigned to the actions or missing monitoring and evaluation guidelines, still need to be addressed in future APs. The Parliamentary Committee on Human Rights and Civil Integration strengthened its oversight role on the implementation of the human rights policies. It conducts committee hearings on annual reports submitted by the Public Defender’s Office (PDO) and prepares recommendations for adoption by Parliament. The 2016 parliamentary elections were efficiently administered and took place in an overall peaceful and competitive environment whereby fundamental freedoms were respected. A new make-up of majoritarian districts improved the equality of suffrage. Some incidents of violence, however, were reported and require proper investigation. The implementation of the new juvenile justice code and further improvements to the prison health system testify to progress in juvenile justice. Salient shortcomings still need to be tackled in several areas covered by the GSP+ relevant international human rights conventions. Particular attention should be paid to media freedom and pluralism and the implementation of anti-discrimination legislation. In order to strengthen the anti-discrimination mechanism embedded in the PDO, legislative amendments were initiated addressing the enforcement of collaboration of the private sector and the extension of restrictive time limits for filing cases. However, they have not yet been adopted. International Convention on the Elimination of All Forms of Racial Discrimination (CERD) Integration of minorities, including ethnic minorities, is part of the 2016-2017 National Human Rights Action ***Plan***. Moreover, at the time of writing, the authorities were working on the implementation of the National Concept for Tolerance and the Civic Integration Strategy for 2015-2020 and budgeted annual action ***plans*** on which the State Inter-Agency Commission under the office of the State Minister of Georgia for Reconciliation and Civic Equality reports. Several Government ***programs*** have been implemented targeting, inter alia, education, access to State language courses, use of minority languages, identification of small ethnic minorities and their protection. However, national minorities are underrepresented not only at the central 3 Government level, Parliament and State agencies, but even in the local councils of municipalities where ethnic minorities constitute a clear majority. Georgian authorities and the PDO undertook a series of events to raise awareness about anti-discrimination: in particular, trainings for police officers and prosecutors as well as for journalists and school students took place. Though there is room to further improve the integration of ethnic minorities, a lot has been done already to facilitate their full participation in all spheres of public life. International Covenant on Civil and Political Rights (CCPR) Georgia, since the early years of independence, is confronted with large numbers of internally displaced persons (IDPs), as well as several armed conflicts on its territory. Despite the authorities' efforts in 2016, provision of adequate housing, closing of collective centres and facilitation of their social and economic integration remain incomplete. Furthermore, legislation still needs to ensure the inclusion of all groups of IDPs, including groups such as eco-migrants. Poverty remains a problem. In addition, an overall unsatisfactory situation of persons with mental illnesses continues to be reported. Furthermore, the Georgian authorities were asked to step up their efforts to effectively address discrimination against women and the high prevalence of domestic violence (see also on CEDAW). Discrimination and social stigma, hate speech and violence against lesbian, gay, bisexual, transgender and intersexual (LGBTI) persons and violation of their rights to freedom of expression and assembly continue to be regularly reported. There remain concerns about cases of religious intolerance, including harassment and verbal and physical assault against persons belonging to religious minorities, in particular Muslims and Jehovah's Witnesses. The State Agency on Religious Affairs has withdrawn a draft strategy on religious policy and would still have to define its priorities to play a positive role in combatting discrimination on religious grounds. Furthermore, very little progress was made with regard to the return of Meskhetians deported by the Soviet regime to Central Asia in 1944. With regards to the judiciary, a package of legislative amendments (third wave of judiciary reforms) tackling the protracted lack of transparency in the judicial management (in particular in the High Council of Justice) was adopted in December 2016. The package includes measures to increase transparency in the assignment of cases and judges, the selection of judicial candidates and disciplinary procedures. However, in 2017, the High Council of Justice continues to be criticized for mishandling its functions and consequently keeping a lot of pressure on individual judges. A reform of the prosecution entered into force in September 2015 and included a number of changes: it established the Prosecutorial Council, the Conference of Prosecutors and the Special Prosecutor. It also introduced new rules for the appointment and dismissal of the Chief Prosecutor with a broader participation of prosecutors and Parliament. The reform is positive, but still insufficient in scope. The performance of the courts improved with regard to a more critical assessment of motions presented by the prosecution. The establishment of an independent investigative body to deal with alleged misconduct of prosecution and law enforcement officials failed to materialise. 4 International Covenant on Economic, Social and Cultural Rights (CESCR) In spite of the success of recent reforms, an increased effort is needed to ensure provision of adequate social protection and healthcare in Georgia. Deficiencies remain concerning the right to adequate housing. The registration of individuals without shelter continued to lack a consistent methodology. The establishment of a labour inspection mechanism with a mandate to check working and employment conditions was initiated with the creation of the Labour Inspectorate Department within the Ministry of Health, Labour and Social Affairs. However, this unit does not yet constitute a fully-fledged labour inspectorate. Since Georgia ratified the UN Convention on the Rights of Persons with Disabilities in 2014, a chapter on equal opportunities of persons with disabilities has been integrated in the National Human Rights Action ***Plan*** 2016-2017. Georgians are becoming increasingly aware of the rights of disabled people and the National Council on Disabilities is active. To ensure proper integration, it is recommendable that a more concrete Action ***Plan*** on Business and Human Rights will be adopted as part of the national Human Rights Action ***Plan*** 2017-2020. Convention on the Elimination of All Forms of Discrimination Against Women (CEDAW) Overall, the Government as well as civil society demonstrate a strong commitment to tackle the problems pertaining to the implementation of the Convention. Awareness among Government officials as well as among the general public of domestic violence and trafficking of human beings increased significantly in the reporting period. The 2017-2020 Single Support Framework dedicates a strong focus to gender, and will support the Government in addressing the issue. The 2016-2017 National Action ***Plan*** (NAP) for Combating Violence against Women and Domestic Violence and Protection of Victims/Survivors covers domestic and sexual violence against women more broadly than previous action ***plans***. In 2016, Georgia prepared the ratification of the Istanbul Convention (ratified in May 2017) through a package of legislative amendments. The Civil Code was amended and the provision allowing marriage with parental consent for children at the age of 16 was abolished. A temporary provision allowing marriage at the age of 17 with the consent of a court was valid until 1 January 2017. Since then, the legal age for marriage is set at the age of 18. Efforts to enforce this legal provision have to be stepped up, particularly in rural areas. Poverty, violence and prevailing stereotypical attitudes regarding the roles and responsibilities of women and men in the society remain the main challenges to the effective implementation of CEDAW. In particular, the growing number of murders of women by their husbands and partners and other forms of domestic violence constitute a worrying trend. Following awareness campaigns and a significant shift in public attitudes, the number of reported cases of domestic violence and restraining orders increased significantly in 2015 and slightly in 2016, and so did the number of victims/survivors of domestic violence using shelters. There are four shelters throughout the country fully funded by the State budget and a State run crisis centre opened in September 2016. However, attitudes of law enforcement bodies need to change and the follow-up of domestic violence cases needs to improve. Gender inequality in Georgia remains a barrier to sustainable and inclusive development, despite visible progress made in recent years in some areas. Women are underrepresented in politics (15% in Parliament and 11.6% in local governments). The implementation of legislation on the elimination of all forms of discrimination against women continues to 5 improve but needs to become more effective. More needs to be done to effectively protect lesbian, bisexual and transsexual women against violence and harassment, as well as to ensure equal pay for work of equal value, to facilitate access to family ***planning*** services and affordable contraceptive methods. A national unit under the Prime Minister's Office to coordinate, implement and monitor gender equality policies was established in June 2017. Convention against Torture and Other Cruel, Inhuman or Degrading Treatment or Punishment (CAT) Over the reporting period, no signs of systemic ill-treatment were recorded. However, a fully independent mechanism for investigating allegations of torture remains to be created. A unit with this mission was set up within the Prosecutor's office, but it is generally considered unable to fully perform the roles which such a mechanism should have. The National Preventive Mechanism (NPM) under the PDO is fully operational with access to all prisons and detention centres and with a new mandate to photograph possible evidence of torture as of September 2016. However, the administration's right to observe (not listen to) meetings between the NPM and the prisoners should be revoked. Also, the use of the Istanbul Protocol on the effective investigation and documentation of torture and other cruel, inhuman or degrading treatment has been introduced in 2016 and medical staff is being trained on its accurate implementation. The maximum sentence for administrative detention remains 15 days but the concept should still be fully reviewed. The policy shift from punishment to rehabilitation of offenders, especially in prisons, continues. There was also a significant decrease in the use of pre-trial detention. Police stations are gradually being equipped with CCTV equipment for in- and outside perimeters to reduce the risk of ill-treatment. Other positive developments were the entry into force of the juvenile justice code and the adoption of a new drug policy reducing the relatively harsh penalties for drug use. The Parliament introduced a set of amendments to the Criminal Code in 2016 repealing the statute of limitation for torture-related crimes as well as to define heavier penalties for violent acts. However, certain recommendations by the UN Special Rapporteur on Torture still need to be addressed. Convention on the Rights of the Child (CRC) In September 2016, Georgia ratified the 3rd Optional Protocol to the CRC which sets out an international complaints procedure for child rights violations. Despite some remarkable efforts to strengthen children's rights, the overall legal framework for children's rights, in particular the administrative and civil codes, require further refinement – also with regard to anti-discrimination of children with disabilities. The multi-disciplinary referral mechanism for protection of children from all forms of violence has been revised and piloted in Adjara. The entry into force of the juvenile justice code is a major achievement and novelty in the Georgian legal system. Similarly, in August 2016, a legal package was adopted to provide street-children with registration and ID documents, the issuance of which has started. The implementation of the Law on Early and Preschool Education, adopted in June 2016 by the Parliament, is postponed. Although public expenditure in 2016 has slightly increased in the education sector, insufficient infrastructure in schools and kindergartens results in limited 6 access to early childhood education services. Nearly half of the children are not enrolled in any pre-school education. The Law on Adoption and Foster Care was adopted in 2016. It prohibits direct adoption and requires mandatory preparation training for adoptive and foster parents as well as inter-country adoption procedures in line with the Hague Convention on Inter-Country Adoption. However, deinstitutionalisation of child-care has not been completed and a number of unregulated institutions financed and run by local municipalities, the Georgian Christian Orthodox Church or Muslim communities, operate without proper monitoring. Overall infant and maternal mortality rates remained high, as well as the level of child poverty. The Targeted Social Assistance System has resulted in a reduction in poverty but many households remain vulnerable. Future actions and priorities Georgia's future priorities and objectives regarding human rights protection relate to a number of policy areas. The implementation of judicial reform will be a priority. Authorities will also continue their efforts to fight the prevailing high level of violence against women, notably through ratifying and implementing the Istanbul Convention, establishing police units on gender-based violence with adequate capacity and through adopting legislation on protection and assistance to victims of sexual violence. Georgia ***plans*** to further improve the Labour Code's provisions relating to non-discrimination, including equal pay and sexual harassment. Efforts will also continue to reduce infant and maternal mortality, notably by improving the quality of health services during pregnancy, delivery and post-delivery. To improve the efficiency and equality of education from early years, Georgia intends to increase public expenditure in the education sector and invest in good quality early childhood education services, also for marginalised groups. Conclusions Despite progress in many areas, challenges remain to be tackled post GSP+. In particular, the lack of accountability for violations by law enforcement authorities remains a significant problem. The enhanced role of the PDO, and specifically its Equality and the National Preventive Mechanisms, represent a real progress regarding Georgia's human rights situation. Still, respect for the rights of persons belonging to various minorities and their integration in society still require attention in the future. Discrimination and violence against women, notably domestic violence, is of particular concern. While efforts to better protect children's right are notable, the persisting high level of poverty among children as well as of infant mortality and the low level of education need to be addressed. The focus on improving social protection and healthcare for children as well as of the education system is important. The EU-Georgia Association Agreement significantly deepens EU-Georgia bilateral relations, while also putting Georgia under increased scrutiny, particularly regarding the 7 need to strengthen capacities as well as independence and effectiveness of institutions guaranteeing democracy, rule of law and respect for human rights. 2.2 ILO Labour Rights Conventions (Conventions 8-15) Status of ratification and reporting Over the reporting period, Georgia has maintained ratification of all eight ILO fundamental conventions relevant for GSP+ and has complied with all its reporting obligations. Status of implementation of the conventions Enforcement remains inadequate. In January 2016, the Department for Monitoring Labour Conditions at the Ministry of Labour, Health and Social Affairs (MoLHSA) was changed into a Labour Conditions Inspection Department. In March 2016, its mandate was expanded to supervise trafficking in human beings and forced labour with somewhat enhanced powers for inspections, for example the possibility of inspections on notified cases. Nevertheless, the basic features remained unchanged. The Department is still primarily focused on the preparation of legislation and has an advisory role. The State Labour Inspection ***programme*** remains limited to occupational safety and health (OSH) and the participation of companies is voluntary. Furthermore, inspectors' visits are subject to prior notice; they can only issue recommendations and there are no sanctions in case of violations. There is still no supervision and law enforcement system in place for other core labour standards and working conditions. The current Labour Code does not contain provisions related to the violation of labour legislation and does not regulate labour inspection. The much awaited completion of a draft framework law on OSH and its submission to the Parliament on 31 May 2017 are significant steps towards a more effective supervision and enforcement system. The draft law incorporates some of the ILO recommendations and would confer greater supervision and inspection powers to the Labour Inspection Department on OSH issues, however limited to 'particularly hazardous' and 'high risk' enterprises and sectors which are not further defined. The absence of effective supervision and enforcement of labour standards and rights is a mounting concern, especially in the light of a series of severe accidents at work in the last years. The Ombudsman made a public statement, calling for properly implemented safety regulations, after the latest fatal accident in a mine in May 2017, and an unprecedented statement was issued by the Ambassadorial Working Group. Recently, poor working conditions triggered industrial unrest in major economic sectors (for example the chemical industry). The Georgian labour market continues to be characterised by high unemployment (11.8% overall and 21% in urban areas in 2016), informality (around two-thirds of the labour force work is in the informal economy) and subdued formal employment creation. There is broad consensus on the part of social partners and the Government that preserving jobs is the priority rather than improving job quality. This affects negatively the implementation of labour standards and rights as any action is perceived as increasing the burden on businesses. Freedom of Association and Collective Bargaining (Conventions 87 and 98) The legal framework provides for the right of most workers to form and join independent unions and to strike and bargain collectively. However, several shortcomings pointed to by 8 the ILO Committee of Experts on the Application of Conventions and Recommendations (CEACR) still need to be addressed: fixing the minimum membership requirement for establishing a trade union (set at 50 persons) in a way to enable the establishment of organisations in small and medium-sized enterprises, trade-unions' allegations that the absence of a legal provision obliging the employer to justify the non-renewal of short-term contracts leads to anti-union discrimination (in both the public and private sectors), a restrictive definition of grounds for strike, prohibition of the right to strike in services other than essential ones and the possibility to postpone or suspend strike action. The severe restrictions under the previous Labour Code considerably weakened trade unions and left them with limited capacity to protect workers' rights. Employers' interference in the functioning of trade unions and members' harassment are reported, also in state-owned enterprises, as well as attempts to replace independent unions with unions supported by the Government or employers. There have been allegations that the trade unions in the garment sector are stopped from entering companies to monitor the enforcement of labour laws and workplace safety in breach of the Law on Trade Unions. Collective bargaining is generally carried out at the enterprise level and collective agreements are of poorer quality, lacking essential elements such as enforcement clauses and appropriate dispute resolution mechanisms. Several examples of employers refusing to bargain in good faith are reported, including in the metallurgy sector and big international companies. Nevertheless, the agreement signed in March 2017 between the Teachers' Union (ESFTUG) and the Ministry of Education is a significant step after ten years of bitter dispute. There is still no inspection body tasked with monitoring and enforcing the application of laws relating to collective bargaining and freedom of association. Stakeholders report that the Government does not effectively enforce laws relating to freedom of association and is unable to enforce collective bargaining agreements. In addition, stakeholders report that the Government does not actively promote freedom of association or collective bargaining, including in State-Owned Enterprises. After a two-year standstill, the Tripartite Social Partnership Commission (TSPC) resumed activities, however, not on a regular basis. There are concerns that important policies are rushed through without adequate tripartite consultation. With ILO guidance, TSPC adopted its first ***Strategic*** ***Plan*** for 2016-2017. Its activity is now supported by a secretariat at the Department of Labour and Employment of the Ministry of Labour, Health and Social Affairs that meets more frequently (roughly four times per year) to prepare the discussions at TSPC meetings as do TSPC working groups. This has improved the work of the TSPC. However, involved stakeholders acknowledge the need for more intensive cooperation and regional structures. At the moment, the idea of establishing a regional structure in Adjara is being discussed. Tripartite social dialogue remains fragile, for example, trade unions recently left the TSPC. The intended ratification of the ILO Convention 144 on Tripartite Consultation would contribute to establishing social dialogue on firmer grounds. Abolition of Forced Labour (Conventions 29 and 105) There are no specific concerns about the scope of the legislation, which continues to prohibit all forms of forced or compulsory labour. In its 2013 report, the CEACR acknowledged that the Criminal Code provisions for sanctions, including correctional work as punishment for the violation of strike procedures, constitute a legal gap but are not enforced in practice. 9 Although cases of forced labour involving foreign workers in ***agriculture***, construction and domestic service have been identified in recent years, Georgia is more a source than a destination country for trafficking and forced labour. Georgia does not feature on the US Department of Labour's List of Goods ***Produced*** by Child or Forced Labour and fully meets the minimum standards for the elimination of trafficking according to both the 2016 and 2017 US State Department's Trafficking in Persons Reports. Georgia continued to take steps to prevent and address the issues. New amendments to the 2006 Law on Combating Human Trafficking entered into force on 1 January 2016. They notably expand the mandate of the Department for the Inspection of Labour Conditions for the detection and enforcement of preventative measures on forced labour and labour trafficking. All inspectors were trained for case identification. Yet, inspectors do not have the power to sanction and can only investigate notified cases. In 2016, 99 companies have been inspected and only one case was referred to the Ministry of Interior for further investigation. There remain concerns that more should be done to identify potential forced labour victims, particularly foreign workers in vulnerable sectors, and that actions to enforce trafficking legislation have focused almost exclusively on sexual exploitation. The number of investigations is increasing (16 in 2016 versus 10 in 2015). The low number of identified victims of forced labour (9 adult victims in 2015, none in 2016) could suggest that legal provisions are not utilised in practice. Investigation, prosecution and conviction need to be strengthened. Minimum Age for Work and Worst Forms of Child Labour (Conventions 138 and 182) The second National Child Labour Survey (NCLS) conducted in 2015 with ILO support was released in autumn 2016. It revealed that 4.2% of 5-17 year-old children are involved in child labour, the vast majority of them (63.9%) in hazardous work. Nearly 52% are 5-13 years old, which is below the minimum age permissible for light work. The vast majority of children (84%) engaged in child labour live in rural areas. The legal framework is largely in place regarding the minimum age for work, prohibition of child trafficking and sexual and commercial exploitation. Steps were taken to address the outstanding issue of a list of light/hazardous work for children. In October 2016, the Government requested ILO's assistance in developing such a list. On the legislative front, remaining issues are to extend the protection of the Labour Code to children working in the informal economy and to those performing unpaid work or working on their own account, and to lay down appropriate provisions on light work allowed for 14-16 year-old children. Numerous concerns remain on the inadequate enforcement of child labour legislation. The current labour inspection still has no supervision and inspection power for child labour, and there is no agency responsible for monitoring workplace violations of child labour legislation. As a result there are very few prosecutions. Children living and working on the street are a specific concern; their number and situations need to be better known and addressed through integrated strategies reducing their vulnerability and eliminating forced begging. 10 Elimination of Discrimination (Conventions 100 and 111) The legislation (Labour Code, Law on Gender Equality) is broadly in line with the conventions, but needs to be improved to capture the key concept of 'equal pay for work of equal value' and to include a specific definition and prohibition of direct and indirect discrimination at all stages of employment and occupation. Sex

ual harassment also needs to be defined. Progress is needed in developing and implementing gender-neutral job evaluation and more generally in ensuring that provisions for equal pay and prohibition of discrimination are effectively applied in practice. Georgia's ranking in the Global Gender Gap index is sliding (90 in 2016 against 82 in 2015 and 54 in 2006) due to a widening economic participation and opportunity gender gap in the labour market. Women's labour market participation remains below 60% and the gender gap doubled since 2011. Women's average monthly wages are now 38% lower than that of men. The 2017-2020 Single Support Framework integrates a clear focus on gender to allow the EU to support actively governmental actions addressing the issue, and provides many indicators to monitor expected concrete results in this respect. Whilst work to strengthen coordination, implementation and monitoring of gender equality policies continues, the underlying causes of the gender pay and economic gaps need to be addressed more decisively. Higher attention has to be given to promoting women's labour market participation and access to a wider range of employment opportunities in terms of both sectors and occupations. Discrimination in employment on the grounds of age, ethnicity and sexual orientation continues to occur in practice. Future actions and priorities Apart from the adoption of the draft occupational safety and health law, which contains relevant provisions relating to the re-introduction of the labour inspectorate, there is no major legal initiative announced by the Government. The Government will have to confirm its intentions to further progress towards an effective labour inspection system. Conclusions The legislative framework of Georgia remains broadly compatible with the ILO fundamental conventions. Nevertheless, some of the remaining gaps are not being addressed. The most important ones relate to freedom of association and collective bargaining, equal pay and protection against discrimination. There are no indications that these issues are considered in the amendments to the Labour Code currently under discussion. The absence of effective supervision and enforcement of labour standards and rights should be addressed. The only significant legal reform during the reporting period related to the finalisation of the draft occupational safety and health law. Its adoption would be a significant step towards an effective labour inspection as the absence of a fully-fledged labour inspection system 11 continues to be a major challenge for the realisation of core labour standards in Georgia. Capacity enhancement of relevant agencies, in particular, the existing labour inspectorate (through training of staff, notably inspectors, and if possible, through increased human resources) needs to continue and the understanding that this will not deter investment and job creation should grow. The ratification of ILO Convention 144 would be a welcome signal of all three sides' commitment to improving tripartite social dialogue. The Council of Europe's Group of Experts on Action against Trafficking in Human Beings (GRETA) in its report of March 2016 confirms that despite progress made the Georgian authorities need to undertake actions in the areas of, inter alia, timely identification of victims, assistance and compensation for victims, proactive investigation and awareness-raising. 2.3 UN Conventions on Environmental Protection and Climate Change (Conventions 16-23) Status of ratification and reporting Over the reporting period, Georgia maintained ratification of all GSP+ relevant conventions on environmental protection and climate change, without reservations but did not fully comply with its reporting obligations under CITES, the Basel Convention, the Stockholm Convention and the Cartagena Protocol. Georgia made a permissible declaration to the Convention on Biodiversity. Status of implementation of the conventions Convention on International Trade in Endangered Species of Wild Flora and Fauna (CITES) Georgia has submitted the 2013-2014 report and is working towards CITES 'category 1' status whereby its national legislation would finally ensure that trade in protected species is legal, sustainable and traceable. At the time of writing, the annual report for 2016 was foreseen to be submitted by the deadline of 31 October 2017. The biennial report for 2015-2016 is due. The Secretariat of the Convention has for more than two years conducted a preliminary analysis of the draft legislation, namely the draft Law on Biodiversity and draft sub-laws elaborated by the Ministry of Environment and Natural Resources Protection of Georgia. This draft law includes a chapter on international trade. It is assumed that the law will fill the gaps in the legislation necessary to move to category 1 once it is adopted. To finalise the CITES chapter of this draft law, the Biodiversity Division of the Department, which is the CITES Management Authority in Georgia, has sent it to the CITES secretariat and received comments to ensure full compliance. At the same time, in July 2017, an informal meeting was held with the legal officer of the Secretariat to discuss outstanding issues. Currently, the CITES Management Authority is revising the draft Law on Biodiversity as suggested by the Secretariat. It is supposed that the draft law will be submitted for adoption early 2018. 12 Training for enforcement officers was conducted in March 2017. Around 120 officers from the Customs service, as well as Environmental Inspection were trained by the national and international experts. A joint EU-Georgia proposal to include Caucasian Tur (Capra Caucasica) in Appendix II of the Convention (which includes species 'not necessarily threatened with extinction, but in which trade must be controlled in order to avoid utilization incompatible with their survival') was submitted for CITES COP17 (24 September to 5 October 2016). As a result of further negotiations, the proposal was accepted by consensus. Currently, the Ministry of Environment is seeking funding for a project to reassess the wild stock of snowdrops (Galanthus woronowii), which is an intensively traded plant species. The project should also involve monitoring of target populations, assess the socio-economic impact of trade and explore how the benefits of local communities can be increased. Basel Convention The draft law on import, export and transit of waste (to be submitted to the Parliament by the end 2017) is developed to meet the requirements of the Basel Convention. This law, prepared with EU technical expertise, aims at establishing terms, procedures and control mechanisms for import of waste into, export from and transit through Georgia in accordance with the Basel Convention. This would be commendable as the present legislation in place does not include any transit options. Convention on Biological Diversity (CBD) The 5th national report was submitted in 2015. Georgia has to submit the 6th national report by December 2018. Important steps were taken in order to achieve Aichi target 11 on the protected areas network. Aichi biodiversity targets are targets adopted by the CBD at COP10 in 2010 under the ***strategic*** ***plan*** for biodiversity 2011-2020. The aim of the Aichi target 11 is the expansion of the protected areas network and its management effectiveness. Currently, the protected areas network, corresponding to the International Union for the Conservation of Nature (IUCN) categories, covers 8.6% of the country's terrestrial area. Moreover, the establishment of several new protected areas is ***planned***. Besides expansion of the existing network, work is being undertaken for the establishment of the Emerald Network under the Bern Convention and EU-Georgia Association Agreement, which goes far beyond existing protected areas and contributes to achieving Aichi target 11. Considering the challenge related to the lack of financial resources in the process of implementing the National Biodiversity Strategy and Action ***Plan*** (NBSAP), Georgia expressed its interest in participating in the UNDP initiative BIOFIN. The project started in 2016. The inception report and institutional and policy review report have been prepared. Expenditures on NBSAP activities and funding needs were assessed. It is expected that a sustainable financial mechanism for resource-mobilisation will be delivered by the end of the project in 2018. The draft law on biological diversity is almost finalised and ***planned*** to be adopted in 2018. After the Regulatory Impact Assessment (RIA), the draft law will be open for discussions. More effective mechanisms for species and habitats will be adopted with this draft law regarding plant, animal and habitat which will be harmonised with EU legislation. The draft 13 law also covers new issues such as access to genetic resources and benefit sharing (ABS). It is supposed that Georgia will start the ratification process for the Nagoya Protocol in parallel to the adoption of the draft law. The Integrated Biodiversity Management in South Caucasus (IBIS), funded by GIZ, supports activities to ensure mainstreaming biodiversity into different sectors. The UNDP project 'Enhancing Environmental Monitoring and Reporting in Georgia' aims to support the country in establishing a national system for better management of environmental information and monitoring. Stockholm Convention on Persistent Organic Pollutants Georgia submitted the required National Implementation ***Plan*** (NIP) but did not submit any of the required updates needed to address developments under the Convention. Georgia submitted the 2nd and 3rd national reports on implementation. Georgian authorities reported progress in fulfilling the 2011-2015 Persistent Organic Pollutants (POP) National Implementation ***Plan*** aiming to develop efficient strategies of POP management in the country as well as ensuring protection of human health and the environment through implementing sustainable policies. Within the scope of the Global Environmental Facility (GEF) funded project 'Review and Update of the National Implementation ***Plan*** for the Stockholm Convention on Persistent Organic Pollutants (POPs) in Georgia 2015-2017', implemented by UNEP in cooperation with the Georgian Ministry of Environment and Natural Resources Protection (MENRP), the new POPs inventory and an assessment of the existing ***plan*** as well as public awareness raising regarding POPs have been carried out. Moreover, the second NIP was drafted and now needs to be submitted to the Government for approval. On 2-16 April 2017, an additional 208 tons of POPs pesticides were collected, packed and sent to France for disposal in the context of the Food and ***Agriculture*** Organisation of the UN (FAO) and EU project 'Improving Capacities to Eliminate and Prevent Recurrence of Obsolete Pesticides as Model for Tackling Unused Hazardous Chemicals in the Former Soviet Union'. Also, awareness raising activities have been carried out. To meet the requirements of the Rotterdam and Stockholm Conventions and to implement the Regulation (EC) No 689/2008 of the European Parliament and of the Council of 17 June 2008 concerning the export and import of dangerous chemicals, the Governmental Decree N263 On Rule of Import and Export of Certain Hazardous Chemicals and Pesticides and Implementation of Prior Informed Consent Procedure has been adopted by the Government in 2016. Cartagena Protocol on Biosafety The 3rd national report was sent to the CBD Secretariat in 2015. However, the first national report has not been submitted to date. In 2015, the Law on Living Genetically Modified Organisms was amended and Georgia was announced as a zone free from living modified organisms (LMOs), which means that imports of LMOs are prohibited. The law allows only transit of LMOs and their use in closed systems (for example laboratories). 14 Conventions on Climate Change Georgia maintains exceptionally low greenhouse gas (GHG) emissions per capita due to its hydro-based electricity generation (even if only 14% of the hydro potential is used, providing 80% of total electricity generation in 2011). Moreover, according to the 3rd National Communication to the United Nations Framework Convention on Climate Change (UNFCCC), GHG emissions from Georgia in 2011 already constituted only 34% of 1990 emissions level. National GHG emissions of Georgia represent approximately 0.03% of global emissions. In recent years, hydrochlorofluorocarbons (HCFC) import quotas in line with Montreal Protocol requirements and optimisation of the regulatory issues around import/export permits were introduced. In particular, a technicians' certification system and controls of the application of better servicing methods were implemented. Georgia still needs to ratify the Kigali amendment to the Montreal Protocol on hydroflourocarbons (HFCs) for which relevant intergovernmental procedures need to start in the near future. Concerning the implementation of the UNFCCC, Georgia submitted to the UNFCCC Secretariat its 3rd National Communication on 24 February 2016 and its 1st Biennial Update Report on 18 July 2016. In 2017, the project for the preparation of the 4th National Communication and 2nd Biennial Update Report was approved by the Government in accordance with decree N 951 of 18 May. On 21 February 2017, the Government approved the Paris Agreement, which entered into force on 7 June 2017. Furthermore, the preparation of the Low Emission Development Strategy was extended until 2017. By the end of 2015, Georgia completed the preparation phase of its two nationally appropriate mitigation actions and submitted proposals to the Nationally Appropriate Mitigation Actions (NAMA) registry web portal. Conclusions Georgia is committed to implement the obligations under the international conventions and to improve the compliance of national legislation with their requirements. In order to implement the requirements of CBD, Georgia ***plans*** to submit the 6th national report by December 2018 at the time of writing. Financial assistance for the elaboration of the report is requested from GEF. Furthermore, Georgia is eager to reflect the CITES requirements as well as the COP decisions and recommendations in the national legislation, particularly in the upcoming new Law on Biodiversity. Moreover, the MENRP is currently working on the establishment of a unified system of biodiversity monitoring and is ***planning*** to start the ratification process for the Nagoya Protocol. 15 With regards to the Stockholm Convention, the MENRP ***plans*** to submit the second NIP to the Government for approval by the end of 2017. The Law on Import, Export and Transit of Waste is also ***planned*** to be submitted to the Parliament by the end of 2017. It will contribute to the implementation of the requirements of the Basel Convention. In order to support global efforts towards GHG reduction by 2020, Georgia started the process of ratification of the Doha amendment. To comply with the requirements of the Paris Agreement and to raise the level of ambition, Georgia aims to submit a revised Nationally Determined Contribution (NDC) to the UNFCCC Secretariat by 2019. It is envisaged to develop a National Adaptation ***Plan***. Finally, the implementation of the HCFC Phase out Management ***Plan*** (HPMP) is among the priority issues for the Ministry to ensure the achievement of the Montreal Protocol target on reduction of HCFC consumption by 35% in 2020. Georgia has started the relevant procedures and intends to ratify the Kigali amendment to the Montreal Protocol on hydrofluorocarbons (HFCs). 2.4 UN Conventions on Good Governance (Conventions 24-27) Status of ratification and reporting During the reporting period, Georgia maintained ratification of the GSP+ relevant conventions on drugs and corruption and remained up to date with its reporting requirements. Georgia is a priority country for the South Caucasus sub-region on the basis of good cooperation during the previous phase of the Heroin Route ***Programme*** and the expressed commitment of the authorities to cooperation. In January 2017, the EU included Georgia in the Project 'EU-ACT: EU Action against Drugs and Organised Crime'. EU-ACT succeeds EU's Heroin Route ***Programme***, financed by the long-term component of the Instrument Contributing to Stability and Peace during 2017-2020. Through EU-ACT, Georgia may be assisted in three ways: 1) National Policy and Operational Responses for five priority countries identified from each sub-region, 2) a Technical Assistance Facility for short-term technical advice to non-priority countries across the whole geographical scope of the variant 'Heroin Route' trajectories, 3) Cooperation Initiatives for trans-regional, international cooperation and operational activities across borders. Status of implementation of the conventions UN Conventions Fighting Illegal Drugs The main issues regarding Georgia's implementation of these conventions in 2015-2016 were the adoption and implementation of a National Anti-Drug Strategy, the regular assessment of the extent of drug use, incidence and prevalence, and the invoking of the country's rights to require pre-export notification for all substances included in Tables I and II of the Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances. 16 In November 2015, a memorandum of understanding was signed between Georgia and the European Monitoring Centre for Drugs and Drug Addiction (EMCDDA). The agreement between EMCDDA and the Ministry of Justice provides for exchange of technical expertise and knowledge between the two institutions, co-sponsoring of technical meetings and pooling of human and financial resources to launch joint ***programmes***. This will help Georgia put in place a ***strategic*** approach to drug prevention and rehabilitation. The Inter-Agency Coordinating Council for Combating Drug Abuse adopted the new National Anti-Drug Action ***Plan*** for 2016-2018 at the Council meeting held on 20 December 2016. As for precursors, the Decree on the Approval of the Rules of Import/Export of Precursors was approved by the Government on 1 July 2016. UN Convention against Corruption (UNCAC) Transparency International's 2016 Corruption Perception Index ranked Georgia number 44 out of 176 countries, with a perceived level of public sector corruption score of 57 out of 100 (whereby zero means 'highly corrupt'). This marks an improvement compared to previous years when Georgia scored 52. A 2012 assessment of Georgia's compliance with UNCAC's requirements, focusing on criminalisation and international cooperation, was largely positive. No assessment has been conducted since then. The next assessment is expected to take place in 2018 or 2019, with a focus on prevention and assets recovery. On 28 October 2015, the Georgian Government adopted a new Law on Civil Service which aims among other things at the depoliticisation of the civil service – a benchmark under the Visa Liberalisation Action ***Plan*** (VLAP) requirements on anti-corruption. A specialised anti-corruption unit within the office of the Chief Prosecutor was set up in January 2015. Georgia has established a regular updating and monitoring of the national anti-corruption strategy and action ***plan***. In April 2017, Georgia's Anti-Corruption Council adopted the revised national Anti-Corruption Strategy and the new Action ***Plan*** for 2017-2018. Both remain to be approved by the Government. The strategy has been broadened to include new areas, such as corruption at local level. Further amendments to the Law on Conflict of Interest and Corruption in Public Service were made in 2015 as part of the VLAP requirements, focusing on whistleblowing and effective monitoring of assets declarations by public officials. The provisions related to the monitoring of asset declarations came into force in January 2017. There were also progress assessments of the country as part of the OECD Anti-Corruption Network Monitoring Rounds. The 4th monitoring round was carried out in 2016. It reassessed 13 out of the 15 previous recommendations (from the 3rd round), and concluded with full or partial compliance for 12 out of 13 recommendations (identical to the previous assessment). In addition, the assessment included an in-depth study of public procurement in infrastructure projects. The 4th monitoring round report now includes 22 recommendations: 19 new and 3 previous that remain valid. In 2016, the 4th Evaluation Round of the Council of Europe's Group of States against Corruption (GRECO), covering prevention of corruption with respect to members of Parliament, judges and prosecutors, concluded with 16 recommendations. One important aspect highlighted in the 4th Evaluation Round is the effective verification of asset declarations, for which the necessary legal provisions came into force on 1 January 2017. 17 However, they need more strict enforcement. Both international assessments command Georgia's efforts and successes in significantly reducing petty corruption. Conclusions Georgia proved its commitment to effective implementation of the UN conventions fighting illegal drugs. Still, the National Drugs Monitoring Centre remains to be established. Georgia demonstrated continued anti-corruption efforts and is encouraged to fully implement the GRECO and OECD-Anti-Corruption Network recommendations. They have called for addressing high-level and more complex types of corruption. At the same time, Georgia's achievements in that area, when compared to those of its neighbours, are exceptional and reflected in international rankings. 18 3. Trade and Economy 3.1 Trade Picture In 2016, Georgia's GDP grew by 2.7%, following a growth rate of 2.9% in 2015. According to the IMF, in 2017, Georgia's GDP is projected to grow by more than 4%, on the back of a faster than expected recovery in both external and domestic demands as well as increased investment. An agreement with the IMF in April 2017 on a three-year ***programme*** worth $285 million to underpin economic reforms and encourage investors also restored confidence. The largest share in the sectoral structure of GDP is held by industry (17%) and trade services (16%), followed by transport and communication services (10%), ***agriculture***, forestry and fishing (9%), public administration (9%), construction (8%), real estate, renting and business activities (7%), and health and social work (6%). An improved business environment, sustained growth rates, and relatively moderate inflation were the results of the first generation of reforms that started a decade ago. Recent challenges for Georgia's economy include socioeconomic vulnerabilities such as the ongoing fiscal consolidation which could weaken domestic demand, as well as persistently high unemployment due to the mismatch in skills and large regional disparities. Georgia also remains vulnerable to external shocks due to external imbalances (notably, a large current account deficit and significant external debt) and the decreasing but still high dollarization of the financial sector. In 2016, total bilateral EU-Georgia trade decreased by 2.3% year-on-year and reached EUR 2.5 billion. EU imports from Georgia amounted to around EUR 513 million. This marks a decrease of 25% compared to 2015 when EU imports from Georgia totalled around EUR 736 million. The decrease in EU imports from Georgia is nominal, driven by changes in the prices of Georgia's exports of mineral fuels (-81%), nuts (-8%), fertilizers (-60%), and mining products (-4%). Those four products account for almost 60 % of total Georgian exports to the EU. The value of EU exports to Georgia slightly increased by 6.7% to EUR 2 billion. EU exports to Georgia are concentrated on machinery appliances and mineral products . According to Eurostat data, in 2016, the EU was Georgia's key trading partner, with a 30% share in its total trade (27% before the entry into force of the DCFTA), followed by Canada (15%), Turkey (around 13%), Russia (about 7%), China (6%) and Azerbaijan (over 5%). Trade with Georgia accounts for 0.1% of EU's total trade. Main EU importers from Georgia are Bulgaria, Italy and Germany. 3.2 GSP+ Statistics Figures 1-3 below describe Georgia's utilisation of GSP+ in the context of the EU's overall imports from Georgia. In 2016, out of total EU imports from Georgia, 48% (EUR 244 million) qualified for trade preferences under GSP+. Out of this figure, 1% (EUR 6.6 mio) entered the EU effectively using GSP+. In 2014, 16% (EUR 100 million) of total EU imports from Georgia had used GSP+. Since the provisional application of the EU-Georgia DCFTA in 2014, EU imports from Georgia under GSP+ have decreased by 93%. Georgia's utilisation rate of GSP+ has been constantly declining. This reflects the transition from GSP+ to trade under the DCFTA. 19 Source for all statistics: Eurostat data as of September 2017. Figure 1 Georgia - Imports to the EU, 2014-2017 Figures in thousand EUR 2014 2015 2016 2017 (Q1-2) Trend 2014-2016 Total imports to EU 621,360 688,607 513,241 334,060 -17.4% GSP+ eligible imports 213,860 312,638 244,174 0 14.2% GSP+ preferential imports 100,401 31,302 6,562 0 -93.5% GSP+ utilisation rate 46.9% 10.0% 2.7% N/A -94.3% Figure 2 20 Figure 3 21 ANNEX Georgia – Treaty Ratification and Reporting Convention Status of ratification / reservations1 Compliance with reporting obligations to monitoring bodies 1. Convention on the Prevention and Punishment of the Crime of Genocide Accession: 11.10.1993 No reservations No reporting obligations 2. International Convention on the Elimination of All Forms of Racial Discrimination Accession: 02.07.1999 No reservations Compliant with reporting obligations Latest report submitted on 03.07.2014 Next report due on 02.07.2020 3. International Covenant on Civil and Political Rights Accession: 25.01.1994 No reservations Compliant with reporting obligations Latest report submitted on 25.06.2012 Next report due by 31.07.2019 4. International Covenant on Economic, Social and Cultural Rights Accession: 25.01.1994 No reservations Lack of compliance with reporting obligations Last report was due on 30.06.2007 Latest national report submitted on 19.06.2001 5. Convention on the Elimination of All Forms of Discrimination against Women Accession: 22.09.1994 No reservations Compliant with reporting obligations Latest report submitted on 27.06.2012 Next national report due on 01.07.2018 6. Convention against Torture and Other Cruel, Inhuman or Degrading Treatment or Punishment Accession: 22.09.1994 No reservations Lack of compliance with reporting obligations Last report was due in 2011. Latest national report submitted on 24.11.2003 7. Convention on the Rights of the Child Accession: 21.04.1994 No reservations Compliant with reporting obligations Latest national report published on 27.06.2016 8. Convention concerning Forced or Compulsory Labour, No. 29 Ratification: 1993 Compliant with reporting obligations Latest CEARC comments: Direct Request 2016. 9. Convention concerning Freedom of Association and Protection of the Right to Organise, No. 87 Ratification: 1999 Compliant with reporting obligations Latest CEACR comments: Direct Request 2014, Observation 2014. 10. Convention concerning the Application of the Principles of the Right to Organise and to Bargain Collectively, No. 98 Ratification: 1993 Compliant with reporting obligations Latest CEACR comments: Direct Request 2014, Observation 2014. 11. Convention concerning Equal Remuneration of Men and Women Workers for Work of Equal Value, No. 100 Ratification: 1993 Compliant with reporting obligations 1 Reservations do not apply in the ILO system, so there is no relevance to providing information on reservations under each of these conventions. 22 12. Convention concerning the Abolition of Forced Labour, No. 105 Ratification: 1996 Compliant with reporting obligations Latest CEACR comments: Direct Request 2016 13. Convention concerning Discrimination in Respect of Employment and Occupation, No. 111 Ratification: 1993 Compliant with reporting obligations 14. Convention concerning Minimum Age for Admission to Employment, No. 138 Ratification: 1996 Compliant with reporting obligations Latest CEACR comments: Direct Request 2015 15. Convention concerning Minimum Age for Admission to Employment, No. 182 Ratification: 2002 Compliant with reporting obligations 16. CITES Accession: 13.09.1996 No reservations Lack of compliance with reporting obligations Biennial Reports for 2015-2016 due. Annual Report for 2016 due. Latest Annual Report submitted on 09.08.2016 17. Montreal Protocol Accession: 21.03.1996 No reservations Compliant with reporting obligations Most recent annual data for 2016 was submitted. 18. Basel Convention Accession: 20.05.1999 No reservations Lack of compliance with reporting obligations Latest (2013 annual) report submitted 22.01.2015 National report for 2005 still due. 19. Convention on Biological Diversity Accession: 02.06.1994 No reservations Georgia made a declaration to the CBD at accession.2 Compliant with reporting obligations Revised National Biodiversity and Action ***Plan*** submitted on 26.09.2014 Latest (Fifth National) Report submitted on 10.06.2015 20. UN Framework Convention on Climate Change Accession: 29.07.1994 No reservations Compliant with reporting obligations First National Communication submitted on 10.08.1999 Second National Communication submitted on 02.10.2009 Third National Communication submitted on 24.02.2016 First Biennial Update report submitted on 18.07.2016 21. Cartagena Protocol on Biosafety Accession: 04.11.2008 No reservations Lack of compliance with reporting obligations First National report not submitted. Second National report submitted on 22.11.2013 Third National report submitted on 05.11.2015 2 Under the GSP Regulation this declaration is permissible, as it is not prohibited by the Convention and for GSP+ purposes is not considered to be incompatible with the object and purpose of the Convention as it does not meet criteria of point (c) of Article 9(1). 23 22. Stockholm Convention Ratification: 04.10.2006 No reservations Lack of compliance with reporting obligations First National Report not submitted. Second National Report submitted on 03.11.2011 Third National Report submitted on 03.09.2014 23. Kyoto Protocol Accession: 16.06.1999 No reservations No reporting obligations 24. UN Single Convention on Narcotic Drugs Accession: 27.03.2000 No reservations Reviewing is fulfilled by the International Narcotics Control Board (INCB). 25. UN Convention on Psychotropic Substances Accession: 08.01.1998 No reservations 26. UN Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances Accession: 08.01.1998 No reservations 27. UN Convention against Corruption Accession: 04.11.2008 Georgia made a reservation to this Convention.3 Reviewing is fulfilled by the UN Office on Drugs and Crime (UNODC). Latest UNODC review executive summary and UNODC country review published on 30.05.2012 3 Under the GSP Regulation this reservation is permissible, as it: (a) is not prohibited by the Convention; (b) for GSP+ purposes is not considered to be incompatible with the object and purpose of the Convention as it does not meet criteria of point (c) of Article 9(1). The Convention does not set out a process for determination of the incompatibility with the object and purpose of the Convention. Therefore provisions of Article 9(1)(c)(ii) are applied to determine whether the reservation is incompatible with the object and purpose of the Convention. No EU Member State objected to the reservation opposing the entry into force of the Convention between them and Georgia.

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[***Namibia Monthly Briefing March 2018***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5T1T-KKW1-DYRW-V10H-00000-00&context=1516831)

ARC Briefing Namibia

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**Body**

**ABSTRACT**

***The government appears set to abandon a provision in the National Equitable Economic Empowerment Framework (NEEEF) for historically disadvantaged Namibians (HDNs) to hold compulsory 25% minority stakes in all Namibian firms. Mines and energy minister Tom Alweendo sets out pro-investor policies for mining. Xaris Energy Namibia loses the contract to build a 200-250 MW gas plant at Walvis Bay. The 2018/19 budget deficit is to be lower but public debt keeps climbing. Year-on-year inflation falls to a new low of 3.5%. France-based car manufacturer Groupe PSA plans to open an assembly plant in Walvis Bay. Canada-based lithium producer Desert Lion Energy (DLE) signs an off-take agreement with China-based chemical converter Jiangxi Jinhui Lithium Co. covering the purchase of lithium concentrate from stockpiles at its Helicon and Rubicon project area near Karibib.***

**FULL TEXT**

**BEE 25% minority ownership stakes to be dropped...**

Although it is not yet official, all the signs indicate that the **Namibia** government will abandon the most controversial provision of its **National Equitable Economic Empowerment Framework** (**NEEEF**) - so-called BEE (Black Economic Empowerment) law - (see ARC Briefing Namibia December 2017, January 2018). ARC sources have learned that the government will exclude the current clause providing for compulsory 25% minimum equity stakes in all Namibian firms, whether local (including black-owned) or foreign, to be transferred to BEE entities and individuals, also known as historically-disadvantaged Namibians (HDNs). In his opening statement to a cabinet NEEEF workshop on 27 February, President **Hage Geingob** (2015-present) said the government would have to revisit the results of the extended stakeholder consultation process on the draft law, along with feedback on key policy and legal issues, which may need to be "revised, replaced or even discarded".[[6]](#footnote-7)1 Geingob reiterated that implementation of BEE measures was urgent and commended those firms that had done so on a voluntary basis. Local media reported that following a robust debate during the workshop, the consensus was that the 25% clause should be removed in place of broad-based empowerment that will include all communities in Namibia.[[7]](#footnote-8)2

The technical committee is expected to present a final draft soon for adoption by the cabinet. **Law Reform and Development Commission (LRDC)** chair **Yvonne Dauseb** said her agency - which is responsible for legal drafting - and the **Office of the Prime Minister** (**Saara Kuugongelwa-Amidhila**, who is responsible for implementing NEEEF) made proposals to revise the bill based on public consultations:

"*The proposals for revision include what the ownership equity pillar could look like. However, at this stage I am not at liberty to tell you what that proposed change will be. Cabinet must first pronounce itself before any changes can be effected to the current bill*."[[8]](#footnote-9)3

Another pointer were the policy guidelines that new mines and energy minister **Tom Alweendo** set out for the mining sector on 15 March in order to ensure both mining and energy continue to contribute significantly to national development and growth objectives.[[9]](#footnote-10)4 Alweendo, a leading pragmatist in the cabinet, acknowledged that Namibia needs to improve its competitiveness as an investment destination in order to attract global capital into the mining sector:

"*We can benefit from our mineral endowments only when we are able to attract the needed investment capital. We are competing with other jurisdictions that are tapping into the same global capital market. It is for this reason that we will continue to review our policy framework to ensure that we have the right regulatory framework that is able to attract the necessary investment capital*."[[10]](#footnote-11)5

It will need a follow-through in terms of policy measures for these principles to have a practical impact on investor sentiment, but local mining sources told ARC they are hopeful.[[11]](#footnote-12)6

**Xaris finally loses power station contract**

Would-be power supplier **Xaris Energy Namibia** - an apparent subsidiary of **South Africa based Xaris Holdings** - finally appears to have lost a controversial N$5 billion ($0.4 billion) contract to build a 200-250 MW gas plant at **Walvis Bay**. The **Namibia Power Corp.** (**NamPower**) had named Xaris as a preferred bidder in 2014 (see *ARC Briefing Namibia December 2015, January, February 2016*). Imported liquefied natural gas (LNG) would have supplied the plant. Alweendo confirmed on 1 March that the NamPower board had informed him in late February that they had terminated the tender in favour of Xaris.[[12]](#footnote-13)7

The contract has been a potential embarrassment to Geingob. Namibia's new vice-president, **Nangolo Mbumba**, and his family are part-owners of the company, along with entrepreneur **Boni Paulino**, a former general manager of the **Namibia Financial Institutions Supervisory Authority** (**NAMFISA**). Mbumba publicly confirmed his shareholding in Xaris in answering media questions when being sworn in as vice president on 12 February.[[13]](#footnote-14)8 Mbumba claimed that his business affairs would not cause a conflict of interest because he had already declared these to Geingob, although he reportedly omitted to name his Xaris shareholding in the recently-published, updated members of parliament (MPs) asset register for 2015 and 2016. Mbumba acknowledged he had business interests in Xaris,

"... *but it is a dormant thing now, stopped by those who have the power*".[[14]](#footnote-15)9

The precise circumstances remain murky. The current NamPower board, headed by businesswoman **Kauna Ndilula**, had been persistently secretive about the status of the Xaris tender and Alweendo said only "*the board briefed me on their decision to terminate the Xaris matter*".[[15]](#footnote-16)10 However, energy ministry officials briefed that Alweendo was convinced that NamPower had selected Xaris irregularly.[[16]](#footnote-17)11 Alweendo's predecessor, **Obeth Kandjoze**, had announced the cabinet's approval of the tender award to Xaris at the end of 2015 but then appeared to have doubts.[[17]](#footnote-18)12

There were originally four other short-listed contenders for the project, including **Arandis Power**. Nampower is reported to have sent cancellation letters to both Xaris and Arandis.[[18]](#footnote-19)13 Arandis lodged an affidavit with the **Windhoek High Court** in early 2016 in a bid to set aside the award to Xaris as irregular and both firms are contesting the termination, which could prove expensive for the government.[[19]](#footnote-20)14 On its website Xaris claims to have spent approximately N$400m on the project, a figure that independent experts describe as inflated.[[20]](#footnote-21)15

**Budget deficit set to fall but development spending boosted**

Finance minister **Calle Schlettwein** went some way to reassure the financial markets that fiscal consolidation remains on track in the 2018/19 budget tabled on 7 March. In terms of the budget, total spending would decrease modestly to N$65.0 billion ($5.2 billion) this fiscal year, down 2.3% on the N$66.5 billion ($5.3 billion) revised estimate for 2017/18.[[21]](#footnote-22)16 At the same time, to provide a counter-cyclical boost to the economy, development spending is being raised from N$5.6 billion ($0.4 billion) in 2017/18 to N$7.3 billion ($0.6 billion) in 2018/19, a 30% increase. The current strategy is pro-growth fiscal discipline. It remains to be seen whether this will be sufficient to avert any further credit rating downgrades. This is likely, but restoring ratings agency **Fitch**'s rating from the current BB- junk status to investment grade BBB- is the real prize.

Development spending is projected to reach N$8.1 billion ($0.7 billion) in 2020/21, the final year of the new, rolling three-year medium-term expenditure framework (MTEF), enhanced by off-budget borrowing. This is to include N$4 billion ($0.3 billion) from the existing **African Development Bank** (**AfDB**) loan facility, along with some N$10 billion ($0.8 billion) in proposed bilateral concessional loans over the next five years. But the budget deficit will reduce to 4.5% of GDP, down from 5.4% in 2017/18.

The national debt position is less encouraging. Overall budget financing requirements will take the total debt stock to an estimated N$84.6 billion ($6.8 billion) or 48.5% of GDP in 2018/19.[[22]](#footnote-23)17 This represents a 14% increase on the total estimated debt stock of N$74.5 billion ($6.0 billion), 43.3% of GDP, in 2017/18. Over the current MTEF period, total debt would average around 46.1%, still uncomfortably high. Along with weak GDP growth, this is likely to be the main impediment to a credit rating upgrade in the near term.

Key tax measures included reducing the basic rate of individual income tax from 18% to 17%, introducing higher income tax rates of 39% and 40% for those earning above N$1.5m ($0.1m) and N$2.5m ($0.2m) respectively, and levying 10% tax on dividends paid to Namibian residents. Schlettwein said the increased tax rates for higher earners and reduction for low earners represented implementation of the ***planned*** solidarity wealth tax.[[23]](#footnote-24)18

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Government finances 2017/18 to 2020/21 (N$billion)**[[24]](#footnote-25)19 | | | | |
|  | **2017/18**[[25]](#footnote-26)20 | **2018/19** | **2019/20** | **2020/21** |
|  | **(revised estimate)** | **(estimated)** | **(projected)** | **(projected)** |
| Revenue | 53.7 | 53.3 | 54.5 | 57.6 |
| Income/profits taxes | 21.2 | 22.2 | 23.7 | 25.1 |
| SACU receipts | 19.6 | 17.4 | 16.2 | 17.0 |
| Expenditure | 66.1 | 65.0 | 65.7 | 66.3 |
| Recurrent | 55.4 | 51.2 | 51.2 | 51.4 |
| Personnel | 25.8 | 30.6 | 30.3 | 30.1 |
| Capital | 5.6 | 7.3 | 7.8 | 8.2 |
| Debt interest payments | 5.0 | 5.8 | 6.2 | 6.5 |
| Budget balance | -9.2 | -8.3 | -7.9 | -5.0 |
| % of GDP | -5.4 | -4.5 | -4.0 | -2.3 |
| Total public debt | 74.5 | 83.7 | 92.7 | 99.1 |
| Domestic | 48.6 | 53.9 | 60.3 | 64.3 |
| Foreign | 25.9 | 29.8 | 32.5 | 34.9 |
| % of GDP | 43.0 | 45.0 | 46.0 | 45.0 |

**Real growth forecasts trimmed back further**

The finance ministry estimates the economy recorded 0.4% negative growth last year and further revised down forecast growth rate for 2018.[[26]](#footnote-27)21 The 2017 GDP growth rate figure will be published at the end of this month by the **Namibia Statistics Agency (NSA)** in its preliminary annual national accounts for last year. While the finance ministry projects the economy will recover this year, growth will be only 1.2%, down from the 3.7% forecast in the 2017/18 mid-year budget review last October. In 2019, growth is projected to expand to 2.1%, still only one-third the average annual growth rate achieved in 2014-15. Mining is identified as the main growth driver this year, reflecting the continued ramp-up of the **Husab** mine to full capacity, along with higher rough diamond, gold and cathode copper output. Erratic rainfall since the start of the wet season last November is a threat to the ***agriculture*** sector. However, prospects for the crucial millet harvest in northern Namibia improved earlier this month with a weekend of rainfall after a month's dry spell.

In his budget statement, Schlettwein noted that Namibia's current low growth environment was depressing growth in per capita incomes, necessitating "*supportive policy* ***interventions***" to stimulate growth. These will include the proposed new concessional bilateral loans to fund development projects and priority infrastructure upgrades.[[27]](#footnote-28)22

**Inflation falls to a new low**

The **Consumer Price Index** rose slightly by 3.5% year-on-year (y/y) in February, from 3.6% in January, less than half the rate (7.8%) of a year earlier, and the lowest increase since November 2015.[[28]](#footnote-29)23 The foreign exchange value of the South African rand, to which the Namibia dollar is linked at par, has remained resilient. This has continued to restrain growth in the cost of Namibia's imports, including food and consumer goods.

Inflation for food and non-alcoholic beverages - at 16.5% the second-largest weighted component of the **National Consumer Price Index (NCPI)** basket - was unchanged on the previous month at 2.0% y/y; prices for bread and cereals, oil and fats continued to fall, but those for meat, fish and fruit increased.[[29]](#footnote-30)24 Inflation for housing and utilities, with the biggest NCPI basket weighting at 28.4%, fell to 3.2% y/y from 3.6% in January; rental payments inflation continued to be subdued at 2.5%.[[30]](#footnote-31)25 Price rises for the sub-category electricity, gas and other fuels slowed to 5.7%, from 8.5% previously. Transport inflation (14.3% of the basket) moved up to 6.6% y/y from 6.3% in January; the cost of operating vehicles rose by 7.3%, up from 6.7% in January, and that for purchasing vehicles rose by 8.2% (6.7% previously). Having remained at around the mid-60s **United States (US)** dollar per barrel since the start of the year, the global oil price spiked up to $70 per barrel on 23 March (benchmark Brent crude) in response to rising interest rates and fears of a world trade war after US President **Donald Trump** (2017- present) imposed $60 billion in tariffs on **Chinese** imports the previous day.[[31]](#footnote-32)26 The impact of higher oil prices would be partially cushioned as long as significant local currency depreciation does not resume. **Windhoek** stockbroker **IJG Namibia** said inflation could come down further in the coming months, "*if the currency remains strong and stable"*.[[32]](#footnote-33)27

**French cars to be assembled in Walvis Bay**

In a major boost to Namibia's efforts to expand manufacturing to diversify the economy, **France**-based car manufacturer **Groupe PSA** is establishing a vehicle assembly plant at Walvis Bay. Both **Peugeot** and **Opal** cars will be assembled from imported semi-knockeddown (SKD) kits.[[33]](#footnote-34)28 The estimated N$190 million ($15.2m) investment is a 49%/51% joint venture with Namibia's **National Development Agency** (**NDA**); approximately N$50m ($4m) is for the plant and N$140m ($11.2m) for buildings and infrastructure. The intention is to assemble 5,000 vehicles per year by 2020. Initially the Opel Grandland X and Peugeot 3008 models will be the first ***produced***, for export mainly to the **Southern African Customs Union (SACU)** member states: South Africa, **Botswana, Lesotho** and **Swaziland** (plus Namibia). Trade within the SACU is duty-free; South Africa, with its own extensive car assembly sector, is the major vehicles market.

According to PSA regional executive J**ean-Christophe Quemard**, the investment is part of a long-term strategy by Groupe PSA to increase its sales in **Africa** and the **Middle East**, "*consistent with our target to sell one million vehicles [there] in 2025*".[[34]](#footnote-35)29 Namibia's ambassador to France, **Frieda Nangula-Ithete**, said the investment had been in the works since early 2015 when PSA first indicated their interest in setting up in Namibia. She commented:

"*Right from the beginning the embassy thought of the* ***strategic*** *area of Walvis Bay for the setting up of the assembly plant because of the existing infrastructure, notably the deep-water port and all its industrial facilities, enabling worldwide shipments and railway transport of goods in all SADC countries*."[[35]](#footnote-36)30

The terms of the joint venture with the NDA have not been disclosed, nor the fiscal concessions offered by the government to PSA to secure the investment. But it is probable the plant will be granted export credit zone (EPZ) status, under which zero income tax and value-added tax is charged, and customs duty on imported machinery and equipment is waived, provided most products are exported, as these would be. In this case, PSA has got in just in time as the government is phasing out the EPZ regime. Schlettwein announced in his 2018/19 budget statement that the existing EPZ Act will be repealed and replaced by new Special Economic Zones (SEZs). Existing EPZ firms, numbering about 15 and including the **Skorpion Zinc Refinery** (owned by India-based steel firm **Vedanta**) in the south and the **Tsumeb copper smelter** (owned by **Canada**-based **Dundee Precious Metals**) in the northeast, will have the option of retaining their current status or migrating to the new regime, the details of which are still pending.[[36]](#footnote-37)31

**New lithium *producer* signs offtake deal with China**

Namibia is now plugged into the global lithium industry where growth in electric vehicle sales is the main demand driver. Newcomer Canada-based **Desert Lion Energy** (**DLE**), signed an off-take agreement on 6 March with China-based chemical converter **Jiangxi Jinhui Lithium Co**. covering the purchase of phase 1 production of lithium concentrate from stockpiles at its **Helicon** and **Rubicon** project area near **Karibib**, west-central Namibia.[[37]](#footnote-38)32**Yinchuan**-based Jinhui ***produces*** lithium carbonate and hydroxide and has made a $4.5m pre-payment to DLE, which aims to process 150,000 to 160,000 tonnes of lithium concentrates for sale over the next 12 to 18 months.[[38]](#footnote-39)33 The first 30,000 tonne shipment is due to be delivered from Walvis Bay from mid-April; Jinhua has agreed to buy all stockpiled material containing not less than 2.0% lithium oxide up to a maximum of 120,000 tonnes containing not less than 1.7% lithium oxide.[[39]](#footnote-40)34 DLE is focused on building Namibia's first large-scale lithium mine some 30 kilometres south east of Karibib. The historic Rubicon and Helikon mines - where amblygonite, lepidolite, petallite, bismuth and beryl were mined intermittently from the 1950s - are located in a 1.5 square kilometer area within a 301 square kilometer prospective land package, with known at- or close to surface lithium-bearing pegmatite outcrops.[[40]](#footnote-41)35 The installation of a flotation plant capable of treating 350,000 to 400,000 tonnes per year of feed is underway, with commissioning to start in Q3 2018.[[41]](#footnote-42)36

Initially a private company, DLE listed on the **TSX Venture Exchange** (**TSX-V**) at the end of February (TSX-V:DLI), when it also granted 1.4 million share options to directors, officers, consultants and employees under a stock option ***plan***.[[42]](#footnote-43)37 The major shareholders are **Forbes & Manhattan**, a **Toronto**-based private merchant bank, and **Pella Resources**, whose founder **Adonis Pouroulis** is DLE non-executive chair. He has a long track-record of involvement in **Southern African** resources companies, having founded **Petra Diamonds** in the 1990s and subsequent to that **Chariot Oil & Gas** which holds several exploration blocks offshore Namibia.[[43]](#footnote-44)38

Lithium market analysts have widely discounted a recent report by **Morgan Stanley** forecasting that lithium prices would fall 45% from their current elevated levels by 2021 due to a pending supply glut.[[44]](#footnote-45)39 The report claimed that growth in electric car sales - the main end-use for rechargeable lithium-ion batteries - will be insufficient to offset rising supply, especially from large ***producers*** such as **SQM** in **Chile**, which could add 500,000 tonnes per year of global supply, swamping forecast demand growth.[[45]](#footnote-46)40 The report's publication caused lithium prices - which have doubled in the past two years on expectations of massively rising demand - to plummet by almost half to $7,700 per tonne. But industry sources said the forecast ignored the complexities of mining and processing lithium ores for conversion into high-quality lithium compounds, for which there is limited capacity. **Australia**-based **Pilbara Minerals** CEO **Ken Brinsden** noted that "*everyone, including Morgan Stanley, is grossly underestimating how quickly the market is moving on the demand side*."[[46]](#footnote-47)41

**Planner**

29 Mar 2018 (**Namibia)** Q4 2017 GDP Report, Preliminary National Accounts 2017

11 April 2018 **(Namibia) Bank of Namibia (BoN) Monetary Policy Committee** meeting;

25-26 April 2018 **(Namibia)**, Mining Expo, Windhoek

H2 2018 **(Namibia)** National Land Conference

**Chronology**

27 Mar 2018 **(Namibia)** Namibian. President **Hage Geingob** departs for a week-long official visit to **China**;

16 Mar 2018 **(Namibia)** New Era. The **Green Climate Fund** approves a $9.5m grant to Namibia for climate adaptation;

15 Mar 2018 **(Namibia)** All-Energy. **Spain**-based **Alten Africa** reaches financial close of $50m on a 45.5 megawatt solar plant in the **Hardap** region;

13 Mar 2018 **(Namibia)** eNCA. **Namibia** reports its first listeriosis case after an outbreak in neighbouring **South Africa**;

12 Mar 2018 **Walvis Bay (Namibia)** IOL. **France**-based **Groupe PSA** announces it will build its **Peugeot** and **Opel** vehicles in **Walvis Bay** from late 2018;

8 Mar 2018 **Windhoek (Namibia)** Namibian. Namibia's finance minister, **Calle Schlettwein**, announces that the government ***plans*** to stop the preferential tax system;

5 Mar 2018 **(Namibia)** Economist. **Russia**'s foreign minister, **Sergey Lavrov**, begins a three-day tour in Namibia to discuss bilateral and international issues;

5 Mar 2018 **(Namibia)** Business Day. **Australia**-based **Celsius Resources** aims to start production of its cobalt mine by 2020;

5 Mar 2018 **Karibib (Namibia)** Proactive Investors. **Canada**-based **Montero Mining** acquires an 80% interest in a lithium, rare and precious metals mine near **Karibib**;

28 Feb 2018 **(Namibia)** IMF. The **International Monetary Fund** concludes its Article IV consultation with Namibia, commending the rapid growth but noting significant economic and structural issues;

27 Feb 2018 **(Namibia)** Bloomberg. Namibia ***plans*** to table laws which will make it mandatory for white-owned businesses to sell 25% to black Namibians, similar to South Africa's Black Economic Empowerment laws;

27 Feb 2018 **(Namibia)** Proactive Investors. **United Kingdom**-based **Chariot Oil & Gas** confirms a $15m fundraise while will allow exploration of its offshore block in Namibia;

27 Feb 2018 **Windhoek (Namibia)** Reuters. Namibia's state-owned airline, **Air Namibia**, faces collapse after banks refuse to grant further credit to fund day-to-day operations;

24 Feb 2018 **(Namibia)** The Hindu. **India**-based steel company, **Jindal Steel and Power**, ***plans*** to pursue an iron ore mine in Namibia;

23 Feb 2018 **(Namibia)** Mining Review. Canada-based **Namibia Rare Earths** acquires critical metals portfolio from **Gecko Namibia**;

**FOOTNOTES**

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[***Violent governance, identity and the production of legitimacy: autodefensas in Latin America***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:671W-P2V1-F0C0-343M-00000-00&context=1516831)

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**Body**

Introduction

On 24 February, 2013, armed groups took control of the towns of Felipe Carrillo Puerto (known as ‘La Ruana’) and Tepalcatepec in the Tierra Caliente region of the Mexican state of Michoacán. Describing themselves as autodefensas (self-defence groups), they declared that they had risen up against the rule of the local cartel, Los Caballeros Templarios (the Knights Templar). The level of media attention that these groups have subsequently garnered in their struggle against the cartel may indicate that this phenomenon is somehow unique. In fact, neither the occurrence of self-defence groups nor their deployment of the term autodefensa is novel in Latin America. Such groups have emerged periodically in the region’s history, perhaps the most famous recent example being those that emerged in Colombia in the early 1980s. The term autodefensa, and its deployment by such groups, has ***produced*** debates around the degree of difference between ideas of self-defence and paramilitarism, often focusing on the degree to which such groups are defensive/offensive in their outlook and capabilities (Romero , pp. 36–37). Whilst such debates are interesting, this article is not concerned with adding to that literature, and simply acknowledges and indeed demonstrates that the term autodefensa is deployed by a wide range of groups whose composition and aims vary. Instead, the focus here is on the relationship between violence, governance, legitimacy and identity in the context of autodefensas in Colombia and Mexico.

More specifically, we ask how violence and governance are employed by the state, autodefensas and other groups to construct (legitimate) identities.

Subsequent to their emergence in February 2013, the autodefensas of Michoacán went on to gain control over much of the territory of the state of Michoacán. They often set up their own citizen councils to take over the government of the towns that they controlled, and disarmed much of the local municipal police who they perceived as having been corrupted by the cartel. Their growing power eventually prompted a Federal response in January 2014, and an agreement was reached for many of the autodefensas to be subsumed into a Rural Defence Force, armed by and under the aegis of the state. When the time came to demobilise in May 2014, some of the autodefensas refused and many of their members were subsequently jailed, whilst others became part of the Rural Defence Force, some of which were later institutionalised into the Michoacán State police.

The autodefensas in Colombia emerged in the early to mid-1980s initially in the Magdalena Medio region of central Colombia. They were a direct response to the actions of the guerrillas of FARC (Fuerzas Armadas Revolucionarias de Colombia). Despite the autodefensas being declared illegal in 1989, they continued to grow in line with the expansion of the guerrilla movements, and also spread to other regions of Colombia (Avilés , p. 380). In 1997, disparate groups of autodefensas and paramilitaries came together to form the Autodefensas Unidas de Colombia (AUC) which was an explicitly nationwide umbrella organisation that sought to co-ordinate and further the aims of the groups which formed its membership (Romero , pp. 151–152). The AUC went on to become a major violent actor within Colombia, controlling municipalities, fighting against the guerrillas of FARC and the ELN (Ejército de Liberación Nacional), and conducting social cleansing operations against suspected guerrilla sympathisers within the civilian population. The AUC eventually demobilised, from 2004 to 2006, after the election of Alvaro Uribe as President in 2002 signalled a major military crackdown against the guerrilla forces. Whilst many of the groups that had formed the AUC demobilised, others continued as before and were henceforth described as criminal groups (Inkster and Comolli , p. 65).

We examine the autodefensas in Mexico and Colombia to make sense of the production of legitimacy and identity through violent governance. Our aim is therefore not to compare the two cases or to argue they are the same or arise from similar contexts, as Mexico and Colombia clearly have their own histories and socio-political settings. Rather, we employ these cases to ask broader questions about violence, governance, legitimacy and identity, and the blurring of lines between state and non-state, violence and non-violence, legitimate and illegitimate. In other words, the article explores the ways in which autodefensas employ violence to establish governance networks, interact with other groups and seek to ***produce*** legitimate identities. In this context, governance refers to processes of ordering and regulating things, people and relations that can be undertaken by a range of groups (not necessarily related to the state), that might have disordering effects, and that involve processes of both negotiation and contestation.

By shifting focus from the question of where legitimacy lies to how it is ***produced*** through violence by different groups, we suggest that autodefensas challenge the often presumed link between the state and legitimacy, as well as the (binary) distinction between legitimacy and violence. We contextualise this question through an engagement with and critique of two notions: state failure and violent pluralism (Arias and Goldstein ). We argue that engaging autodefensas in Mexico and Colombia through the question of violence, governance, identity and legitimacy highlights several aspects that state failure literature mostly fails to address, and the notion of violent pluralism can help to examine. We develop the notion of a field of contestation and negotiation, firstly, to show that state failure is not merely a Western hegemonic claim but also a tool employed by autodefensas in their efforts to legitimatise violent governance. Secondly, the idea of a field of contestation and negotiation serves to enrich the notion of violent pluralism by addressing the intricacy of violence and non-violence in these practices of governance.

Thus, we employ the concept of state failure not only because both Colombia and Mexico have been subject to state failure literature and its critiques but also, and more interestingly, because the leaders of autodefensas themselves have employed the discourse of state failure. We are interested in how state failure operates as part of a field of contestation and negotiation productive of different claims to identity and legitimacy. The autodefensas’ instrumental utilisation of state failure discourse means it becomes a ***strategic*** means of making a claim to, or ***producing***, legitimacy through violence by various groups. This means that the relationship between the state, autodefensas and other groups is one of opposition, tension and co-constitution simultaneously. To make sense of this complex field of relations, we employ the notion of violent pluralism, which offers a conception of politics as violent struggle constitutive of political (dis)ordering and identity in the Latin American context. In addition, we enrich this notion with the idea of a field of contestation and negotiation in order to make sense of non-violent practices and to highlight the inextricability of violence and non-violence. We argue that, in the context of autodefensas in Latin America, the idea of a field of contestation and negotiation helps to understand the complexity of relationships that encompass the production of legitimacy and identity through (non)violent governance, whereby lines between (non)state, (non)violence and (il)legitimacy blur and transform. Yet, we do not simply dismiss (binary) distinctions as these continue to be employed by groups in their discursive and material efforts to ***produce***, justify, challenge, contest and negotiate their own and others’ legitimacy and identity.

State failure: institutions, relations and the production of knowledge

In 2010, then US Secretary of State Hillary Clinton commented that Mexico is ‘looking more and more like Colombia 20 years ago’ (BBC ; see also Morton ). Her comments resonate with a frequently asked question among scholars and commentators: will Mexico ‘become Colombia’ of the 1990s with respect to the proliferation of non-state armed groups and the high incidence of violence, and in doing so exhibit characteristics of a failed state (e.g. Escalante Gonzalbo , pp. 84–96; Pansters , p. 6)? This perceived risk of state failure seems to be supported by Colombia and Mexico’s listing in the ‘elevated warning’ category of the Fragile State Index, ranking 69th and 88th, respectively (out of 188 countries). The Index, a collaboration between Foreign Policy and The Fund for Peace, ranks countries based on a wide range of (sub-)indicators—including ‘corruption’, ‘internal conflict’, ‘protests and demonstrations’, ‘youth unemployment’, ‘powerlessness’, ‘internet access’, ‘sanctions’—whereby the link to state ‘failure’ or ‘fragility’ is not necessarily self-evident.

These rankings and concerns reflect, we argue, a particular conception and production of state legitimacy and identity more than objective strength/fragility. This becomes clear by mapping the development of the concept of ‘failed state’. The notion first appeared in a 1992 Foreign Policy article, in which Gerald Helman and Steven Ratner argued: ‘From Haiti in the Western Hemisphere to the remnants of Yugoslavia in Europe, from Somalia, Sudan, and Liberia in Africa to Cambodia in Southeast Asia, a disturbing new phenomenon is emerging: the failed nation-state, utterly incapable of sustaining itself as a member of the international community’ (Helman and Ratner , p. 3). The roots of the problem, they note, lie in the ‘vast proliferation of nation-states’ due to decolonisation in the post-World War II period. At this time, the right to self-determination took precedence over ‘long-term survivability’. The problem of the failed state did not, however, surface during the Cold War as states were propped up through ‘hefty infusions of aid’ (ibid.) from former colonial masters and superpowers due to their ***strategic*** importance.

Of interest in their analysis is, first, the connection of very diverse types of states into a single ‘problem’ (Call , p. 1494). Later state failure scholars are equally guilty of this, e.g. Ira William Zartman’s Collapsed States, which defines ‘collapsed’ as the non-performance of basic state functions, aggregating a diversity of states and phenomena (Zartman , , p. 5). Second, they ascribe a catalysing effect to the end of the Cold War—another interpretation is that it was more a case of a shift in scholarly attention from superpower rivalry towards internal conflicts and crises. Third, and equally significant, is the break established between the colonial and post-colonial periods, thus cutting off the functioning and effects of colonisation from the frame of analysis (cf. Call , pp. 1499–1500; Pureza et al. , p. 1). Hence, it becomes possible to argue that states that gained independence after 1945 attach too much importance to sovereignty, whereas (humanitarian) ***intervention*** would be the best—read: most cost-effective—solution to the problem of failed states (Helman and Ratner ).

The notion of failed states attracted relatively little scholarly interest during much of the 1990s, although it did become a concern for policymakers, as demonstrated by the US ***intervention*** in Somalia, seen by many scholars as the collapsed state par excellence (e.g. Call , p. 1492; Gros , p. 464; Pham , p. 84; Rotberg ). The subsequent development of the notion and its broadening to include a range of situations from ‘fragility’ to ‘collapse’ (e.g. Acemoglu and Robinson , pp. 8–9, 398, 429; Chesterman et al. , p. 8; Etsy et al. ; Grayson , pp. 3–4; Helman and Ratner ) continued to rely on vague definitions and arbitrary aggregations. A shift occurred towards the end of the 1990s, when international financial institutions became increasingly interested in questions of governance and state-building—their Cold War ‘neutrality’ had prevented broaching such issues—thus forging a link between governance and development (Call , p. 1493). Another decisive shift occurred in the aftermath of the September 11 attacks, when failed states became cast as safe havens for terrorists and launchpads for terrorism, which could have dire consequences both regionally and globally (e.g. Crocker ; Fukuyama ; Hamre and Sullivan ; Litwak , p. 43; Rotberg ; Siegle et al. —for critiques, see Hehir ; Manjikian ). The Failed States Index emerges in this context, first published in 2005 and renamed Fragile State Index in 2014.

The perceived risk of Mexico and Colombia being or becoming failed or fragile states is therefore the result of a particular conception of how a modern state should operate and what makes it ‘strong’, ‘developed’, ‘legitimate’, etc. In this context, the ascription of failed state status can be seen as a Western hegemonic claim that enables ***intervention***. Such claims rely on the logic of modernisation and a particular linking of development and governance, whereby both Colombia and Mexico are regarded as cases of under- or regressive development. As Morton (, p. 1634) points out, traditional understandings of Colombia in the failed state literature suggest that the country fails to measure up to an ideal-type conception of the modern state. Failed states are represented in pathological terms of ‘deviance, aberration and breakdown’. Scholars such as Fukuyama, Huntington and Kaplan paint a picture of the post-colonial world reminiscent of The Heart of Darkness, as a place of ‘danger and darkness, anarchy and disorder’ (ibid., p. 1635). Such conceptions became expressed among policymakers, especially in the US, as a fear that a historically weak state such as Colombia, plagued by internal violence, would descend into a failed state (ibid., p. 1634). Moreover, it paved the way for US ***intervention*** in the form of a joint Colombia–US initiative known as ***Plan*** Colombia, which began in 2001 and lasted until 2006 (though other aid/assistance packages remain in place).

This ‘pathological’ thinking has also informed US policymaking towards Mexico: for instance, the 2008 US Joint Forces Command paper outlines the dangers of Mexico failing due to the upsurge of violence in the context of the war on drugs. Moreover, fearing that such problems will spread, Mexico, a neighbouring country, is conceived as a security threat to the USA (ibid., p. 1635; US Joint Forces Command , p. 36; see also US Joint Forces Command , p. 47). Whilst the Mexican government rejected the need for a ‘***Plan*** Mexico’, and academics such as Morton (, p. 1635) have described the portrayal of Mexico as a failed state as a caricature and a misunderstanding of the social and economic factors at play, it is clear that the notion of ‘failed’ or ‘failing’ state has had far-reaching discursive and material effects in both Mexico and Colombia.

Morton offers an important critique of the failed state literature as well as the ascription of failed state status to Mexico and Colombia; however, his is certainly not the only criticism levelled at this body of scholarship. Failed state literature has been the subject of sustained critiques over a number of years. These critiques can be roughly divided into ‘soft’ critiques, which point to the socially constructed and therefore changing character of institutions and identities, but which ultimately seek to save the concept by improving it (e.g. Frödin , p. 278; Romero , pp. 53–54), and more profound critiques which question the discourse of ‘failed’, ‘collapsed’, ‘fragile’, etc. states as such. These latter critiques challenge the binary distinctions the softer critiques ultimately rely upon—legitimate vs. illegitimate; civil vs. uncivil; rule of law vs. unrule of law (e.g. see Koonings and Kruijt , , pp. 1–2; Kruijt ).

These scholars argue that not only is there no accepted definition of what a ‘failed’ or ‘weak’ state is, grouping together a wide variety of states, contexts and situations (Call , p. 1942; Hehir , pp. 212–213), the concept of state failure is an effect of particular relations of power, and of the production of knowledge. The question is therefore not whether or not, or to what extent, states are failing but rather how states come to be seen as failing, on what basis and according to which, and whose, criteria (e.g. see Pureza et al. , p. 2). Here, we come back to Morton’s point regarding ‘pathologisation’, whereby the Western production of a particular idea of the liberal state, regarded as universally valid, is set against the ‘Third World State’. The effect is a conception of democratic states as strong and legitimate versus weak or failing states, characterised by sickness, illegitimacy and violence (Bilgin and Morton ; Morton , p. 1634, , p. 377), and in need of ***intervention***. States with ‘objectionable features’ are thus too readily conflated with those that are in crisis as is the case in Colombia, which has been marked as failing despite its record of relatively stable state institutions over several decades (Call , p. 1500).

These critiques usefully illustrate how the ascription of failed state status to Colombia and Mexico involves the production of a particular (Western) conception of state development, identity and legitimacy. Yet, in the context of autodefensas, the idea of state failure functions not only as a Western imposition but also, we argue, as a ***strategic*** tool employed by non-state groups seeking to legitimise their (violent) governance. For instance, Dr Mireles, a key autodefensa leader in Mexico, claimed that ‘the state has offices here but the power of the state doesn’t exist here’ (our translation throughout unless otherwise stated; see also: De Llano ; Martínez , p. 12). In other statements he has taken this rhetoric further by declaring that the state was in league with organised crime: ‘No institution could fulfil its duties because all the authorities—from the municipal, to the State and Federal levels—were part of the cartels, or were being paid off by these cartels’. Another important autodefensa leader, Hipólito Mora, deploring the failure of local government, called directly to the state and the federal government, saying: ‘We have been abandoned by the state as if we didn’t exist….we ask President Peña Nieto for a little attention, not much, just a little’ (Prados ).

Thus, from the start of the mobilisations, the language of state failure was an important instrument for the autodefensas to claim the absence and/or corrupted character of the state, thereby legitimising the formation of armed groups by citizens, who were forced to take responsibility for their security into their own hands. By calling themselves autodefensas, they made clear their non-state identity—i.e. not failing—whilst constructing an identity that was not directly threatening to the state, and defensive in nature. At the same time, however, the claim of state failure was also aimed at provoking a response that would embarrass the state into action on their behalf. As we will go on to discuss, rather than simply an expression of state failure, the autodefensas can be seen as pursuing a politics of labelling by employing the notion of state failure to delegitimise the state and construct their own identity and legitimacy.

Such labelling of the state as failed continued after the Federal state intervened in Michoacán in 2014 and attempted to institutionalise some of the autodefensas into the state security corps. Indeed, the autodefensa group of San Miguel de Aquila saw this very strategy as evidence that Michoacán was a failed state: ‘In the recent declarations of President Enrique Peña Nieto he is recognising that Michoacán is a failed state by proposing the integration of the autodefensas into the security forces of the State, something that we think doesn’t resolve the root causes of the problem’ (Sin Embargo ). And in the aftermath of this strategy such rhetoric continued to be used to counter the idea that it had brought security to the region: ‘It’s a farce to say the Federal Government has brought peace to Michoacán. We continue to live in a failed state, in a state where there isn’t security, where there is no imparting of justice’ (spokesman for ‘Por un Coalcomán Libre de CT SDR’ statement).

These pronouncements, and the very presence of autodefensas, fed into a wider debate around the question of whether Michoacán could be categorised as a failed state, which included the church, politicians, civil society organisations, journalists and academics (e.g. Becerra-Acosta ; Beltrán and Cruz ; Seguridad, Justicia y Paz ; Camacho and Jiménez ; Castellanos ; López-Dóriga ; Rosen and Zepeda , pp. 84–85). Through their utilisation of the term and indeed their very presence, the autodefensas generated an intense debate around the nature and classification of the term ‘failed state’ as a means not only of denouncing the state but also of legitimating alternative forms of (violent) governance, which we will discuss in more detail next.

Legitimising violent governance

The idea that state failure is not merely a violent imposition of Western modernity but also a legitimating claim for (violent) governance on behalf of local non-state groups in a wider field of contestation can be better understood through an engagement with the notion of violent pluralism developed by Arias and Goldstein in their book Violent Democracies in Latin America (). They coin the term to make sense of the persistence, and intricate entwinement, of violence and democracy in Latin America. Violence, rather than being an outlier or representing a failure to live up to the standards of (a dominant Western notion of) democracy, is a key component of how state and society as a whole function in this region. Seeking to understand how violence operates without blaming it on an illiberal state, they argue that violence is not only crucial to the establishment and maintenance of democratic governance but also to popular challenges to the legitimacy of these.

In the context of this article, the significance of the notion of violent pluralism lies, firstly, in drawing attention to the wider context of social and political relations of violence, rather than focusing on state–society relations only. Secondly, it is grounded in a conceptualisation of politics in terms of struggle and conflict productive of political ordering and subjectivity (ibid., pp. 19, 23). This enables a conceptualisation of relations—e.g. state/non-state, legitimacy/illegitimacy, governance/resistance—beyond binary terms, whilst acknowledging the important material and discursive power that such binaries continue to have (cf. Ansems de Vries and Rosenow ). It helps develop the idea of governance as a field of contestation and negotiation ***produced*** by and productive of competing claims to legitimacy and identity by a range of state and non-state groups, whereby the delineation between these blurs.

Legitimacy is thus contested both as concept and in practice. Conceptually, the notion of violent pluralism offers a critique of approaches that identify legitimacy with the state, whereby it is understood as the extent to which state rule is accepted by its people without recourse to fear or favour to encourage endorsement (e.g. Gilley ). Bourdieu challenges this Weberian conception of the state’s legitimacy as a matter of a ‘free act of clear conscience’, arguing instead that legitimacy is conditioned by structures that foster a ‘pre-reflexive agreement’ with the established order (Bourdieu et al. ). That is, rule is often not accepted actively but tacitly; structures become normalised. As such, questions of legitimacy only arise during times of crisis; under normal circumstances state legitimacy goes unquestioned. In distinction, the notion of violent pluralism brings to light the ‘normality’ of the contestation of legitimacy and the centrality of violence to the everyday functioning of governance regimes in the Latin American context, and especially with respect to autodefensas. Legitimacy is, accordingly, no longer automatically identified with the state and with legality; it is a continuous process of contestation involving discursive and material practices by a range of groups (cf. Dowling and Pfeffer ). These competing efforts to create and gain recognition for alternative forms of governance are productive of social change insofar as new forms of legitimacy and political subjectivities are created in the process.

In his study of the Knights Templar cartel in Michoacán, Ernst () employs a similar conception of legitimacy, as a process of competition among groups, whereby the state of Michoacán is described in terms of ‘fractured sovereignty’. In its efforts to ***produce*** legitimacy, the cartel portrayed itself as a local group protecting the people of Michoacán from ‘foreign cartels’. They cultivated a quasi-religious identity and presented the cartel as an alternative justice system that represented ‘the government’ in the areas that they controlled (Ernst , p. 141; Gil Olmos ). Central to this was the ability to utilise violence to repel competing cartels as was the construction of the federal government as an outside aggressor. This built upon feelings of insecurity in populations such as in the Tierra Caliente region, in which the state was seen as corrupt and as the perpetrator of violence against local populations, whilst these people felt stigmatised as criminals by the Federal government (Ernst , ; Gledhill ).

By setting themselves up as an alternative form of governance, the cartel challenged the state’s identity as the legitimate source of law and order, and through their co-optation of parts of the local state helped to blur the line between state and non-state. This took the form of ensuring politicians amenable to their cause were elected into office, using bribery and threats of violence to ensure impunity for their actions, and using state institutions such as the municipal police as a tool for their interests. Therefore, whilst they would at times openly confront parts of the Federal state, such as the Federal Police, they were integrated into the local governance and law enforcement of other parts of the local and regional state. Allegations of co-operation or at least mutual non-aggression pacts are also alleged to have been made between the cartel and the army—which is part of the Federal state—in the region (Ernst ; Grillo ).

In line with the idea of violent pluralism, Ernst’s study shows that legitimacy is a process or field of contestation and negotiation whereby violence is employed both to create and undermine the acceptance and recognition of different groups. Similarly, the autodefensas can be seen as a response to the cartel’s regime of violent governance. The autodefensas positioned themselves against the violence and extortion of the cartel vis-à-vis the local population—although, importantly they did not present themselves as anti-drugs per se (an important source of revenue for many in the region). The autodefensas’ efforts at seeking legitimacy mirrored the strategies of the cartel insofar as violence was key to the contestation and establishment of a rival regime of governance. The autodefensas’ ability to defend the communities in which they were based was central to their appeal and crucial to the construction of their identity. Being armed and organised enabled them to take over the functions of the municipal police in towns where they were in league with the cartel (Martínez et al. ). The establishment of a regime of violent governance, and the ability to survive the assaults of the cartel, was central to their appeal to, and ability to negotiate with, the regional and federal governments.

The idea that the production of legitimacy is part of a field of contestation and negotiation suggests, in addition, that state/non-state relations are complex and changing rather than a fixed binary distinction, as is illustrated by the autodefensas’ deployment of discourses of state failure. Autodefensas extensively employed these discourses to reflect their perceptions of the way in which the cartel had influenced the local and regional state. In doing so they built upon the existing feelings in the region that the cartel had tapped into, but were far more explicit in their rhetoric, claiming that they had no alternative but to take things into their own hands. However, unlike the cartel, their criticisms did not extend to the Federal state, whom they called on to intervene and re-establish the rule of law in the region (e.g. Prados ). Therefore, despite their rhetoric of state absence and failure, they recognised that the Federal state was still an important actor. Autodefensas thus both appealed to the state as a legitimate actor to resolve their problems, and sought to challenge the state’s legitimacy by exercising control over territory in Michoacán based on their ability to project violence and protect the local citizenry from the Knights Templar cartel.

The autodefensas became de facto governing entities, both challenging and appealing to different parts of the state, whilst the state simultaneously did and did not recognise and legitimise the autodefensas. One the one hand, the state engaged in prolonged negotiations with the autodefensas, the Federal Police and army undertook operations alongside them, and, ultimately, the state sought to institutionalise the autodefensas. Yet, on the other hand, and simultaneously, autodefensas were being portrayed as having connections with organised crime, attempts were made to disarm them, and those groups who refused institutionalisation were arrested and jailed. This complex relationship between autodefensa groups and various state institutions—often blurring the lines between the two—illustrates the play of legitimisation and de-legitimisation in the (co)construction of governance regimes.

Similarly in Colombia, the appeal of discourses of state failure was central to the autodefensa groups’ legitimation of violent governance. This was true during their initial emergence in the Magdalena Medio region in the early 1980s where they justified their mobilisation with reference to the state’s inability or unwillingness to protect the population from the guerrillas (Medina Gallego , p. 178; Romero , pp. 38–39; Mazzei , p. 81). It was subsequently made explicit under Carlos Castaño’s leadership of the nationwide umbrella group for the autodefensa/paramilitary groups, the AUC, when he claimed that the organisation played an ‘important role in keeping this nation from a failed government’ (Wilson ; Aranguen , pp. 261–263). The AUC thus portrayed itself as safe-guarding the state and seeking to ‘re-establish its functions’ (Rodrigo Tovar Pupo aka Jorge 40, quoted in Velásquez Rivera , p. 1410). In doing so, it justified its existence on the basis of anti-subversive principles, by aiding the state to re-establish control of its territory. This included the military, which, according to the leadership of AUC, had ‘not done their institutional duty of guaranteeing Colombians their lives, property, and honor [sic]’; hence, it fell to the AUC to do ‘a patriotic duty that the military did not want or were not able to do’ (Wilson , their translation). The autodefensas were thus closely involved with, and their formation was supported by, the army and local and national politicians, whilst simultaneously claiming that these had failed in their duties (Medina Gallego , pp. 185, 197–198). Although the field of contestation and negotiation is ***produced*** differently from the Mexican example, the case of Colombia equally presents a set of relations that is both complex and dynamic, in which the state is not ‘absent’ or ‘failing’ but part of a field in which different claims to legitimacy and identity are played out. On their part, the autodefensas deploy state failure as a politics of labelling to justify their (legitimate) existence, whilst simultaneously working closely with the state and especially the army (Medina Gallego , pp. 170–172, 178–180).

For instance, in Magdalena Medio, an important region in the initial development of the autodefensas, and in particular the town of Puerto Boyacá, the army played a direct role in setting up autodefensas, with support from the rural elite, who were primarily wealthy landowners and businessmen, as well as drug traffickers. These seemingly disparate groups had a shared opposition to both the national dialogue instigated by President Betancur, and the guerrilla movements, primarily in the form of FARC (Medina Gallego , pp. 146, 170–172, 178–180; Romero , pp. 18–19, 24). The armed forces, operating under a national security doctrine premised on the counter-insurgency of the Cold War, felt betrayed by the dialogue with the guerrillas instituted by Betancur, and so turned to the civilian population for help in their fight against FARC. The regional elites of Magdalena Medio also saw the national dialogue as a betrayal by the central government that directly threatened their interests by raising the possibility of land reform. With the growth of the narcotics trade, drug traffickers had started buying land and by the early 1980s had become major landholders in Magdalena Medio. Both these sections of society came into conflict with the guerrillas who became increasingly aggressive in their implementation of both land taxes—‘vacunas’ (literally ‘vaccinations’), and their tax on the drug trade—‘gramaje’ (literally ‘weight’) (Álvaro Rodríguez , pp. 67–68; Mazzei , p. 79).

The regional elites, including the autodefensas, employed the idea of state failure to mobilise support for their political aims of reversing the policy of national dialogue and guarding against rural reform. In this effort, they formed alliances with other groups disillusioned with these policies, including state institutions such as the armed forces. This seemingly contradictory position of accepting help from parts of the state whilst portraying other sectors of it as failed or failing illustrates the idea of governance as part of a field of contestation and negotiation, in which the state is multi-faceted and co-constituted with other groups in society, and legitimacy is continuously being ***produced***, contested and negotiated.

Neoliberalism, violence and the transformation of the state

The idea of violent pluralism helps to reconceptualise the notions and relations of violence, governance, identity and legitimacy in the context of autodefensas. In addition, it situates these processes, and the problem of violence, in relation to the development of neoliberalism, which has reconfigured the state in recent decades. Arias and Goldstein () argue that the violence experienced in contemporary Latin America is a logical result of the unfolding of neoliberal democracy. Therefore, when citizens take matters of justice into their own hands, for example in the lynching of criminals in Bolivia, this is not a throwback to previous times, but rather a response to insecurity embodied in neoliberal democracy in which individual responsibility is stressed rather than reliance on the state (ibid.; Goldstein ). The rise of autodefensas could similarly be understood as a response to insecurity resulting from neoliberal democracy.

Arias and Goldstein are not alone in situating the challenges facing Latin American states, of which the emergence of autodefensas are a symptom, in relation to the development of neoliberalism in the region from the 1980s onwards. Part of this development, and one of the hallmarks of neoliberalism in Latin America, has been a shift towards export-led growth in areas such as ***agriculture***. Yet, the growth of the ***agricultural*** export economy has not led to benefits for the wider community and inequality, poverty and feelings of marginalisation remain. In the case of Michoacán, the capital and infrastructure investments required to support the cultivation and exportation of ***agricultural*** products, such as limes and avocados, are a factor in explaining how drug cartels have been able to flourish in the region (Malkin ). For example, the port of Lazaro Cardenas is a major drug transhipment point, both for the import and export of cocaine from Latin America and to the USA, but also for the import of precursor chemicals for the fabrication of methamphetamines. In Colombia, whilst initially protecting land from the guerrillas, the potential for expansion soon became apparent and groups of autodefensa/paramilitaries started to grow and develop in different regions and to accumulate increasing amounts of land. The land, from which local populations were frequently displaced using violence, could subsequently be sold to local and international companies often involved in monoculture ***agricultural*** production geared towards export to foreign markets. Corporations also used paramilitary groups to safeguard their lands from guerrillas and to discipline their workforce, preventing strikes and muting wage and benefit demands. For instance, banana companies in the Urabá region, including major international companies such as Chiquita, paid paramilitaries per box of bananas for their services (Gentile ; El Espectador ; Lobe and Muscara ).

For Arias and Goldstein, as for scholars like Morton and Wacquant, the relationship between neoliberalism and the transformation of the state is of key significance in this context. In his critique of state failure approaches, Morton argues that the issues facing Mexico are due to transformations of the state resulting from neoliberal restructuring rather than the failure of the state to develop properly. This was particularly felt in Mexico following the signing of the North American Free Trade Agreement (NAFTA) which, coupled with a reduction in state subsidies, had a significant impact on the competitiveness of the ***agricultural*** ***produce*** of Michoacán (Aguiar , pp. 166–167; Cavanagh et al. , pp. 58–65). The impacts of this transformation of the state, socially and territorially (Maldonado Aranda , p. 46), are key to understanding how and why autodefensas have emerged. Morton (, p. 1641) argues that neoliberal policies have stimulated the growth of both the drugs industry and levels of money laundering in Mexico, whilst the pretext of the war on drugs helped to protect NAFTA.

Loïc Wacquant (, ) stresses that neoliberalism is driven less by the market and more by the construction of a particular type of state. The state is increasingly reliant on its punitive and coercive branches to shore up its legitimacy in the face of a reduction in its provision of social services and welfare to its populations. For instance, Mexican state ***interventions***, beginning under Calderón, were characterised by the mass deployment of the Army, the Federal Police and the Navy. Indeed, the Federal response to the autodefensa groups, when it eventually came, was the deployment of further troops. Whilst this was accompanied by promises of funds to rebuild the social fabric of the region, such ***programmes*** were quickly decommissioned whilst the troops often remained. Wacquant () argues that these ***interventions*** are characterised by territorial stigmatisation and labelling of certain areas as violent, lawless and as ‘black holes’, which enables them to be treated differently. For instance, areas such as the Tierra Caliente region have been portrayed as lawless and violent areas, characterised by violent populations and hostile terrains (Maldonado Aranda ).

In Colombia, President Alvaro Uribe’s Democratic Security Policy consisted of a confrontational stance towards the FARC guerrillas, involving the use of the Army to push into areas previously controlled by such groups. The effort to establish state presence in these areas bore out much of the criticisms autodefensa/paramilitary groups had levelled against the state, as it was present primarily through its coercive arms, the Police and the Army. In the case of the ‘Push to the South’, this involved the support of paramilitary forces, which were transported in from other parts of the country by the Army to assist in the offensive. In this case, too, the production of a (legitimate) presence through violent governance involves a blurring of the distinction between state and non-state. As the presence of the state was limited to the Army and the Police, it could co-exist with the violent governance of paramilitary groups and helped spread the neoliberal transformation of the state to other areas (e.g. see Rodríguez González ). These examples illustrate that (violent) governance ***produces*** and operates as a field of contestation and negotiation, whereby various groups challenge the legitimacy and identity of other groups whilst simultaneously being implicated in and supporting it in other ways. This has led scholars such as Civico () to claim that far from being a sign of state weakness, and despite their rhetoric of state failure, such groups can in some way be seen to strengthen the state, albeit in a perverse form conditioned by its neoliberal nature and insertion into the world economy.

However, these developments—the entwinement of (non-)state groups; the state’s attempts at delegitimising and stigmatising certain groups and regions; and the perception of the state’s violent ***interventions*** as creating further violence—are not new and have a long history. It is therefore too simplistic to attribute all such developments to the advent of neoliberalism. Rather, as Arias and Goldstein suggest, these underlying issues and conflicts have been aggravated and brought to greater prominence under the influence of neoliberal policies, which have exacerbated pre-existing problems and created feelings of abandonment. Therefore, the rhetorical portrayal of the state as failed by the autodefensas can be better understood as voicing people’s long-held perception of being abandoned by the state and being side-lined by the national project (e.g. Malkin ). The cartel and the autodefensas have utilised such ideas to gain legitimacy for their alternative governance, and indeed their very presence as sources of governance reflects the ways in which the state and state–society relations have changed under neoliberalism. Therefore, despite the very real presence of the state—especially in the form of the coercive branches—and the investments in infrastructure that have been made, because of the purposes for which such ***interventions*** are carried out, and the manner in which they are undertaken, the population does not feel that the state is present in the ways in which they want it to be so.

(Non)violent (dis)ordering

The notion of violent pluralism helps to contextualise the role of neoliberalism in the development of relations among, and transformations of, (non)state groups in Latin America. In addition, and relatedly, it enables a conceptualisation of politics in terms of (violent) struggle and conflict (Arias and Goldstein , p. 15). We have developed these insights into the idea of governance as a field of contestation and negotiation whereby different groups ***produce***, challenge, contest, enable and negotiate legitimacy and identity through violent means. As illustrated by the autodefensas in Mexico and Colombia, violence can bring into question the existing social norms and enable the formation of political order and of new modes of political subjectivity (ibid., pp. 23–24).

We will develop these insights in two directions. Firstly, whilst violence is often associated with disorder, the case of autodefensas shows it is also constitutive of forms of order(ing). We will push this idea further by suggesting that the violence–governance–legitimacy relationship is characterised by the simultaneity and inextricability of ordering and disordering (Ansems de Vries ). Secondly, and following this, conceiving of governance as a field of contestation and negotiation constituted by a play of (dis)ordering also raises the question of the role of non-violence, and the relationship between violence and non-violence. We argue that, in this field, (dis)order and (non)violence are continuously ***produced*** and reproduced and become difficult to tell apart.

In other words, whilst we argue that violence is highly significant in the autodefensas’ production of legitimacy and identity, these processes cannot be reduced to violence alone. Arias and Goldstein’s writing underemphasises the idea that non-violence, intricately entangled with violent practices, plays a constitutive role as well. For example, in Colombia groups such as ACDEGAM (Asociación Campesina de Ganaderos y Agricultores del Magdalena Medio) were set up by key supporters of the autodefensas in the Magdalena Medio region, drawn from the land-owning elites who had a vested interest in countering the threat that the guerrilla groups faced. Such groups were utilised to lobby the local and national governments as well as to drum up support among the local populace. Therefore, violence was used to help construct an identity for the autodefensas and define their constituency, but their supporters also tried to build links to civil society and the different levels of the state. Thus, paramilitary and autodefensa groups made widespread use of ‘spectacular’ violence such as massacres and the limpieza social but they also developed other forms of violent and non-violent governance, for instance through the provision of a form of alternative law and order in the communities they controlled. This involved both the killing of thieves and members of gangs and a graduated system of punishments and the arbitration of social behaviour (Civico ). For example, husbands who beat wives or members of gangs would be given warnings to change their behaviour or face more serious consequences (Caraballo Acuña ).

Sanford () notes that towns controlled by such groups experienced close to no crime of the common or garden sort. Whilst this does not mitigate the violence these groups committed, in particular when they first took over towns, it does help to explain how they gained legitimacy as some Colombians saw them as providing a form of order (Civico ). Other non-violent practices that helped to ***produce*** legitimacy consisted in the provision of social goods to communities, which is especially significant in the context of the neoliberal reforms discussed above. This included the provision of services, investment in infrastructure and the construction of public buildings, such as the school financed by Fidel Castaño in Magdalena Medio (Dudley ). Violent and non-violent practices of governance are thus closely entwined and whilst the extent of the latter may well have been overstated by paramilitary leaders in their testimonies, the wide range of scholars referring to such non-violent practices (e.g. Lara ; Civico ; Aranguen ; Romero ; Medina Gallego ; Dudley ; Caraballo Acuña ) suggest their significance as part of paramilitary and autodefensa practices of governance. Autodefensas thus challenged the state (and other groups) in some ways, co-operated with them in other ways and took on state-like activities and appearances through both violent and non-violent practices, or indeed through the blurring of these. These practices of (non)violence thus had both ordering and disordering effects.

In Mexico, various groups employed culture and religion in the production, contestation and negotiation of legitimacy and identity. This plays out, for instance, with respect to the contestation between the Knights Templar cartel and the autodefensas over their respective Michoacán identities. The Knights Templar cartel and their predecessor, La Familia Michoacana, had strongly emphasised this identity, claiming to protect the local citizenry against the barbarity of ‘foreign’ cartels from other states, whereby the autodefensas were portrayed as stooges of these ‘foreign’ cartels. The autodefensas contested these claims by presenting themselves as a popular social movement comprising ordinary local people (Le Cour Grandmaison , p. 7; Prados ). The autodefensas employed non-violent—or violent non-violent—methods to reinforce their local identity whilst directly challenging the cartel’s methods of attracting and cementing social support. In particular, they used corridos (traditional ballads from rural Mexico used to tell stories set to folk music) to recount their struggles and exploits. These mirrored the cartels’ narco-corridos, which are the same kind of ballads, extensively exploited by the cartels to commemorate their actions and attract social support (McGirk ). Here, music operates as a field of contestation: song is employed in a battle for both territory and identity, blurring the lines between violence and non-violence as non-violent means are utilised to support, justify and commemorate violent acts.

This (non)violent employment of identity is also visible with respect to religion. Importantly, La Familia Michoacana had portrayed themselves as a quasi-religious sect which promoted family values and whose members were teetotal. The Knights Templar continued this trend, and also portrayed its leaders such as ‘El Chayo’ (Nazario Moreno González—also a key leader of La Familia Michoacana) as religious figures. In response to this, the autodefensas demonstrated their links to established church figures who spoke in support of the autodefensas such as Father Patricio Madrigal, priest of Nueva Italia, Miguel Patiño Velásquez, the Bishop of Apatzingan, and José Luis Suárez Barragán, priest of La Ruana (Calderón ; Chouza ; Prados ). By emphasising this link to the established church, the autodefensas sought to legitimate themselves in the eyes of the public whilst challenging the Knights Templar’s supposed religious credentials. This was particularly important because the Church was regarded as the only institution in the region that had not been infiltrated and corrupted by the Knights Templar.

The co-operation between members of the church and the autodefensas is also illustrated by their joint announcement of a civil society movement called ‘Yo soy autodefensa’. This group had the objective of calling for the imposition of security and the law across Mexico, and was characterised as an unarmed social movement by its founders (Chouza ). The ‘Yo soy autodefensas’ movement provides an interesting meeting point between the autodefensas’ construction of the state as having failed, and its identity as a violent actor pursuing non-violent means, in league with the local church, to secure its position and negotiate with the Federal state. Here, too, violence and non-violence are intricately linked in the constitution of legitimacy and identity. Moreover, as in previous examples, socio-political (dis)order, legitimacy and political identity are continuously ***produced***, negotiated and contested, rather than a state that can be achieved once and for all.

Governance and legitimacy thus continue to operate in a field of contestation and negotiation—and a process of ordering and disordering simultaneously—despite the state’s attempts at gaining a monopoly of legitimate control. Given the control of some areas by the autodefensas, and the failure of the initial attempts at disarmament, the state’s engagement with autodefensas was marked by co-operation and contestation simultaneously. Collaboration was enabled by the perception of the cartel as a shared enemy (at least to some extent) and the fact that the autodefensas had not positioned themselves directly against the state. Yet, such collaboration also undermined the state’s legitimacy by working with an ‘illegal’ armed group. The state’s perceived need to position itself ‘against’ a particular group in order to reinforce the distinction between the ‘legal’ and ‘illegal’, the ‘legitimate’ and the ‘illegitimate’, and state and non-state shows the continued importance of ***producing*** such binaries in societal imaginings even when the situation is acknowledged to be more complex. Thus, whilst the case of autodefensas shows that socio-political order(ing) is ***produced*** through complex processes of contestation, disruption, negotiation and collaboration simultaneously, in which the distinctions between (il)legal, (non)state, (il)legitimate and (non)violence blur, we argue that it also shows that such distinctions continue to be important with respect to the production of legitimacy and identity by various groups.

From May 2014, the Mexican state sought to institutionalise the autodefensa groups through their inclusion in the Fuerza Rural (Rural Defence Force) and criminalise those who refused to either demobilise or join the Fuerza Rural, such as those led by Dr Mireles who had become increasingly critical of state ***intervention***. Here, too, the distinction between the legal and the illegal is reinforced in order to gain control over a situation in which many lines have become blurred. Yet, the fact that these lines remained blurred and shifting in practice is illustrated by the process of institutionalisation, which consisted of simply swapping weapons for state issued rifles and being given official uniforms and vehicles, etc., rather than displacing the regimes of (violent) governance the autodefensas had in place. Whilst an effort to be seen as the only legitimate armed actor, the state’s institutionalisation of another armed group helped to legitimise the control and (violent) governance of the autodefensas more than undermine it.

Conclusion

The autodefensas of Michoacán and Colombia have been officially disbanded and/or institutionalised, yet the issues that provoked their emergence, their actual presence and (the effects of) their practices of violent governance have not gone away. In Michoacán, some autodefensas have continued to operate whilst others periodically threaten to remobilise, stating that the problems of insecurity remain unchanged. Likewise, in Colombia the peace deal between the Colombian government and FARC has brought about a renewed focus on paramilitarism and the ‘bandas criminales’ (ICG ) that still operate and indeed are highly active, targeting social, human rights and land reconstitution leaders with renewed vigour.

Through the employment, critique and enrichment of the notions of state failure and violent pluralism, we have developed four points regarding the relationship between violence, governance, legitimacy and identity in the context of autodefensas in Mexico and Colombia. Firstly, rather than evaluating in which ways the existence of autodefensas can be seen as an expression of state failure, and rather than merely developing a critique of state failure literature, we have shown that state failure is not merely a problematic ‘external’ (Western) imposition leading to various forms of ***intervention***, but also a ***strategic*** means of making claims by ‘internal’ groups. The autodefensas have skilfully appropriated the notion of state failure that functioned to delegitimise the context in which they operated, turning it on its head to legitimise their actions. We have developed the notion of a field of contestation and negotiation to show how different groups make claims and counter-claims to both failure and legitimacy. This field of contestation and negotiation is thus constituted by a range of practices of (non)violent governance and a range of (non)state groups—blurring the distinctions between the two—and productive of political order(ing) and identities. Moreover, it is not merely a matter of material and/or territorial practices but also encompasses discursive relations of power/knowledge, such as the ability to make a claim that provokes a reaction that helps to legitimise it.

Secondly, we have employed the notion of violent pluralism, which enables a conceptualisation of politics as a field of struggle constitutive of political order(ing) and identity, to make sense of the violent legitimisation of practices and identities in a way that challenges the linking of state and legitimacy, and violence and disorder. Rather than a state that can be achieved, legitimacy is understood as a continuous process of production, contestation and negotiation, part of a broader field of contestation and negotiation that includes a wide range of practices of governance. Violence, as a form of governance employed to ***produce*** legitimacy, has effects of both ordering and disordering: it might establish control over a territory, challenge the existing governance practices, create trust and/or distrust among the local population, disrupt and/or establish practices of extortion, etc. In addition, the notion of violent pluralism helps to make sense of the role of neoliberal restructuring in the functioning and identity of the state, especially in relation to the violent practices of governance and claims to legitimacy by other groups such as autodefensas, but also with respect to the entanglement of state and non-state groups. As we have shown, neoliberal restructuring is not synonymous with the absence of the state per se; however, the employment of failed state discourse by autodefensas suggests that feelings of abandonment and ambivalence towards state presence have provided a fertile ground for such claims.

Thirdly, we have pointed out that, despite its value for understanding the complexity of relations at play, the concept of violent pluralism underemphasises non-violent practices and fails to address the relationship between violence and non-violence. The idea of a field of contestation and negotiation does enable an examination of these relationships, showing the inextricability of violence and non-violence in the context of autodefensas. Whilst violence is central to practices of governance on behalf of autodefensas, these groups also engage in less violent practices, including the formation of civil society organisations and engagement in cultural and religious traditions and performances, in their efforts to construct, contest and negotiate their legitimacy and identity. Or, indeed, given the simultaneity and co-constitution of these processes, practices of violence and non-violence become blurred and difficult to tell apart. This raises an important and underexplored question. If the threat and deployment of violence seem so pervasive, as is the case in relations between autodefensas and other groups, what kinds of practices and discourse can still be understood as truly non-violent? The present article has begun to address this issue, yet it requires further exploration.

Finally, in addition to challenging the (binary) distinction between violence and non-violence, the article has called into question a number of other binaries. Indeed, our examination of the production and contestation of legitimacy and identity through (violent) governance in the context of autodefensas has shown that political order(ing) is ***produced*** through complex processes of contestation, disruption, negotiation and collaboration simultaneously, in which the distinctions between (il)legal, (non)state, (il)legitimate and (non)violence blur and transform. However, this is not a call for dismissal of these binaries as irrelevant; rather, we argue that the binary and complex are co-constitutive. In the context of autodefensas, binary distinctions continue to be employed by a range of groups in their discursive and material efforts to ***produce***, justify, challenge, contest and negotiate their own and others’ legitimacy and identity.

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Annual Results to 31 December 2017 and Dividend Announcement Highlights \xB7During the year the Company acquired 273MW of additional solar assets including 127MW in the UK and 146MW of Australian solar assets across four projects, which represents the first international acquisitions for the Company \xB7At 31 December 2017, the Company's portfolio comprised 23 assets with a net peak capacity of 621MW. The UK portfolio represented 475MW of total installed capacity across 19 operating assets, with the Australian portfolio representing 146MW of net peak capacity under construction \xB7During 2017, the portfolio generated 426 GWh of clean energy, sufficient to power nearly 140,000 UK homes \xB7The Company delivered its target dividend of 6.32 pence per share for the year ended 31 December 2017. (2016: 6.17 pence) \xB7The Net Asset Value ('NAV') increased to \xA3481.3 million over the period, increasing the NAV per Ordinary Share to 107.0 pence, from 102.9 pence as at 31 December 2016 \xB7During 2017, the equity discount rate decreased by 0.5% to 7.0% to better reflect market conditions and reducing operational risk. The Company has also updated its Valuation Methodology to more accurately reflect leverage in the portfolio, incorporating a levered discount rate of 7.75% for those assets with debt \xB7During the year the Company announced two Ordinary Share issuances, raising \xA3117.5 million of new equity capital \xB7The Investment Manager has identified a selective pipeline of value accretive opportunities across selected markets within stable economies and with regulatory support for renewable energy Dividend Timetable +---------------------+-----------------+ | Dividend Timetable | Date | +---------------------+-----------------+ | Ex-dividend Date | 10 May 2018 | +---------------------+-----------------+ | Record Date | 11 May 2018 | +---------------------+-----------------+ | Payment Date | 25 May 2018 | +---------------------+-----------------+ Key Metrics +---------------------------------------------+--------------------+ | | As at | | | 31 December 2017 | +---------------------------------------------+--------------------+ | Market Capitalisation | \xA3486.0 million | +---------------------------------------------+--------------------+ | Share Price | 108.0 pence | +---------------------------------------------+--------------------+ | Total Dividend per Share for the Year | 6.32 pence | +---------------------------------------------+--------------------+ | Gross Asset Value\* | \xA3680.8 million | +---------------------------------------------+--------------------+ | Net Asset Value | \xA3481.3 million | +---------------------------------------------+--------------------+ | NAV per Share | 107.0 pence | +---------------------------------------------+--------------------+ | Total Return (NAV) | 7.48% | +---------------------------------------------+--------------------+ | Total Shareholder Return since IPO | 7.02% | +---------------------------------------------+--------------------+ | Profit after Tax for the Year | \xA335.1 million | +---------------------------------------------+--------------------+ \* Including investment valuations and cash of Company and its subsidiaries.

Investments valued using 7.0% Discount Rate. Commenting on today's results, Alex Ohlsson, Chairman of Foresight Solar Fund Limited said: 'The Company continues to deliver its target dividends since IPO, despite challenging energy prices. This year also marked the beginning of the Company's international expansion with 146MW of new assets acquired in Australia.' A conference call for analysts will be held at 9:00am on Thursday 22 February 2018. To register, please contact Shabnam Bashir at Citigate Dewe Rogerson by email [*Shabnam.Bashir@citigatedewerogerson.com*](mailto:Shabnam.Bashir@citigatedewerogerson.com) or by phone +44 (0) 20 7282 2822 A presentation will be provided separately before the call. A copy of the Report can be found on the Fund's website: [*www.fsfl.foresightgroup.eu*](http://www.fsfl.foresightgroup.eu) For further information, please contact: Foresight Group Romy Abrahams [*rabrahams@ForesightGroup.eu*](mailto:rabrahams@ForesightGroup.eu) +44 (0)203 763 6956 Stifel Nicolaus Europe Limited +44 (0)20 7710 7600 Mark Bloomfield Neil Winward Tunga Chigovanyika Notes to Editors About Foresight Solar Fund Limited ('The Company' or 'FSFL') Foresight Solar Fund Limited ('FSFL' or 'the Company') is a Jersey registered, closed-end investment company investing in a diversified portfolio of ground-based solar PV assets in the UK and in Australia. The Company's objective is to provide investors with a sustainable and inflation-linked quarterly dividend. The Company aims to preserve and where possible enhance capital value through the reinvestment of excess cash flows, not required for the payment of dividends. Including its IPO in October 2013, the Company has raised a total of \xA3463.2 million through share placings. About Foresight Group Foresight Group is a leading infrastructure and private equity manager with \xA32.8bn of assets under management and c. 220 people worldwide. The group has offices in London, Rome, Nottingham, Manchester, Guernsey, San Francisco and Sydney. Foresight Solar Fund Limited is managed and advised by Foresight's highly experienced team which to date has invested \xA31.5bn in solar generation.   [*www.foresightgroup.eu*](http://www.foresightgroup.eu) Foresight Solar Fund Limited: Annual Results to 31 December 2017 Financial Highlights As at 31 December 2017 +------------------------------------------------+------------------+ | Market Capitalisation | \xA3486.0 million | +------------------------------------------------+------------------+ | NAV per Share | 107.0 pence | +------------------------------------------------+------------------+ | Dividend per Share declared for the Year | 6.32 pence | +------------------------------------------------+------------------+ | Gross Asset Value | \xA3680.8 million\* | +------------------------------------------------+------------------+ | Net Asset Value | \xA3481.3 million | +------------------------------------------------+------------------+ | Share Price | 108.0 pence | +------------------------------------------------+------------------+ | Total Return (NAV) | 7.48%\*\* | +------------------------------------------------+------------------+ | Total Shareholder Return | 7.02%\*\*\* | +------------------------------------------------+------------------+ | Profit after Tax for the Year | \xA335.1 million | +------------------------------------------------+------------------+ | Number of Shares | 449,952,091 | +------------------------------------------------+------------------+ \* Including investment valuations and cash of Company and its subsidiaries. Investments valued using 7.0% Discount Rate. \*\* Annualised from IPO on 29 October 2013 and calculated in line with AIC methodology. \*\*\* Annualised from IPO on 29 October 2013 \xB7 During the year the Company acquired 273MW of additional solar assets including 127MW in the UK and 146MW of Australian solar assets across four projects, which represents the first international acquisitions for the Company \xB7 At 31 December 2017, the Company's portfolio comprised 23 assets with a net peak capacity of 621MW. The UK portfolio represented 475MW of total installed capacity across 19 operating assets, with the Australian portfolio representing 146MW of net peak capacity under construction \xB7 During 2017, the portfolio generated 426 GWh of clean energy, sufficient to power nearly 140,000 UK homes \xB7 The Company delivered its target dividend of 6.32 pence per share for the year ended 31 December 2017. (2016: 6.17 pence) \xB7 The Net Asset Value ('NAV') increased to \xA3481.3 million over the period, increasing the NAV per Ordinary Share to 107.0 pence, from 102.9 pence as at 31 December 2016 \xB7 During 2017, the equity discount rate decreased by 0.5% to 7.0% to better reflect market conditions and reducing operational risk. The Company has also updated its Valuation Methodology to more accurately reflect leverage in the portfolio, incorporating a levered discount rate of 7.75% for those assets with debt \xB7 During the year the Company announced two Ordinary Share issuances, raising \xA3117.5 million of new equity capital \xB7 The Investment Manager has identified a selective pipeline of value accretive opportunities across multiple markets within stable economies and with regulatory support for renewable energy Chairman's Statement The Company continues to deliver its target dividends since IPO, despite challenging energy prices. This year also marked the beginning of the Company's international expansion with 146MW of new assets acquired in Australia.' ALEXANDER OHLSSON, CHAIRMAN REVIEW OF THE YEAR On behalf of the Board, I am pleased to present the Audited Annual Report and Financial Statements for Foresight Solar Fund Limited (the 'Company') for the year ended 31 December 2017. The year 2017 was undoubtedly a landmark year for the maturing UK solar market. Initiated by the closure of the UK Renewable Obligation scheme to new solar projects in March 2017, the UK solar industry has entered a transitionary period during the last 12 months. With new solar PV installations no longer benefiting from a subsidy mechanism, there have been limited opportunities to purchase primary assets and consequently competition for operational solar projects in the secondary market has increased. The Company has followed a disciplined approach to UK acquisitions, successfully adding 127MW of operational assets to the UK portfolio including the 72MW Shotwick solar project and the 50MW Sandridge solar project. Simultaneously, the Company has looked further afield for investment opportunities, acquiring 146MW of assets in Australia currently under construction, leveraging on the Investment Manager's experience and track record in securing more value for investors. Once these Australian assets are operational, the Company's portfolio will represent the UK's largest dedicated solar energy listed investment company by installed capacity, with 621MW across 23 assets. As at 31 December 2017, the UK portfolio represented 475MW of total installed capacity across 19 assets, with the additional four assets located in Australia representing 146MW of net peak capacity. DIVIDEND AND DIVIDEND GROWTH The Company has continued to achieve its dividend objectives and paid all target dividends since IPO, having delivered the targeted inflation-linked dividend of 6.32 pence for the year ending 31 December 2017. (2016: 6.17 pence). Since the Company's IPO in 2013, the Company has paid total dividends of 24.6 pence per share. The target dividend for 2018 is 6.58 pence, in line with the UK's Retail Price Index ('RPI') for 2017. The Board will continue to review the Company's dividend policy to reflect the expected evolution of the Investment Portfolio and the ongoing relationship between power prices and inflation levels. KEY FINANCIALS During the year, the Net Asset Value ('NAV') per Ordinary Share increased by 4.1 pence from 102.9 pence as at 31 December 2016 to 107.0 pence as at 31 December 2017. This was primarily driven by acquisitions made during the year, the reduction in the unlevered equity discount rate and by recognising for the first time the value of extended useful economic lives of certain UK solar sites beyond 25 years. The Company has also updated its NAV methodology to more accurately reflect the leveraged discount approach of the projects financed by third party debt by applying a levered discount rate to assets associated with long-term debt. The Profit after Tax for the year was \xA335.1 million resulting in Earnings per Share of 8.80 pence. CAPITAL RAISING AND FINANCING During the year the Company issued 109 million new Ordinary Shares representing \xA3117.5 million of new funds raised. Of this, \xA378.5 million was raised in March and the remaining \xA339.0 million in October. The new Ordinary Shares were issued under the Placing ***Programme***, announced on 3 March 2017, for up to 250 million new Ordinary Shares. The net proceeds from these equity placings were used to finance investment opportunities in the UK and Australia and pay down existing short term revolving credit facilities ('RCF'). In February 2017, a new RCF of \xA355.0 million was agreed with Santander Global Corporate Banking at attractive terms to support the financing of new acquisitions. At the year end, the total outstanding debt for the Company and its subsidiaries, including RCFs, amounted to \xA3200.3 million (\xA3198.3 million at 31 December 2016). The gearing level at 29% of Gross Asset Value ('GAV') (2016: 36%) remains conservative and is within the debt level limits set by the Company. The Investment Manager will continue to optimise the Company's capital structure to enhance returns for investors. PORTFOLIO DEVELOPMENT With additional capital raised during 2017, the Company was well placed to acquire solar projects in line with the Company's growth strategy both in the UK and abroad. During the period, the Investment Manager evaluated over 1.8GW of solar assets from secondary vendors in the UK, demonstrating the availability of assets in the UK secondary market during a period of consolidation post the closure of the UK ROC regime. The acquisitions of Sandridge and Shotwick demonstrate that, despite the increased competition in the UK secondary solar market, the Company is still able to identify NAV accretive opportunities. In an increasingly competitive market, the Investment Manager will continue to maintain its strong discipline and only acquire assets that meet the Company's return requirements. In Q4 2017, the Company completed its first overseas acquisitions, investing in four assets in Australia which will have an installed peak capacity of 146MW, when construction is complete. The Board believes that the Australian solar market offers the opportunity to diversify the Company's portfolio into an overseas market that benefits from strong regulatory support along with high levels of irradiation, supported by the Investment Manager's active presence in Australia since 2016. Although the Company will continue to focus predominantly on the UK market, in line with the Investment mandate, the Board believes international investments represent an attractive opportunity to increase shareholder returns. OPERATIONAL PERFORMANCE The portfolio generated 426 Gigawatt hours of clean energy during 2017, enough to power nearly 140,000 homes. The performance of the assets showed a significant and sustained improvement over the course of the year, following a relatively challenging first half, resulting from lower than expected irradiation levels and scheduled rectification works. Irradiation levels remained below expected levels during the second half of the year resulting in overall production levels for the period being 4.6% below expectations against an irradiation variance of -2.2% for the year. A small number of assets experienced specific production problems earlier in the year, however all but one of these are now performing above or in line with expectations. results of these improvements can clearly be demonstrated, the works themselves led to low site availability which impacted To address underperformance, significant remediation works have been undertaken on these sites at the expense of the relevant EPC contractors. While the positive production during part of the year. Lost production was more than compensated for by the Liquidated Damages the Company received. During 2017, the Asset Manager successfully secured the necessary lease extensions and other ***planning*** rights needed to extend the expected useful economic life of eight UK portfolio assets beyond the 25 year period initially assumed. This has been recognised in the NAV, reflecting a more accurate valuation of the portfolio, resultng in an uplift of \xA311.3m (2.8 pence per share). The Asset Manager continues to optimise the commercial performance of the assets with significant long term savings achieved during the year, predominantly through a new framework agreement with Brighter Green Engineering ('BGE') which will immediately reduce O&M pricing by c. 20% on assets operated by BGE. SOLAR MARKET DEVELOPMENTS As reported in June 2017, there is now a total of over 12GW of solar capacity in Great Britain, with over 8GW of ground mounted solar. Although the lack of regulatory support for new large scale solar projects has halted the flow of primary solar assets to market, the Company continues to see opportunities to acquire existing operational assets currently being held by short term investors. While the ROC scheme was replaced by the Contract for Difference ('CfD') subsidy regime, solar PV and onshore technologies were both excluded from the most recent auction round, and are highly unlikely to feature in future auction rounds. The Investment Manager/Board expects future growth in the UK solar energy market to be driven by falling installation costs. In addition, the prospect of co-locating battery facilities with solar projects should further support this trend as capex costs for this technology reduce. Australia, in contrast offers a rapidly growing solar sector, with solar projects accounting for over c.900MW of total installed capacity in 2017. Further significant growth is anticipated, as 4.5GW of new large-scale projects are due to be installed by 2020. Through the Paris Agreement on climate change, the Australian Government has committed to reducing the country's carbon emissions 26-28% below 2005 levels by 2030. While criticism has been levelled at the lack of Federal support for renewables, support from State governments has been robust, with many implementing ambitious individual renewables targets as well as holding competitive auctions for renewable energy capacity. The Board believes being an early entrant in this market has given the Company a distinct competitive advantage, while also benefitting from the Investment Manager's solar experience and track record in the UK. Although the Australian Solar market is forecast to grow significantly over the next few years, the power purchase agreement ('PPA') market in Australia has become more competitive in recent months reflecting the number of PPAs expected to be written by the most relevant local utilities. This is explained in more detail in the Australian market report. Overall, the global solar market is expected to see significant growth over the coming years as solar project costs continue to fall and grid parity is achieved in more geographies. ANNUAL GENERAL MEETING I look forward to reporting further to shareholders at the next Annual General Meeting ('AGM'), which will be held on 11 June 2018 at 9.30am. OUTLOOK The Investment Manager is actively reviewing a pipeline of more than 310MW of potential investments in the UK and other solar markets, but will maintain a prudent approach to new acquisitions, making its investment decisions based on the ability of projects to increase Company NAV. The Asset Manager will continue to focus on maximising the operating performance of the UK portfolio from a technical perspective while seeking to secure improved commercial terms, as well as working closely with the EPC contractors to monitor the progress of the Australian construction assets. Alexander Ohlsson Chairman 21 February 2018 Corporate Summary and Investment Objective CORPORATE SUMMARY Foresight Solar Fund Limited ('the Company') is a closed-ended company with an indefinite life and was incorporated in Jersey under the Companies (Jersey) Law 1991, as amended, on 13 August 2013, with registration number 113721. The Company has 449,952,091 Ordinary Shares in issue which are listed on the premium segment of the Official List and traded on the London Stock Exchange's Main Market. The Company makes its investments through intermediate holding companies and underlying Project Vehicles/Special Purpose Vehicles ('SPVs'). INVESTMENT OBJECTIVE The Company's objective is to provide investors with a sustainable and inflation-linked quarterly dividend and to aim to preserve and where possible enhance capital value, through the reinvestment of excess cash flows, not required for the payment of dividends, in a diversified portfolio of predominantly UK ground-based solar PV assets. THE COMPANY The Company's Initial Public Offering on 24 October 2013 raised \xA3150 million, creating the largest dedicated solar investment company listed in the UK at the time. To date, the Company has raised a total of \xA3463.2 million through equity issuance. On 3 March 2017, the Company announced a Placing ***Programme*** relating to the issue of up to 250 million new Ordinary Shares in aggregate over 12 months. Since the start of this Placing ***Programme***, the Company has issued 109 million new Ordinary Shares equivalent to \xA3117.5 million of new funds raised. Of this \xA378.5 million was raised in March and the remaining \xA339.0 million in October. As at 31 December 2017, the Company had a market capitalisation of \xA3486.0 million and the portfolio consisted of 23 assets with a net peak capacity of 621MW. 19 assets are located in the UK with a total generating capacity of 475MW and the remaining four assets are located in Australia with 146MW of capacity currently under construction. INVESTMENT POLICY The Company will pursue its investment objective by acquiring ground- based, operational solar power plants predominantly in the UK. Investments outside the UK and assets which are still, when acquired, under construction will be limited to 25 percent of the Gross Asset Value of the Company and subsidiaries, calculated at the time of investment. The Company will seek to acquire majority or minority stakes in individual ground-based solar assets. When investing in a stake of less than 100 per cent in a solar power plant SPV, the Company will secure its shareholder rights through shareholders' agreements and other legal transaction documents. Power purchase agreements will be entered into between each of the individual solar power plant SPVs in its portfolio and creditworthy offtakers in the UK. Under the PPAs, the SPVs will sell solar generated electricity and green benefits to the designated offtaker. The Company may retain exposure to UK power prices through PPAs that avoid mechanisms such as fixed prices or price floors. Investment may be made in equity or debt or intermediate instruments but not in any instruments traded on any investment exchange. The Company is permitted to invest cash held for working capital purposes and awaiting investment in cash deposits, gilts and money market funds. In order to spread risk and diversify its portfolio, at the time of investment no single asset shall exceed in value (or, if it is an additional stake in an existing investment, the combined value of both the existing stake and the additional stake acquired) 30 per cent of the Company's Gross Asset Value post-acquisition. The Gross Asset Value of the Company will be calculated based on the last published gross investment valuation of the Company's portfolio, including cash, plus acquisitions made since the date of such valuation at their cost of acquisition. The Company's portfolio will provide diversified exposure through the inclusion of not less than five individual solar power plants and the Company will also seek to diversify risk by ensuring that a significant proportion of its expected income stream is derived from regulatory support (which will consist of for example, without limitation, ROCs and FiTs for UK assets). Diversification will also be achieved by the Company using a number of different third-party providers such as developers, EPC contractors, O&M contractors, panel manufacturers, landlords and distribution network operators. The Articles provide that gearing\*, calculated as Group borrowings (including any asset level gearing) as a percentage of the Company's Gross Asset Value, will not exceed 50 percent at the time of drawdown. It is the Board's current intention that long-term gearing (including long-term, asset level gearing), calculated as Group borrowings (excluding intra-group borrowings (i.e. borrowings between members of the Group) and revolving credit facilities) as a percentage of the Company's Gross Asset Value will not exceed 40 per cent at the time of drawdown. \*(see Capital Raising and Financing section in Chairman's Statement) Any material change to the investment policy will require the prior approval of Shareholders by way of an ordinary resolution (for so long as the Ordinary Shares are listed on the Official List) in accordance with the Listing Rules. SIGNIFICANT SHAREHOLDERS The Company's Shareholders include a substantial number of blue-chip institutional investors. Shareholders in the Company with more than a 5% holding as at 31 December 2017 are as follows: +------------------------------------------------+---------------------------+ | Investor | % Shareholding in Fund | +------------------------------------------------+---------------------------+ | Blackrock Investment Management Ltd | 14.2% | +------------------------------------------------+---------------------------+ | Newton Investment Management Ltd | 9.0% | +------------------------------------------------+---------------------------+ | Legal & General Investment Management Ltd | 7.6% | +------------------------------------------------+---------------------------+ | Schroders Plc | 7.4% | +------------------------------------------------+---------------------------+ | Standard Life Aberdeen | 6.5% | +------------------------------------------------+---------------------------+ | Total | 44.7% | +------------------------------------------------+---------------------------+ ALTERNATIVE INVESTMENT FUND MANAGEMENT DIRECTIVE ('AIFMD') The AIFMD, which was implemented across the EU on 22 July 2013 with the transition period ending 22 July 2014, aims to harmonise the regulation of Alternative Investment Fund Managers ('AIFMs') and imposes obligations on managers who manage or distribute Alternative Investment Funds ('AIFs') in the EU or who market shares in such funds to EU investors. Under the AIFMD, the Company is self-managed and acts as its own Capitalised Alternative Investment Fund Manager. Both the Company and the Investment Manager are located outside the European Economic Area ('EEA') but the Company's marketing activities in the UK are subject to regulation under the AIFMD. PACKAGED RETAIL AND INSURANCE-BASED INVESTMENT PRODUCTS REGULATION A new EU regulation, the Packaged Retail and Insurance-based Investment Products Regulation ('PRIIPS'), came into effect on 1 January 2018. Its aim is to ensure retail investors are provided with transparent and consistent information across different types of financial products. This new regulation requires the Company to publish a Key Information Document ('KID'). The KID is available on the Company's website under Publications and can be found at this link:   [*www.fsfl.foresightgroup.eu*](http://www.fsfl.foresightgroup.eu) Board of Directors The Directors, who are Non-Executive and, other than Mr Dicks, independent of the Investment Manager, are responsible for the determination of the investment policy of the Company, have overall responsibility for the Company's activities including its investment activities and for reviewing the performance of the Company's portfolio. The Directors are as follows: ALEX OHLSSON (CHAIRMAN) Mr Ohlsson is Managing Partner for the law firm Carey Olsen in Jersey. He is recognised as a leading expert in corporate and finance law in Jersey and is regularly instructed by leading global law firms and financial institutions. He is the independent chairman of the States of Jersey's Audit Committee and an Advisory Board member of Jersey Finance, Jersey's promotional body. He is also a member of the Financial and Commercial Law Sub-Committee of the Jersey Law Society which reviews as well as initiates proposals for legislative changes. He was educated at Victoria College Jersey and at Queens' College, Cambridge, where he obtained an MA (Hons) in Law. He has also been an Advocate of the Royal Court of Jersey since 1995. Mr Ohlsson was appointed as a Non-Executive Director and Chairman on 16 August 2013. CHRIS AMBLER Mr Ambler has been the Chief Executive of Jersey Electricity Plc since 1 October 2008. He has experience in a number of senior positions in the global industrial, energy and materials sectors working for major corporations including ICI/Zeneca, The BOC Group and Centrica/British Gas, as well as in ***strategic*** consulting roles. He is a Director on other boards including a Non-Executive Director of Apax Global Alpha Limited, a listed fund which launched on the London Stock Exchange on 15 June 2015. Mr Ambler is a Chartered Director, a Chartered Engineer and a Member of the Institution of Mechanical Engineers. He holds a First Class Honours Degree from Queens' College Cambridge and an MBA from INSEAD. Mr Ambler was appointed as a Non-Executive Director on 16 August 2013. PETER DICKS Mr Dicks is currently a Director of a number of quoted and unquoted companies. In addition, he was the Chairman of Foresight VCT plc and Foresight 2 VCT plc from their launch in 1997 and 2004 respectively until 2010 and since then he has continued to serve on the Board of the now merged Foresight VCT plc. He is also on the Board of ICG Enterprise Trust plc, Mears Group plc, Mercia Fund 1 General Partnership Limited and Miton UK Microcap Trust plc and Chairman of Unicorn AIM VCT plc and SVM Emerging Fund. Mr Dicks was appointed as a Non-Executive Director on 16 August 2013. Investment Manager The Company's Investment Manager is Foresight Group CI Limited ('Foresight Group'), which is responsible for the development and management of the assets of the Company, including the sourcing and structuring of new solar project acquisitions and advising on the Company's borrowing strategy. The Investment Manager is a Guernsey registered company, incorporated under the Guernsey Law with registered number 51471. The Investment Manager is licensed and regulated by the Guernsey Financial Services Commission. Founded in 1984, Foresight Group is a leading independent infrastructure and private equity investment manager that currently manages c. \xA32.8 billion of assets on behalf of institutions and retail clients. The Investment Manager is headquartered in London with offices in San Francisco, Sydney, Rome, Guernsey and two regional UK offices in Manchester and Nottingham. At the year end, Foresight Group's staff number was over 220 globally, including more than 60 investment professionals. Foresight Group established its solar investment team in 2007 and today manages assets of c. \xA31.5 billion invested in 79 solar plants across the UK, Europe and Australia with a total generating capacity of c.1.1GW. Foresight Group is now the second largest solar asset manager in the UK with over 800MW of installed capacity. In Australia, following the recent acquisitions made on behalf of the Company, Foresight Group is now one of the larger solar asset managers with 252MW under management. Other solar assets include an 11MW portfolio of unsubsidised solar assets in Portugal and Spain, where Foresight Group set a new precedent, closing one of the first corporate PPAs in that market. The solar investment team, which now numbers 24 investment professionals, forms part of Foresight Group's 38-strong dedicated multinational energy infrastructure team, which possesses a comprehensive suite of capabilities, from investment origination and execution, including sourcing and structuring transactions. In the UK, the wider infrastructure team also manages 447MW of investments in bioenergy projects, onshore wind, lithium-ion battery storage facilities and reserve power generation assets. The team is supported by an extensive back office team comprising finance, investor relations, sales, marketing, HR and administration. Foresight Group established its Sydney office in early 2016, completing its first solar transaction in Australia in February 2017 with the acquisition of the 25MW Barcaldine Remote Community Solar Farm in Queensland. In addition, in November 2015 Foresight Group was awarded a A$100m commitment from the Clean Energy Finance Corporation ('CEFC'), the Government-backed green bank, to fund bioenergy projects across Australia. The multi-disciplined team of six includes investment professionals and portfolio managers with experience in solar and bioenergy projects, both transactional and during the construction and operational phases, and is supported by the solar investment team based in London. The Company's Investment Management team is led by three experienced UK-based fund managers and is responsible for new asset acquisitions, pipeline development and value enhancement of the Company, including making recommendations for optimal borrowing strategies. This team is supported by a group of UK-based solar investment analysts with additional resource obtained from Foresight Group's Italian and Australian investment teams. Foresight Group is overseen by an Executive Committee of which Jamie Richards and Gary Fraser are members. Foresight Group's Executive Committee provides ***strategic*** investment advice to the management team and the Board. JAMIE RICHARDS, PARTNER, HEAD OF INFRASTRUCTURE Jamie joined Foresight Group in 2000 and is an Executive Committee member. Since inception in 2007, he has had overall responsibility for Foresight Group's infrastructure/solar business in the UK, Australia, Italy and US including origination and structuring. Jamie has overseen, as a member of the Investment Committee, more than 100 solar projects representing Foresight Group's approximately \xA31.5 billion solar portfolio. Prior to 2007, he led a number of venture capital and private equity transactions in the technology and cleantech sectors representing Foresight Group's funds and was a non- executive director for several companies. Jamie is a chartered accountant and has 20 years' experience in fund management, banking and corporate recovery. Before joining Foresight Group, Jamie worked at PwC, Citibank and Macquarie, both in London and Sydney. RICARDO PINEIRO, PARTNER, HEAD OF UK SOLAR Ricardo has led Foresight Group's UK solar investments since joining Foresight Group in 2011, including the acquisition of over 60 UK solar power plants, totalling c.800MW and continues to oversee their commercial management. He has also been responsible for arranging over \xA3500 million of third party debt facilities to date, including revolving debt facilities, listed bonds and project finance facilities. Ricardo joined Foresight Group from Espirito Santo Investment, where he spent four years in the project finance division as manager with a special focus on transport, energy, oil and gas. Ricardo is primarily focused on leading new renewable energy transactions across UK and other international markets. GARY FRASER, PARTNER, GROUP FINANCE DIRECTOR Gary is a chartered accountant and Chartered Fellow of the Securities Institute. He worked with Ernst & Young between 1993 and 1999, predominantly in the audit and risk assurance and corporate finance areas and joined ISIS Asset Management plc in 1999 where he was responsible for the provision of similar services to several investment companies. He joined Foresight Group in 2004 and is an Executive Committee member. Asset Manager The Company's underlying investment vehicles have appointed Foresight Group LLP, a subsidiary of Foresight Group CI, to act as Asset Manager. The Asset Manager is responsible for all operations, including the commercial, financial and technical management of assets under construction acquired by the Company. Over the last six years, Foresight Group has developed a leading Asset Management capability through its team of 38 individuals with expertise across electrical and civil engineering, finance and legal disciplines. The team manages over 150 energy infrastructure projects including solar, battery storage, reserve power, waste-to-energy and wind investments, with 1.5GW of renewable energy capacity. The Asset Manager adopts an active and hands-on approach in order to maximise long-term value creation. Activities undertaken include oversight of construction progress, detailed asset performance monitoring, active contract management, identification of opportunities to enhance long-term performance and improve operational efficiency. The Asset Manager's experience in asset optimisation has been gained through continual emphasis on operational efficiencies achieved through the consolidation of costs across O&M activities and insurances, negotiating attractive offtake pricing and ongoing equipment improvements. As an early market entrant, the Asset Manager has a wealth of experience in the technical and operational management of solar assets and has been able to develop its own centralised monitoring system so that all sites can be remotely monitored in real time. This sophisticated asset management database forms the basis of all performance analysis and reporting, as well as enabling the enforcement of contractual compliance. This powerful tool assesses the performance of the portfolio on a continuous basis and ensures that all information is consistent, accurate and relevant. It also allows the Asset Manager's engineers to identify and notify contractors of incidents expeditiously and working with them to minimise the impact on portfolio production. The Asset Manager also oversees each of the O&M contractors' performance, incident control and technical reporting to ensure that each solar power plant is operated and managed so as to maximise profits and reduce operating risks. TOM MOORE, DIRECTOR Tom has responsibility for the financial and operational performance of Foresight Group's energy infrastructure assets. Tom joined Foresight Group in 2013, having previously worked as Financial Controller at a hedge fund with oversight of internal finance, operations and compliance. He also performed advisory work for M&A transactions and corporate restructurings. Before this he spent four years in practice with Saffery Champness. Tom is a chartered accountant and holds a BSc in Economics from The University of York. ARNOUD KLAREN, SENIOR PORTFOLIO MANAGER AND TECHNICAL DIRECTOR Arnoud joined Foresight Group in 2011 and is responsible for the technical aspects of Foresight Group's solar portfolio. Arnoud previously worked at SolFocus as a Project Manager where he focused on the deployment of concentrated photovoltaic plants in Southern Europe and the Middle-East. Prior to this, Arnoud founded ThinkSpectrally, a spin-off company of The University of Valencia in Spain, dedicated to quality assurance in the PV manufacturing process. Arnoud holds a MSc degree in Electrical Engineering from the Twente University of Technology in The Netherlands. JULIAN ELSWORTH, SENIOR PORTFOLIO MANAGER Julian joined Foresight Group in 2013 and has over 14 years of experience in the renewable energy industry. Julian is responsible for the management of the technical and commercial aspects of the UK solar portfolio. Prior to joining Foresight Group, Julian worked as a Senior Consultant for a large engineering consultancy where he focused on a variety of renewable energy projects globally. Julian is a Chartered Engineer and holds an MSc in Renewable Energy and the Environment from Reading University. TULLY ROBERTSON, TECHNICAL PORTFOLIO MANAGER Tully joined Foresight Group in 2018, based in Sydney. He is an electrical engineer with 13 years' experience in project/contract management, design and commissioning of various high voltage infrastructure projects throughout Australia, including Foresight Group's 20MW Barcaldine solar farm in Queensland. Tully has also performed lead Owner's Engineer design reviews and written EPC specifications for utility scale wind and solar farm projects in Australia. Tully is a Chartered Professional Engineer (CPEng), Registered Professional Engineer of Queensland (RPEQ) and Member of the Institution of Engineers Australia (MIEAust). Portfolio Assets OVERVIEW +------------+---------+------------+----------+---------+----+-----------+------------+----------+ | | | |Installed | | | | |Current(5)| | Asset | Country | Status | Peak |Ownership|Net |Connection |Acquisition | Fair | | | | |Capacity | | MW | Date | Cost(1) | Value | | | | | (MW) | | | | | | +------------+---------+------------+----------+---------+----+-----------+------------+----------+ |Wymeswold(2)| UK |Operational | 34 | 100% | 34 |March 2013| \xA345.0m | \xA347.7m | | | | and | | | | | | | | | | accredited | | | | | | | +------------+---------+------------+----------+---------+----+-----------+------------+----------+ | Castle | UK |Operational | 18 | 100% | 18 |March 2014| \xA322.6m | \xA320.6m | | Eaton | | and | | | | | | | | | | accredited | | | | | | | +------------+---------+------------+----------+---------+----+-----------+------------+----------+ | Highfields | UK |Operational | 12 | 100% | 12 |March 2014| \xA315.4m | \xA313.5m | | | | and | | | | | | | | | | accredited | | | | | | | +------------+---------+------------+----------+---------+----+-----------+------------+----------+ | High Penn | UK |Operational | 10 | 100% | 10 |March 2014| \xA312.7m | \xA310.5m | | | | and | | | | | | | | | | accredited | | | | | | | +------------+---------+------------+----------+---------+----+-----------+------------+----------+ | Pitworthy | UK |Operational | 16 | 100% | 16 |March 2014| \xA319.3m | \xA316.5m | | | | and | | | | | | | | | | accredited | | | | | | | +------------+---------+------------+----------+---------+----+-----------+------------+----------+ | Hunters | UK |Operational | 11 | 100% | 11 |July 2014 | \xA313.3m | \xA313.4m | | Race | | and | | | | | | | | | | accredited | | | | | | | +------------+---------+------------+----------+---------+----+-----------+------------+----------+ | Spriggs | UK |Operational | 12 | 100% | 12 |March 2014| \xA314.6m | \xA313.7m | | Farm | | and | | | | | | | | | | accredited | | | | | | | +------------+---------+------------+----------+---------+----+-----------+------------+----------+ |Bournemouth | UK |Operational | 37 | 100% | 37 |September | \xA347.9m | \xA349.8m | | | | and | | | | 2014 | | | | | | accredited | | | | | | | +------------+---------+------------+----------+---------+----+-----------+------------+----------+ | Landmead | UK |Operational | 46 | 100% | 46 | December | \xA352.4m | \xA347.9m | | | | and | | | | 2014 | | | | | | accredited | | | | | | | +------------+---------+------------+----------+---------+----+-----------+------------+----------+ | Kencot | UK |Operational | 37 | 100% | 37 |September | \xA349.5m | \xA344.5m | | | | and | | | | 2014 | | | | | | accredited | | | | | | | +------------+---------+------------+----------+---------+----+-----------+------------+----------+ | Copley | UK |Operational | 30 | 100% | 30 | December | \xA332.7m | \xA336.2m | | | | and | | | | 2015 | | | | | | accredited | | | | | | | +------------+---------+------------+----------+---------+----+-----------+------------+----------+ | Atherstone | UK |Operational | 15 | 100% | 15 |March 2015| \xA316.2m | \xA315.5m | | | | and | | | | | | | | | | accredited | | | | | | | +------------+---------+------------+----------+---------+----+-----------+------------+----------+ | Paddock | UK |Operational | 9 | 100% | 9 |March 2015| \xA310.7m | \xA311.1m | | Wood | | and | | | | | | | | | | accredited | | | | | | | +------------+---------+------------+----------+---------+----+-----------+------------+----------+ | Southam | UK |Operational | 10 | 100% | 10 |March 2015| \xA311.1m | \xA311.1m | | | | and | | | | | | | | | | accredited | | | | | | | +------------+---------+------------+----------+---------+----+-----------+------------+----------+ | Port Farm | UK |Operational | 35 | 100% | 35 |March 2015| \xA344.5m | \xA343.8m | | | | and | | | | | | | | | | accredited | | | | | | | +------------+---------+------------+----------+---------+----+-----------+------------+----------+ | Membury | UK |Operational | 16 | 100% | 16 |March 2015| \xA322.2m | \xA320.5m | | | | and | | | | | | | | | | accredited | | | | | | | +------------+---------+------------+----------+---------+----+-----------+------------+----------+ | Shotwick | UK |Operational | 72 | 100% | 72 |March 2016| \xA375.5m | \xA384.6m | | | | and | | | | | | | | | | accredited | | | | | | | +------------+---------+------------+----------+---------+----+-----------+------------+----------+ | Sandridge | UK |Operational | 50 | 100% | 50 |March 2016| \xA357.3m | \xA358.0m | | | | and | | | | | | | | | | accredited | | | | | | | +------------+---------+------------+----------+---------+----+-----------+------------+----------+ | Wally | UK |Operational | 5 | 100% | 5 |March 2016| \xA35.7m | \xA35.8m | | Corner | | and | | | | | | | | | | accredited | | | | | | | +------------+---------+------------+----------+---------+----+-----------+------------+----------+ |UK Subtotal| | | 475 | |475 | | \xA3568.6m | \xA3564.7m | +------------+---------+------------+----------+---------+----+-----------+------------+----------+ | Bannerton |Australia|Construction| 110 | 48.5% |53 | July | \xA312.5m |\xA312.5m(4) | | | | | | | | 2018(3) | | | +------------+---------+------------+----------+---------+----+-----------+------------+----------+ | Longreach |Australia|Construction| 17 | 49% | 8 | March | \xA35.3m | \xA35.3m(4) | | | | | | | | 2018(3) | | | +------------+---------+------------+----------+---------+----+-----------+------------+----------+ | Oakey 1 |Australia|Construction| 30 | 49% |15 |September | \xA37.8m | \xA37.9m(4) | | | | | | | | 2018(3) | | | +------------+---------+------------+----------+---------+----+-----------+------------+----------+ | Oakey 2 |Australia|Construction| 70 | 100% | 70 | October | \xA315.9m |\xA316.0m(4) | | | | | | | | 2018(3) | | | +------------+---------+------------+----------+---------+----+-----------+------------+----------+ | Australia | | | 227 | |146 | | \xA341.5m | \xA341.7m | | Subtotal | | | | | | | | | +------------+---------+------------+----------+---------+----+-----------+------------+----------+ | Total | | | 702 | |621 | | \xA3610.3m | \xA3606.4m | +------------+---------+------------+----------+---------+----+-----------+------------+----------+ 1 Original cost at time of acquisition, including transaction costs 2 Includes the 2MW extension acquired in March 2015 3 Expected connection dates 4 Held at cost incurred to date. This does not represent expected final cost and assumes AUD/GBP exchange rate of 0.58 as at 31 December 2017 5 Calculated using a discount rate of 7.75% Investment Manager's Report For the year ended 31 December 2017 KEY METRICS +----------------------------------------+------------------+------------------+ | | As at | As at | | |31 December 2017|31 December 2016| +----------------------------------------+------------------+------------------+ |Market Capitalisation | \xA3486.0 million | \xA3354.9 million | +----------------------------------------+------------------+------------------+ |Share Price | 108.0 pence | 104.10 pence | +----------------------------------------+------------------+------------------+ |Total Dividend per Share for the | 6.32 pence | 6.17 pence | |Year | | | +----------------------------------------+------------------+------------------+ |Gross Asset Value\* | \xA3680.8 million | \xA3549.0 million | +----------------------------------------+------------------+------------------+ |Net Asset Value | \xA3481.3 million | \xA3350.8 million | +----------------------------------------+------------------+------------------+ |NAV per Share | 107.0 pence | 102.9 pence | +----------------------------------------+------------------+------------------+ |Total Return (NAV) | 7.48% | 7.04% | +----------------------------------------+------------------+------------------+ |Total Shareholder Return since IPO | 7.02% | 6.58% | +----------------------------------------+------------------+------------------+ |Profit after Tax for the Year | \xA335.1 million | \xA330.7 million | +----------------------------------------+------------------+------------------+ \* Including investment valuations and cash of Company and its subsidiaries. Investments valued using 7.0% Discount Rate. PORTFOLIO SUMMARY As at 31 December 2017, the Company's portfolio consisted of 23 assets with a net peak capacity of 621MW. The Company holds 19 operational assets located in the UK with a total generating capacity of 475MW and four assets under construction in Australia, representing 146MW of net installed capacity. The portfolio's average size of 27MW per solar installation means the Company benefits from efficiencies of scale particularly in terms of lower asset management costs per MW and operating and maintenance charges. At the year end, the Company owned seven of the top 25 largest solar projects in the UK. The Investment Manager has selected assets within the UK that ensure diversification by geography, while aiming to maximise exposure to regions with favourable irradiation patterns. The Australian assets, which represent c.13% of the total equity invested to date, further diversify the portfolio in a market where we believe our shareholders can now obtain attractive returns, on a risk-adjusted basis. ACQUISITIONS In terms of MWs acquired, 2017 was the Company's most acquisitive year to date. Operational assets with a total capacity of 127MW were acquired in the UK and 146MW of construction stage projects were acquired in Australia. UK SHOTWICK In February 2017, the Company acquired the 72MW Shotwick solar project in Flintshire, North Wales. Shotwick is the largest operational solar asset in the UK and most significant UK acquisition made by the Company to date. Shotwick provides electricity via a private wire agreement to the neighbouring Shotton paper mill, which is owned by Finnish conglomerate UPM, while retaining the flexibility to export electricity to the National Grid. This investment is also noteworthy due to a 25-year corporate PPA signed with UPM, which is the first such arrangement for the Company. This enables the papermill to potentially run on up to 100% green energy during daylight hours and saves up to 22,500 tonnes of carbon dioxide emissions per year. This contract allows the Company to obtain power prices materially above traditional utility PPAs available in the market. Shotwick was connected to the grid in March 2016 and has received ROC accreditation of 1.3ROCs/MWh. The Company acquired the economic benefit of all project cash flows from Shotwick since 1 December 2016. SANDRIDGE In February 2017, the Company acquired Sandridge solar project located in Wiltshire. At 50MW, Sandridge is the second largest UK asset in the portfolio acquired during the period. It was connected to the National Grid in March 2016 and has received ROC accreditation of 1.3ROCs/MWh. The Company acquired the economic benefit of all project cash flows since 1 January 2017. Sandridge was acquired under a bilateral agreement from Goldbeck, a developer with which the Investment Manager has worked on previous assets, allowing the Company to gain access to high quality projects at attractive valuations. WALLY CORNER In July 2017, the Company acquired Wally Corner, a 1.2 ROC 5MW operational project in Berinsfield, South Oxfordshire. Wally Corner was purchased from a counterparty with which the Investment Manager has worked before, resulting in a very efficient transaction process for the Company. AUSTRALIA BANNERTON In September 2017, the Company announced its first overseas acquisition; a 48.5% stake in the Bannerton solar farm in Victoria, Australia. The project will have a total peak capacity of 110MW once fully operational and is expected to connect to the grid in July 2018. Bannerton benefits from a 10-year contract with the Victorian Government for the sale of c.36% of the project's Large-scale Generation Certificates ('LGCs'), having won a tender to supply clean power to the Melbourne tram network. It also benefits from a 17-year fixed-price PPA with Alinta Energy, an Australian utility. The contract with Alinta covers 60% of the electricity expected to be generated during the term of the contract. The remaining electricity and LGCs generated will be sold at prevailing market prices. Bannerton was acquired from a joint venture between Syncline Energy Pty Limited and Foresight Solar Australia (UK) Limited (a solar developer which is a subsidiary of Foresight Group Holdings Limited) for an initial consideration of A$5.5 million. The Company's total equity investment will be c. A$40 million including the expected construction costs. The initial consideration was funded through the Company's existing RCF provided by Santander Global Corporate Banking. Bannerton also benefits from an Australian Dollar denominated debt facility of c.A$98 million, provided by the CEFC. The project's co- investors are KDB Infrastructure Asset Management Co. Ltd on behalf of Global Infrastructure Fund 3 and Hanwha Energy Corporation Singapore Pte. Ltd, a subsidiary of Hanwha Energy Corporation, with no investor owning more than 48.5% in the project. The co-investors were selected based on their long-term investment objectives in the Australian market. Foresight Group will act as asset manager for the project. Bannerton is currently on track both in terms of budget and construction milestones. The Investment Manager will continue to work closely with the EPC contractor to manage the various construction phases and ensure that all connection dates are achieved on time. Bannerton, and the other three Australian projects described below, will use a single axis tracking technology which ensures that the modules track the sun across the sky. This technology is expected to provide an increased energy production of up to 30% versus the fixed ground mounted solar solutions that are typically built in the UK. LONGREACH In October 2017, the Company entered into binding commitments with Canadian Solar Inc, a global solar developer and panel manufacturer, to acquire interests in three construction stage assets in Queensland, Australia. The Company's equity investment in these assets will amount to a total of c.A$74 million (approximately \xA343m\*)[1] including expected construction costs. (\*assuming AUD/GBP exchange rate of 0.58 as at 31 December 2017) The Company has acquired a 49% interest in Longreach Solar Farm, which will have a total installed capacity of 17MW once operational. Canadian Solar Inc will own the remaining 51% interest in this project. The project has entered into a 20-year contracts-for- difference agreement with the Queensland Government for both power and Large-scale Generation Certificates. The Investment Manager believes this significantly de-risks the project given the high positive credit rating of the counterparty (Moody's Aa1). Longreach received grant funding from the Australian Renewable Energy Agency ('ARENA'), an independent agency of the Federal Government established in 2012 with the objective of increasing the supply and competitiveness of Australian renewable energy sources. An Australian Dollar denominated debt facility of c.A$27 million, with a five year term, has been provided by joint senior lenders, CEFC and Bank of Tokyo-Mitsubishi UFJ ('MUFG'). Construction of Longreach is well progressed and the project is on target to connect to the grid in March 2018. OAKEY 1 A 49% stake in Oakey 1 Solar Farm, which will have a total installed capacity of 30MW once operational, has also been acquired. Canadian Solar Inc will own the remaining 51% interest in this project. It benefits from the same Queensland Government contracts as Longreach, as well as ARENA funding and a c.A$38 million facility from the same lenders, on the same terms. Progress at Oakey 1 is currently on track, meeting construction milestones, and the site is expected to connect to the grid in September 2018. OAKEY 2 The Company has acquired a 100% interest in Oakey 2 Solar Farm. The development's 70MW installed capacity once operational makes it the Company's largest Australian asset and the Company's second largest asset overall. Oakey 2 will benefit from a c.A$55 million senior debt facility from CEFC, with a four-and-a-half-year term to align with the maturity dates of Longreach and Oakey 1 financing terms. The Investment Manager is currently reviewing the PPA options for Oakey 2 and expects to enter an agreement in advance of the target commissioning date in October 2018. Although still at a relatively early stage, Oakey 2 is currently on track to achieve this. UK REGULATORY AND MARKET CHANGES The key development of 2017 was the closure of the UK Renewable Obligation scheme on 31 March 2017, which brought to an end a period of significant growth for the UK's solar market. However, with total installed capacity of over 12GW, the UK has a large and increasingly mature solar sector that is expected to continue to provide potential acquisition targets, albeit on an increasingly opportunistic basis. During the second half of the year, there was increased discussion about the future funding of the lowest cost renewables, onshore wind and solar. Government announcements coinciding with the results of the Contracts for Difference ('CfD') auction in September confirmed the expectation that solar and onshore wind will continue to be excluded from Pot 1 (established technologies) during the third auction round expected in Spring 2019. In October, the release of the Clean Growth Strategy (the Government's ***plan*** to grow the UK's national income while cutting greenhouse gas emissions) also excluded any mention of future support for onshore wind and ground mounted solar. There has been growing support to reconsider the use of subsidies, including proposals for technology neutral auctions from diverse groups including backbench Conservative MPs, the Committee for Climate Change, Energy UK, Dieter Helm's cost of energy review and a variety of NGOs and energy trade associations. Meanwhile, a report from the Committee on Climate Change in June 2017 highlighted that the UK is significantly behind its 2030 targets to reduce carbon emissions and could fail to meet the legally binding commitments set out in the UK's Fifth Carbon Budget. Despite this, the Investment Manager believes there will limited Governmental support for new ground mounted solar projects for the foreseeable future. In December 2017, Ofgem published a consultation which is broadly supportive of the co-location of battery storage facilities with ROC accredited renewable energy installations, lifting concerns that this could invalidate existing ROC accreditations. The Investment Manager will continue to monitor the progress of these market developments and its potential to accelerate the transition to a decentralised energy system. On 20 October 2017, the Department for Business, Energy & Industrial Strategy ('BEIS') published figures for the ROCs that have been submitted for Compliance Period 15 (2016 - 2017). The report showed an undersupply of ROCs presented by electricity utility companies. This is believed to be due to a combination of low wind speeds, biomass plant outages and a decision to only submit ROCs into the subsequent compliance period. Based upon the expected buy-out payments, the recycle value will be \xA34.89/ROC, which is the highest value seen in six years and materially higher than the preceding three years, which have ranged from \xA30/ROC to \xA30.70/ROC. As a result, the Company has received \xA32 million additional revenue from the ROC recycle system this year. The Investment Manager's continues to assume 10% ROC Recycle in their model for the foreseeable future. There remains political uncertainty following the UK's vote to withdraw from the European Union and the UK snap general election held on 8 June 2017. Although formal Brexit negotiations started on 19 June 2017, it remains unclear to what extent the UK power market will continue to be integrated with the wider EU power market and therefore what the impact on wholesale power prices will be. The most noticeable impact of Brexit for the Company so far has been sterling's depreciation. This has had the effect of increasing UK power prices as the cost of natural gas and electricity that is imported from Europe has risen. The Company will continue to carefully monitor any potential political effects from Brexit, however current indications suggest that the UK Government remains committed to a carbon reduction agenda. PIPELINE AND OUTLOOK The closure of the Renewable Obligation scheme in March 2017 led to a significant decrease in primary market activity and increased competition in the secondary market, resulting in an increase in pricing for operational, ROC accredited assets. Despite the increased level of competition, the secondary solar market in the UK remains active with a number of transactions disclosed to the market in the past 12 months. The Investment Manager continues to target value accretive opportunities and is actively reviewing a pipeline of more than 310MW of potential investments in the UK and other jurisdictions. As increasing interest in direct ownership of UK solar assets from institutional investors impacts pricing, the Investment Manager will maintain a careful approach to new acquisitions. While the Investment Manager will continue to predominantly focus on operational assets available in the UK secondary market, it will also continue exploring investment opportunities in other international markets including Western European countries and the US. Investment opportunities outside the UK are expected to deliver value-accretive returns on a risk-adjusted basis while further diversify the Company's portfolio, in line with the Company's investment policy. CURRENT UK POWER PRICES During the year, 63% of the Company's operational portfolio revenue came from the sale of ROCs. These revenues are directly and explicitly linked to inflation for 20 years from the accreditation date under the ROC regime and subject to Retail Price Index ('RPI') inflationary increases applied by Ofgem in April of each year. The remaining 37% of revenues derives from electricity sales, which are subject to power price movements, and embedded benefits. Power prices during 2017 experienced periods of increased volatility with relatively high power prices in early Q1 and late Q4 but lower prices achieved during the summer. The average power price in December 2017 was \xA353.24 per MWh, compared to \xA341.05 per MWh during the summer period inclusive of April to September. The average power price achieved across the portfolio during 2017 was \xA341.99 per MWh. (2016: \xA337.70 per MWh) During 2017 European power prices were driven by ongoing concerns around the future of France's nuclear plants. Wholesale gas prices, a key driver of UK electricity prices, climbed higher after the UK's main gas storage supply, Centrica's Rough facility, closed after decades of use. This followed a summer period when UK gas prices were generally lower than prices in Western Europe. In December 2017, gas prices across Europe jumped after a double blow to key infrastructure following an explosion at a natural gas hub in Baumgarten in Austria and the closure of a pipeline in the North Sea that feeds the UK market. This, combined with December's cold snap across the Continent, caused major concerns around the gas supply, therefore pushing energy prices higher. UK POWER PRICE FORECAST The Investment Manager uses forward looking power price assumptions to assess the likely future income of the portfolio assets for valuation purposes. The Company's assumptions are formed from a blended average of the forecasts provided by third party consultants and are updated on a quarterly basis. During the year to 31 December 2017, there was a downward movement of c. 9.4% in the medium to long term power price forecast. This was mainly driven by lower anticipated oil and gas prices. The Investment Manager's forecast for future power prices remains 34.3% below the level at IPO. However, the Company's forecasts continue to assume an increase in power prices in real terms over the medium to long-term of 1.3% per annum (31 December 2016: 1.7%). Where the assumed asset life extends beyond 2040, the Investment Manager has assumed no real growth in forecast power prices. UK POWER PURCHASE AGREEMENTS PPAs are entered into between each individual solar power asset and offtakers in the UK electricity supply market. Under the PPAs, each asset will sell the entirety of the generated electricity and ROCs to the designated offtaker. The Company's PPA strategy seeks to optimise revenues from the power generated, while keeping the flexibility to manage the portfolio appropriately. The Company has taken advantage of current attractive forward electricity prices and increased the proportion of fixed price arrangements from 7% (30 June 2017) to 29% of the electricity sales of the UK portfolio as of 31 December 2017. This arrangement is for the period from 1 December 2017 to 31 March 2019 at a weighted- average price of \xA343.26 /MWh. This provides greater visibility over future cash flows and limits potential price volatilities in the short term. The Investment Manager is regularly reassessing conditions in the electricity market and updating its view on likely future movements. The Company retains the option to fix the PPAs of its portfolio assets at any time, but the Investment Manager is satisfied that the current proportion of fixed price arrangements offers an appropriate level of price certainty. FUNDRAISING On 3 March 2017, the Company announced a Placing ***Programme*** relating to the issue of up to 250 million new Ordinary Shares over a 12- month period. Since the start of this Placing ***Programme***, the Company has issued 109 million new Ordinary Shares. +--------------------------+------------+----------------------+---------------+ |Date | Placing | Shares Issued | Funds | | | Price | (million) | Raised | +--------------------------+------------+----------------------+---------------+ |31 December 2016 | - | 341.0 Shares | \xA3345.7million | |(cumulative) | | | | +--------------------------+------------+----------------------+---------------+ |29 March 2017 |107.8 pence| 72.8 New Shares |\xA378.5 million | +--------------------------+------------+----------------------+---------------+ |8 November 2017 |108.0 pence| 36.2 New Shares |\xA339.0 million | +--------------------------+------------+----------------------+---------------+ |31 December 2017 | - | 449.9 Shares |\xA3463.2 million| |(cumulative) | | | | +--------------------------+------------+----------------------+---------------+ THIRD PARTY DEBT ARRANGEMENTS The Company applies a combination of debt Instruments to optimise the Capital Structure of Its Investments, which include Long Term Debt facilities and short term RCFs. The Company has the flexibility to introduce debt at SPV level and at Holdco level. To date, all the sterling denominated third party debt facilities have been entered at Holdco level, with the Australian portfolio benefiting from third party debt facilities at project level. LONG TERM FACILITIES The current long-term facilities at a subsidiary level are shown in the table below. Macquarie Infrastructure Debt Investment Solutions ('MIDIS') and Abbey National Treasury Services ('Santander') are the providers of these loans. +------------------+------------------+----+---------------+-------------------+ |Long- Term | Tranche |Size|Maturity Dates| Applicable Rate | |Lender | | | | | +------------------+------------------+----+---------------+-------------------+ |MIDIS | Fixed-rate, |\xA363m| March 2034 | 3.78% | | |fully amortising | | | | +------------------+------------------+----+---------------+-------------------+ |MIDIS | Inflation |\xA363m| March 2034 | RPI index + | | | linked, fully | | | 1.08% | | | amortising | | | | +------------------+------------------+----+---------------+-------------------+ |Santander | Term Loan, |\xA334m| March 2024 | LIBOR + 1.70% | | |fully amortising | | | | +------------------+------------------+----+---------------+-------------------+ As at 31 December 2017, \xA3152.4 million of the initial total facility amount of \xA3160.0 million was outstanding. The Term Loan tranche is priced over the London Interbank Offered Rate ('LIBOR') and benefits from an interest rate swap hedging 80% of the outstanding debt during the term of the loan. At 31 December 2017, the average cost of long-term debt was 2.54% per annum (2016: 2.5%). The terms under which the debt has been secured do not limit the Company's flexibility and have not caused it to compromise on any commercial terms that might be potentially disadvantageous. The Company is fully able to maintain its strategy of retaining exposure to UK power prices through PPAs that do not require mechanisms such as fixed prices or price floors. REVOLVING CREDIT FACILITIES The purpose of the short term credit facilities is to provide additional financial flexibility for future pipeline opportunities. Historically, new equity has always been raised against a defined pipeline of assets or to refinance amounts drawn on the Fund's short- term Revolving Credit Facility ('RCF'). This has avoided blind pool risk and cash drag on investor funds. On 23 February 2017, a subsidiary of the Company entered into a new \xA355 million, short-term revolving credit facility with Santander at a favourable rate of LIBOR + 2.00%. Below is a summary of the Revolving Credit Facilities to date: +-----------------------+------+-----------------+------------------+ | Short -Term Lenders | Size | Maturity Dates | Applicable rate | +-----------------------+------+-----------------+------------------+ | Santander | \xA340m | March 2019 | LIBOR + 2.05% | +-----------------------+------+-----------------+------------------+ | Santander | \xA355m | February 2020 | LIBOR + 2.00% | +-----------------------+------+-----------------+------------------+ The applicable rate of 2.00% represents a decrease of five basis points against the average applicable rate of the revolving facilities refinanced in April 2016. As of 31 December 2017, \xA347.9 million of the total RCF was outstanding. The available balance of \xA347.1 million will be used to fund the Company's Australian assets that are currently under construction and other future opportunities that the Company may identify. At 31 December 2017 the all-in annualised cost of the short-term facilities was 1.51%. The Investment Manager expects to refinance the remaining balance either through future equity raisings or other long- term refinancing arrangement. TERM FACILITIES FOR AUSTRALIAN ASSETS The Australian Assets will benefit from Australian dollar denominated senior debt facilities at project level provided by the CEFC and the Mitsubishi UFJ Financial Group ('MUFG'). The facilities will be utilised to fund construction costs and will convert to a term loan after commissioning. This facility structure will allow the Company to minimise the equity injection during the construction. In addition, as project level debt is denominated in Australian dollars, this will create a further natural hedge against foreign exchange volatility. The commercial terms of the facilities are set out below: +---------+------+-------------+-------------+---------------+-----------------+ | | | | Maturity | Applicable | Applicable | |Project |Lender| Size | dates | Base Rate | margin | | | | | | (fixed) | | +---------+------+-------------+-------------+---------------+-----------------+ |Bannerton| CEFC | c.A$98 | Jun-27 | 2.95% | Construction: | | | | million | | | 2.55%; | | | | | | | Operations: | | | | | | | 2.30% up to | | | | | | |year 5, 2.80% | | | | | | | thereafter | +---------+------+-------------+-------------+---------------+-----------------+ |Longreach|CEFC | c.A$13.5 | Mar-22 | 2.57% | Construction: | | | | million | | | 1.55%; | | | | | | | Operations: | | | | | | | 1.40% | +---------+------+-------------+-------------+---------------+-----------------+ |Longreach| MUFG | c.A$13.5 | Mar-22 | 3.28%\* | Construction: | | | | million | | | 1.55%; | | | | | | | Operations: | | | | | | | 1.40% | +---------+------+-------------+-------------+---------------+-----------------+ |Oakey 1 | CEFC | c.A$19 | Mar-22 | 2.58% | Construction: | | | | million | | | 1.55%; | | | | | | | Operations: | | | | | | | 1.40% | +---------+------+-------------+-------------+---------------+-----------------+ |Oakey 1 | MUFG | c.A$19 | Mar-22 | 3.14%\* | Construction: | | | | million | | | 1.55%; | | | | | | | Operations: | | | | | | | 1.40% | +---------+------+-------------+-------------+---------------+-----------------+ |Oakey 2 | CEFC | c.A$55 | Oct-22 | 2.48% | 2.25% | | | | million | | | | +---------+------+-------------+-------------+---------------+-----------------+ |\* Interest rate swap for 100% of the outstanding debt during the | |initial five years, 75% from years six to ten and 50% thereafter | +------------------------------------------------------------------------------+ The Bannerton investment vehicle entered a nine-year, fixed-rate, debt facility with the CEFC at the time of acquisition. The facility will have no exposure to changes to the Bank Bill Swap Bid Rate ('BBSY'), the benchmark Interest rate for Australian denominated loans, as the BBSY was fixed at financial close for the term of the facility. The Longreach and Oakey 1 solar parks have separate debt facilities at financial close from the CEFC and MUFG, in equal tranches. The CEFC facilities have a five-year term and will also have no exposure to BBSY. The MUFG facilities, with an identical tenor of five years, will be linked to BBSY although interest rate swaps, on a decreasing nominal amount, will be in place for a notional tenor of 20 years. Oakey 2 has entered a five-year facility with the CEFC at a fixed margin of 2.25%. The facility was entered before the project vehicle entered a PPA contract which resulted in higher margins for this facility. This decision was taken to avoid construction delays. The Investment Manager foresees opportunities to refinance the Australian portfolio either through individual, project-by-project facilities or through a portfolio facility. Given the increased interest in the Australian renewable sector from local and international lenders, the Investment Manager expects opportunities to refinance with longer term debt facilities in the medium term. Gearing levels supported by solar projects in Australia also depend on the PPA strategy, with a maximum gearing of 85% achievable for projects with PPAs with a 20 year tenor. The average gearing for the Australian portfolio, once the projects are connected to the grid, is expected to be approximately 55%. As at 31 December 2017, no third party debt has been drawn at project level in Australia. GEARING POSITION As at 31 December 2017, the total outstanding long-term debt was \xA3152.4 million, representing 22% of GAV of the Company and Subsidiaries (2016: \xA3158.3 million). As at 31 December 2017, the total outstanding debt including RCFs was \xA3200.3 million, representing 29% of GAV (2016: \xA3198.3 million or 36% of GAV.) The gearing as a percentage of GAV does not include third party debt facilities entered for the Australian portfolio as no amounts were drawn as of 31 December 2017. DIVIDENDS Since the IPO, the Company has met all target dividends. The Company is targeting a full year dividend for the year ending 31 December 2018 of 6.58 pence. DIVIDEND TIMETABLE FOR THE YEAR 1 JANUARY 2018 TO 31 DECEMBER 2017 +------------+-------------+----------+--------------------+ | Dividend | Amount | Status | Payment Date | +------------+-------------+----------+--------------------+ | Interim 1 | 1.58 pence | Paid | 25 August 2017 | +------------+-------------+----------+--------------------+ | Interim 2 | 1.58 pence | Paid | 24 November 2017 | +------------+-------------+----------+--------------------+ | Interim 3 | 1.58 pence | Approved | 23 February 2018 | +------------+-------------+----------+--------------------+ | Interim 4 | 1.58 pence | Approved | 25 May 2018 | +------------+-------------+----------+--------------------+ | TOTAL | 6.32 pence | | | +------------+-------------+----------+--------------------+ The fourth quarterly dividend of 1.58 pence was approved by the Board on 21 February 2018 and will be paid on 25 May 2018. +------------------------------------------+-----------------+ | Dividend Timetable 2017 - Interim 4 | | +------------------------------------------+-----------------+ | Ex-dividend Date | 10 May 2018 | +------------------------------------------+-----------------+ | Record Date | 11 May 2018 | +------------------------------------------+-----------------+ | Payment Date | 25 May 2018 | +------------------------------------------+-----------------+ DIVIDEND COVER Total dividends of \xA320.1 million were paid during the year ended 31 December 2017. Against the relevant net cash flows of the Company and underlying investments, these dividends were covered 1.52 times. Only three dividends were paid during the year to December 2017 due to a change in the dividend timetable. Including the fourth dividend related to the period, this would have equated to a dividend cover of 1.12 times. FOREIGN EXCHANGE As a result of its Australian acquisitions, the Company will be exposed to foreign exchange movements in respect of these investments. To reduce the impact of potential currency fluctuations and to minimise the volatility of equity returns and cash flow distributions, the Company will implement a hedging strategy by entering forward contracts for up to two years in an amount equivalent to c.75% of its distributable foreign currency cash flows at project level. Due to the predictable nature of solar irradiation in Australia, and the known dividend payment dates, the Investment Manager believes this hedging solution will protect the cash yields from the Australian projects. The cost of the equity investments will not benefit from foreign exchange hedging, considering the long-term investment strategy of the Company. The Company will review the foreign exchange strategy on a semi- annual basis with the objective of limiting the short-term volatility in sterling distributable cash flows caused by foreign exchange fluctuations and of optimising the costs of the hedging instruments. ONGOING CHARGES The ongoing charges ratio for the year to 31 December 2017 is 1.18% (2016: 1.20%). This has been calculated using methodology as recommended by the Association of Investment Companies ('AIC'). Foresight Group LLP charges asset management fees directly to the assets and these are not included within the ongoing charge ratio. INVESTMENT PERFORMANCE The NAV per share for the Company as at 31 December 2017 increased to 107.0 pence compared to 102.9 pence as at 31 December 2016. GROSS ASSET VALUE ('GAV') The GAV of the Company is \xA3482.7 million as at 31 December 2017. The reconciliation below shows the GAV as it would be on a consolidated basis when all third party debt at the intermediate holding level is included. There is no external debt at asset level for the UK assets. +---------------------------------------------------+-----------+ | GAV of Company | \xA3482.7m | +---------------------------------------------------+-----------+ | Less: Valuation of Investment | (\xA3408.5m) | +---------------------------------------------------+-----------+ | Add: Valuation of underlying solar portfolio | \xA3606.4m | +---------------------------------------------------+-----------+ | Less: Other net assets of subsidiaries | \xA30.2m | +---------------------------------------------------+-----------+ | GAV of Company and Subsidiaries | \xA3680.8m | +---------------------------------------------------+-----------+ The GAV does not include third party debt facilities entered for the Australian portfolio as no amounts were drawn as of 31 December 2017. MOVEMENTS IN NAV A breakdown in the movement of the NAV of the Group during the year to 31 December 2017 is shown in the table below. +----------------------------------------+----------------+-----------------+ | | NAV | NAV per share | +----------------------------------------+----------------+-----------------+ | NAV as at 31 Dec-16 | 350,690,671 | 102.9p | +----------------------------------------+----------------+-----------------+ | Dividend paid | (20,061,231) | (4.9)p | +----------------------------------------+----------------+-----------------+ | Equity raised | 115,287,272 | 0.2p | +----------------------------------------+----------------+-----------------+ | Interest earned | 32,898,879\* | 8.1p | +----------------------------------------+----------------+-----------------+ | Management fee | (4,467,273)\* | (1.1)p | +----------------------------------------+----------------+-----------------+ | Finance costs | (6,650,260)\* | (1.6)p | +----------------------------------------+----------------+-----------------+ | Other cost (incl. Corporation Tax) | (4,687,140)\* | (1.2)p | +----------------------------------------+----------------+-----------------+ | Methodology change | 7,960,918\*\* | 2.0p | +----------------------------------------+----------------+-----------------+ | Tax | (1,114,195)\*\* | (0.3)p | +----------------------------------------+----------------+-----------------+ | Inflation | (998,142)\*\* | (0.2)p | +----------------------------------------+----------------+-----------------+ | Acquisitions | 10,717,322\*\* | 2.6p | +----------------------------------------+----------------+-----------------+ | Discount rate | 23,841,610\*\* | 5.9p | +----------------------------------------+----------------+-----------------+ | Valuation date | (842,468)\*\* | (0.2)p | +----------------------------------------+----------------+-----------------+ | Performance ratio | (561,960)\*\* | (0.1)p | +----------------------------------------+----------------+-----------------+ | Power curve | (31,649,022)\*\* | (7.8)p | +----------------------------------------+----------------+-----------------+ | Lease extensions | 11,267,650\*\* | 2.8p | +----------------------------------------+----------------+-----------------+ | Other movements | (283,884)\*\* | (0.1)p | +----------------------------------------+----------------+-----------------+ | NAV as at 31 Dec-17 | 481,348,747\*\* | 107.0p | +----------------------------------------+----------------+-----------------+ \* Of Company and its subsidiaries \*\* Movement in the valuation of underlying solar assets VALUATION OF THE PORTFOLIO The Investment Manager is responsible for providing fair market valuations of the Company's underlying assets to the Board of Directors. The Directors review and approve these valuations following appropriate challenge and examination. Valuations are undertaken quarterly. A broad range of assumptions are used in the valuation models. These assumptions are based on long-term forecasts and are not affected by short-term fluctuations, be it economic or technical. It is the policy of the Investment Manager to value with reference to Discounted Cash Flows ('DCF') at the later of commissioning or completion. This is partly due to the long periods between agreeing an acquisition price and financial completion of the acquisition. Quite often this delay reflects construction. Revenues accrued do not form part of the DCF calculation when making a fair and proper valuation. The current portfolio consists of non-market traded investments and valuations are based on a DCF methodology, or held at cost where the assets have not yet reached commissioning. This methodology adheres to both IAS 39 and IFRS 13 accounting standards as well as the International Private Equity and Venture Capital ('IPEV') Valuation Guidelines. The Company's Directors review the operating and financial assumptions, including the discount rates, used in the valuation of the Company's portfolio and approve them based on the recommendation of the Investment Manager. DIVIDEND PAID The Company paid dividends of \xA320.1 million during the year. EQUITY RAISED Two Share Placings took place, raising net proceeds of \xA3115.3 million from new and existing investors. INTEREST EARNED The Company and its subsidiaries accrued \xA332.9 million of investment income during the reporting period. This income represents the majority of distributions from the underlying assets. COSTS Total costs of \xA315.8 million, which include corporation tax, management fees, finance and other costs, were incurred by the Company and its subsidiaries on a consolidated basis during the year. METHODOLOGY CHANGE Since IPO, the Company has used an equity discount rate approach in its valuation methodology. This was implemented to reflect the initial capital structure, comprising equity and RCFs at fund level. Under this methodology, the NAV was calculated by discounting unlevered project level cash flows with an equity discount rate, deducting outstanding external debt at holding level at face value, and making balance sheet adjustments (dividends paid in the period, finance and management fee deductions) as necessary. The Company is now adopting a levered equity discount rate for those assets which utilise long term debt facilities and deducting the outstanding long term external debt at holding level at fair value (determined by discounting the debt cash flows with the levered discount rate), with no changes to the balance sheet adjustments. For those assets that are funded by equity or RCF proceeds, the Company will continue to adopt the unlevered equity discount rate. In the opinion of the Investment Manager this change in methodology provides a more precise valuation of the Company's portfolio as it takes into consideration the gearing position of the portfolio and the respective tax shield created by the introduction of long term debt into the capital structure, unaccounted for in the previous methodology. A discount rate premium of 0.75% against the equivalent unlevered equity discount rate has been applied, based on the relatively conservative long-term gearing target of the Company and the cross- collateralisation benefits of the assets included in the existing long- term debt facilities provided by MIDIS and Santander. This new methodology applies to the first 16 acquisitions owned by FS Holdco 1, the borrower of the long-term debt facilities provided by MIDIS and Santander, which represent c.73% of the UK portfolio. A levered equity discount rate methodology will be used whenever long- term debt is in place, including the Australian assets currently under construction. TAX The impact of Base Erosion and Profit Shifting ('BEPS') has been incorporated into the 31 December 2017 NAV. The position was not significantly different to the World-Wide Debt Cap (that BEPS replaced) and the impact on the NAV has been \xA31.1 million. The impact of the new BEPS legislation is, to a certain extent, reduced by the Company's new methodology making more efficient use of group losses across the portfolio. INFLATION At 30 June 2016 the Investment Manager increased its medium/long-term inflation assumption from 2.50% to 2.75%. This remains unchanged as at 31 December 2017. This small movement in NAV is a result of rebasing the Investment Manager's near term assumptions. ACQUISITIONS During the period the Company made three acquisitions of assets located in the UK, resulting in a NAV uplift of \xA310.7 million which represents the difference between the acquisition prices paid and the current valuations. The Australian acquisitions are valued at cost and will continue to be held at cost until connection but were updated to reflect the exchange rate at the year end. DISCOUNT RATE The Company has reduced its unlevered equity discount rate to 7.00%. During the year the Company revised its equity discount rate starting from 7.50% at 31 December 2016 to 7.25% as at 30 June 2017 and to 7.00% as at 31 December 2017. This reduction reflects the increase in the market value of the assets. This reduction to 7% is further supported by the terms of the increasing number of secondary market transactions announced in the UK during the course of 2017 by new entrants to the market, predominantly institutional investors, with more competitive costs of capital. The Investment Manager regularly reviews the discount rate to ensure it remains in line with any changes to the risk profile of the Company. VALUATION DATE This movement represents the impact of moving from one valuation date to another. Over the life of an asset this movement will reduce the valuation to nil. Short term increases arise from moving towards higher cash yields (and therefore discounting them less). PERFORMANCE RATIO ('PR') The performance ratio assumptions in the valuation models are initially linked to contractually guaranteed performance and the initial technical due diligence findings at the time of acquisition. The long-term assumptions are adjusted on an ongoing basis as more data becomes available, recognising the actual performance ratios experienced across the portfolio on an asset by asset basis. This approach is applied on a quarterly basis to ensure valuation assumptions better reflect the actual performance of the sites. The movements in assumed performance ratios are implemented conservatively at a rate that ensures short term fluctuations do not inflate performance potential. Assumed performance ratios can move up as well as down. POWER CURVE The Investment Manager uses forward looking power price assumptions to assess the likely future income of the portfolio assets for valuation purposes. The Company's assumptions are formed from a blended average of the forecasts provided by third party consultants and are updated on a quarterly basis. During the year from 1 January 2017 to 31 December 2017 there was a downward movement of c. 9.4% in the medium to long term power price forecast. The Company's forecasts continue to assume an increase in power prices in real terms over the medium to long-term of 1.3% per annum (31 December 2016: 1.7%). LEASE EXTENSIONS The previous DCF methodology used to value the assets assumed a 25- year asset life, with no residual value at the end of this period. This assumption was based on the market standard lease terms for the properties on which the Company's solar assets are located and ***planning*** consent periods initially granted by local ***planning*** offices. The Asset Manager has secured lease and ***planning*** rights to extend the useful economic life of eight assets in the portfolio by up to an extra ten years beyond this 25-year period. These extensions have now been included in the DCF model. The cash flows from operations that fall after the initial 25-year period have been discounted at 9.0%, reflecting the merchant risk of the expected cash flows beyond the initial 25-year period. The average extension to useful economic life across the eight assets is 8.2 years with additional costs incorporated into the extended lives. The weighted life of the UK portfolio is 28.7 years. For illustration purposes, in addition to incorporating the extensions mentioned above, if the remaining UK assets were to be valued on a 35-year basis from connection, the Company's NAV would increase by a further 2.8 pence. The table below illustrates the impact on NAV of extended asset lives. +---------------------------------------+--------------------------------------+ | NAV (recognising extended life | Alternate NAV (recognising | | where lease and ***planning*** already | extended life of all other | | available; 8 assets) | assets) | +---------------------------------------+--------------------------------------+ | 107.0 pence | 109.8 pence | +---------------------------------------+--------------------------------------+ OTHER MOVEMENTS This includes other factors behind the valuation movement such as revisions in underlying assumptions regarding operational efficiencies, such as insurance. VALUATION SENSITIVITIES Where possible, assumptions are based on observable market and technical data. In many cases, such as the forward power prices, independent advisors are used to provide reliable and evidenced information enabling the Investment Manager to adopt a prudent approach. We set out the inputs we have ascertained would have a material effect upon the NAV in note 16 of the financial statements. All sensitivities are calculated independently of each other. Australian Solar Market AUSTRALIAN MARKET OVERVIEW Renewable energy output in Australia has grown substantially in the last decade, increasing from only 7% of the national power mix to 19% by July 2017, compared to over 30% in the UK. In particular, momentum has been growing in the solar sector recently, with a record 3.5GW of new large-scale capacity reaching financial close in 2017. The country has historically relied on its coal and gas resources for power and still uses more electricity from fossil fuel than any other source. However, with a high irradiation profile (average levels are approximately twice that of the UK and production seasonality is much lower), regulatory support and falling technology prices, significant further growth is anticipated in the coming years with over 4GW of additional solar plants expected to be installed by 2020. RENEWABLE ENERGY POLICY Since 2001, regulatory support for solar projects in Australia has been available under the Federal Government's Renewable Energy Target ('RET'). The aim of the RET is to source 33,000 GWh of electricity from renewable sources by 2020, representing nearly a quarter of the country's power requirements. There are two main components: \* the Small-scale Renewable Energy Scheme ('SRES'), which encourages the installation of small-scale renewable energy systems such as rooftop solar, solar water heaters, heat pumps and small-scale wind and hydro systems, and \* the Large-scale Renewable Energy Target ('LRET'), which creates a financial incentive for larger renewable energy power stations. Since 2012, two Government-backed entities, the Australian Renewable Energy Agency ('ARENA') and the Clean Energy Finance Corporation ('CEFC') have supported Australia's transition to a low-emissions economy, providing debt and equity financing for projects. Australia is over halfway to its 2020 target, with sufficient projects in the pipeline to meet the target provided Financial Close is achieved in all cases over the next 12-18 months. The State governments of Queensland, Victoria, South Australia and Australian Capital Territory have set ambitious renewable energy targets and established reverse auction tenders that are expected to underpin greenfield development of energy sources such as solar, wind, battery storage, pumped hydro and energy from waste. The Victorian Government has renewable energy production targets of 25% by 2020 and 40% by 2025. It has also recently established a reverse auction mechanism to build 650MW worth of new projects, as well launching battery storage projects. Under this scheme Bannerton, the Company's first significant Australian acquisition, benefits from a 10-year fixed price contract with the Victorian Government for the sale of LGCs, having won a tender against considerable competition to supply clean power to the Melbourne tram network. In tandem with increasing renewable generation capacity, energy storage is also likely to play a key role in the future of the Australian power market. In November 2017, battery pioneer Tesla completed the construction of the world's largest lithium-ion storage facility, in South Australia, connected to the 309MW Hornsdale wind farm. Queensland and Victoria are launching similar initiatives which will enhance network reliability and smooth the integration of renewables into the grid. LARGE-SCALE GENERATION CERTIFICATES Under the LRET, renewable generators receive a Large-Scale Generation Certificate ('LGC') for every 1 MWh of power generated from renewable sources, which is matched by an obligation imposed on energy retailers and large electricity users to source a minimum number of renewable energy certificates. Under current legislation, this scheme will expire in 2030, independently of the date projects connect to the grid. These certificates can be sold and transferred at a negotiated price, usually to liable entities such as electricity retailers, which are required to surrender a set number of certificates to the Government's Clean Energy Regulator each year. The revenue earned by generators from the sale of LGCs is additional to that received from the sale of electricity. LGC pricing is subject to fluctuations, determined by supply and demand. Unlike ROCs, the price of which is revised annually by Ofgem, LGCs do not have any inflation linkage. There is a price cap set at A$93, but no floor. However, prices can be fixed through long term contracts. Often this is done on a bundled PPA basis, specifically electricity plus certificates are delivered at an agreed combined price for a fixed period. Each of Bannerton, Longreach and Oakey 1 have fixed price contracts in place for varying proportions of the proportions of their production with a mix of power only, LGC only and bundled contracts. LGC revenues are expected to represent 23% of the Company's Australian revenues, until 2030, with the remaining 77% arising from the sale of the electricity generated. This compares to a 60/40 split of ROCs and electricity in the UK. The spot price of LGCs has recently increased, rising to c.A$85 by the end of 2017. The shortage of sizeable greenfield renewable energy projects being commissioned (and therefore delivering LGCs to the market) is expected to result in increased LGC spot prices into 2018. However, the increasing pipeline of utility-scale solar projects is expected to result in reduced prices from 2019, and especially from 2020, by when the Company's third-party forecasters are predicting a 25% decrease as these projects complete. Against a backdrop of rising power prices and shortages of base load electricity, in early October 2017, the Australian Government made an announcement regarding the future of Australia's energy policy, stating its decision to implement a two-part National Energy Guarantee ('NEG'). The NEG requires energy retailers and large consumers to deliver reliable, affordable, lower emissions energy. It covers: \* A reliability guarantee set to deliver the appropriate level of energy to meet the needs of each state; and \* An emissions guarantee set at a level determined by the Australian Government and enforced by the Australian Energy Regulator. The NEG will be implemented by the independent Energy Security Board, however it will require the approval of all states operating in the Australia's National Electricity Market ('NEM'); the wholesale electricity market covering eastern and southern Australia, namely Queensland, New South Wales, Victoria, South Australia and Tasmania.) As most states are currently controlled by the opposition Labour Party there may be push-back on aspects of the proposal. The NEG does not include any proposed changes to the RET, therefore the current projects will continue to be able to create large-scale generation certificates ('LGCs') until the end of 2030. However, little detailed information has been provided on the proposed guarantees, and it is currently difficult to fully understand or quantify the impact of the NEG. The Investment Manager's view is that the increased uncertainty triggered by the NEG, and the limited information available, will cause a delay in constructing new energy generation. ELECTRICITY MARKET Australia's electricity market is generally considered to be competitive and prices are mostly unregulated, with gas and coal costs being the key drivers. Wholesale power prices vary between States and certain parts of Australia have experienced volatility during 2017, linked to severe weather events and the retirement of coal-powered plants. Power prices are typically higher in the summer months of October to March, in part due to the use of air conditioning systems. Currently prices in the NEM are determined every five minutes and averaged over each half hour period to get a spot price. Generators bid how much electricity they are willing to provide, and at what price, for each five minute interval. Renewable energy generators usually bid in at zero cost to ensure they are able to export at all times that they are generating, and are therefore price takers rather than having an active bidding strategy. The Australian Electricity Market Operator ('AEMO') accepts the bids starting from the lowest price, until sufficient supply has been secured to equal demand in that interval. On 28 November 2017, a rule change was confirmed reducing the settlement period for electricity spot prices from 30 minutes to five minutes, starting in 2021. This aims to enable the power system to operate in a more dynamic way. Wholesale electricity spot and futures prices have continued to rise, now averaging A$81/MWh by the end of 2017 across all the Australian states. Elevated electricity prices have changed the investment proposition for renewables, particularly solar which has the lowest construction costs, and many projects are now viable based on electricity revenues alone, without subsidies. Strong average prices are expected to continue in the medium term, primarily driven by the progressive withdrawal of coal-fired power generation capacity, strong wholesale gas prices, extreme weather trends and growing aggregate demand. Once operational, the Company will update its power price forecasts for each asset in Australia on a quarterly basis using forecasts prepared by independent advisers. The Company's Australian assets will generate a higher proportion of their revenues from electricity sales than those in the UK; 77% of forecast total revenues during the initial 20-year period, compared to c.40% in the UK, with the subsidies comprising the balance in each case. However, the Australian portfolio will benefit from a higher proportion of predictable cash flows as long term, fixed-price Power Purchase Agreements ('PPAs') are available for up to 20 years. This compares favourably to the UK where PPAs are generally only agreed on a three or four-year basis. Three of the Company's assets have already entered into fixed price contracts for up to 20 years and it is the Investment Manager's objective to secure fixed-price offtake contracts for 50% of the Australian portfolio's electricity generation either through long-term contracts or short-medium term contracts with frequent renewal, subject to prevailing market conditions. Although the Company will continue to focus predominantly in the UK market, we believe the international investments represent an attractive opportunity to increase shareholders' returns with a limited equity exposure to foreign exchange. The Australian investments which represent c.13% of the total equity invested to date, offer an opportunity to further diversify the portfolio in a market where shareholders may obtain higher returns on a risk-adjusted basis compared to the UK market. The returns are expected to range between 8.5% and 10% depending on the PPA structure in place. Asset Manager's Report PORTFOLIO PERFORMANCE The Asset Manager is pleased with the significant and sustained improvement of the portfolio's performance over the course of the year. The performance ratio ('PR') of 12 of the 18 sites, representing 300MW of installed capacity, performed at or above base case during the year. PR is a function of production against actual irradiation levels and is the most accurate way to measure the performance of the Asset Manager. Significant levels of remedial work and ***interventions*** occurred on the remaining sites with all but one asset meeting the expectations of the Asset Manager by the end of the year. Greater detail regarding the sites with specific performance issues can be found below. Pitworthy (representing 15.6MW) is now the only asset that is not meeting the technical performance expectations of the Asset Manager and work on this solar farm will continue into the spring of 2018. Although the underperformance in the first half of the year was disappointing, the portfolio has shown a notable improvement in the second half of 2017. The weighted average PR of the portfolio during the second half of the year was 4.1% higher than the first half. The Liquidated Damages ('LD') received to date are substantially more than the revenue lost over the last 18 months due to ongoing works and underperformance. LD payments are calculated with reference to a 25 year asset life and are received after the end of the two year EPC guarantee period. To date the Company has received financial compensation from EPCs of c. \xA313 million of which \xA35.9 million represents LDs. LDs have been accrued across seven sites and \xA31.3 million has been released from the SPVs to the Company during 2017 and is included in the NAV calculation. The remaining funds will be released once the Asset Manager is confident there is no long term impact on performance. In all cases other than Pitworthy, where further work is necessary before a view can be taken on future production, the Asset Manager is confident that ongoing production levels will be robust, and at least in line with the investment case of the assets. Amounts received in addition to LDs have been spent rectifying EPC defects identified as part of ongoing operations. No additional costs other than amounts received from EPC protections have been spent in rectifying any defects. SHOTWICK (72MW) As disclosed in the 30 June 2017 Interim Report, a transformer failed at Shotwick on 16 March 2017 preventing the site from generating power for a 28 day period. In line with the Asset Manager's strategy of ensuring essential replacements are readily available, the requirement for a spare transformer had been identified prior to acquisition and the equipment was already on order at the time of the failure. Over the last six months no further issues have occurred at Shotwick. Further spare transformers have been procured and are available for use if any such incident occurs again in the future. The Company received c. \xA30.7 million in compensation following the outage, which covers the losses. CASTLE EATON (18MW), HIGH PENN (10MW), HIGHFIELDS (12MW) AND PITWORTHY(16MW) All four sites acquired from SunEdison are expected to return to full availability and performance very early in 2018 as a result of the extensive remedial works carried out by the O&M contractor Brighter Green Engineering ('BGE'). An extensive ***programme*** of work, detailed below, is materially complete across three of the four sites where the Asset Manager is pleased to report that key performance indicators have improved significantly, with these three sites now performing in line with expectations. Pitworthy has sustained more material problems with availability but the Asset Manager is optimistic that these levels will return to normal in Q1 2018 after the remaining works to upgrade inverter modules and combiner boxes have been completed. Although the works have resulted in a significant improvement in technical performance during the year, in carrying these repairs out, short-term availability and production levels have been reduced. Overall, the performance of the sites was significantly improved during the second half of the year. During 2017 the following process has been followed at each of the four sites: \* In-depth investigations of the sites were carried out in close collaboration with technical advisors, equipment manufacturers and BGE to identify defects. These resulted in an extensive list of defects that BGE has been working through over the last year. Issues that were identified cover potential health & safety risks, site security and performance-related problems. \* Combiner boxes, which bring together the output of several solar strings, were identified as being unlikely to last the full lifetime of the projects and as susceptible to damage from extreme events such as lightning strikes. A solution was developed with the technical advisor to improve maintenance activities that will ensure the longevity of the combiner boxes and see the installation of additional surge protection devices, which will provide enhanced protection. \* New commercial agreements with the inverter manufacturer and the inverter maintenance provider have helped to improve performance in recent months, allowing faults to be resolved more efficiently. After deducting the cost of defect rectification, the Liquidated Damages relating to these projects are in excess of \xA33.5 million. Revenue lost to date due to poor performance and additional works on site amounts to \xA30.95 million with no material loss expected in the long term. SPRIGGS FARM (12MW) Following the ***intervention*** of the Asset Manager, the site's performance ratio has significantly improved by 27% following completion of the works and the site is now performing consistently above base case. As reported in the 30 June 2017 Interim Accounts, Spriggs Farm's performance has been negatively impacted by Potential Induced Degradation ('PID') as well as transformer failures, caused by a manufacturing defect, both of which were resolved earlier in the year. A claim has been made against the EPC for both issues, and the proceeds from the Warranty Bond received. This has covered the cost of remedying the defects, as well as legal and technical costs incurred. The remedial measures to reverse the effect of PID included installing a retrofit solution across the site using anti-PID boxes and negative grounding of each inverter, taking care to comply with all relevant codes in relation to correct signage, site monitoring and alarm notification. Once it has been confirmed that the affected modules have been fully restored, the anti-PID boxes will be removed while the negative grounding will remain in place to ensure that PID is prevented from reoccurring. PORT FARM (35MW) The site's performance ratio fell below the level guaranteed under the EPC contract, leading to liquidated damages of \xA31.2 million being received. The primary reason for the underperformance was slow response times when dealing with minor failures such as DC fuses and inverters. The site is now under the care of BGE and as such the Asset Manager expects performance to increase significantly. PRODUCTION OVERVIEW OF PORTFOLIO PERFORMANCE When irradiation levels are normalised production was 2.4% below expectations for the year. Despite the strong technical performance, production levels were 4.6% below expectations during the year, primarily driven by lower than expected irradiation, which was 2.2% below expectations across the year and 3.0% below expectations in the second half of the year. Annual irradiation forecasts are subject to an approximate 4% standard deviation against long term historical averages across a 12 month period. This means that annual variation of irradiation is typically less than 4%, but occasionally can be more. This can be seen in the table below. +---------------+--------------+--------------------+---------------------+ |Site | Production |Production Variance|Irradiation Variance| | | (MW hours) | | | +---------------+--------------+--------------------+---------------------+ |Atherstone | 13,612,540 | -1.0% | -1.3% | +---------------+--------------+--------------------+---------------------+ |Bournemouth | 38,200,595 | -3.1% | -5.4% | +---------------+--------------+--------------------+---------------------+ |Castle Eaton | 14,838,113 | -7.6% | -2.3% | +---------------+--------------+--------------------+---------------------+ |Copley | 28,061,345 | 0.2% | -1.2% | +---------------+--------------+--------------------+---------------------+ |High Penn | 7,349,504 | -19.1% | -0.7% | +---------------+--------------+--------------------+---------------------+ |Highfields | 9,698,482 | -14.0% | -4.6% | +---------------+--------------+--------------------+---------------------+ |Hunters Race | 10,462,928 | -1.3% | -1.8% | +---------------+--------------+--------------------+---------------------+ |Kencot | 34,848,893 | -2.3% | -3.0% | +---------------+--------------+--------------------+---------------------+ |Landmead | 42,777,788 | 0.4% | 1.8% | +---------------+--------------+--------------------+---------------------+ |Membury | 15,547,056 | -1.5% | -4.0% | +---------------+--------------+--------------------+---------------------+ |Paddock Wood | 9,648,177 | 4.1% | 0.9% | +---------------+--------------+--------------------+---------------------+ |Pitworthy | 9,180,749 | -35.8% | -7.7% | +---------------+--------------+--------------------+---------------------+ |Port Farm | 31,502,228 | -4.5% | -2.4% | +---------------+--------------+--------------------+---------------------+ |Sandridge | 45,885,400 | -3.7% | -2.1% | +---------------+--------------+--------------------+---------------------+ |Shotwick | 62,011,539 | -4.8%(1) | -0.4% | +---------------+--------------+--------------------+---------------------+ |Southam | 9,334,974 | -3.7% | -3.8% | +---------------+--------------+--------------------+---------------------+ |Spriggs Farm | 10,445,092 | -12.0% | -4.5% | +---------------+--------------+--------------------+---------------------+ |Wally Corner | 1,622,319 | -0.6% | -4.1% | +---------------+--------------+--------------------+---------------------+ |Wymeswold | 30,741,267 | -2.3% | -3.5% | +---------------+--------------+--------------------+---------------------+ |Total | 425,768,989 | -4.6% | | +---------------+--------------+--------------------+---------------------+ |Weighted Total| | | -2.2% | +---------------+--------------+--------------------+---------------------+ 1 Adjusted for insurance receipts. EPC CONTRACTS Engineering, Procurement & Construction ('EPC') contracts typically guarantee that the solar projects will meet certain performance ratios during the first two years of operation. If they do not meet the agreed performance ratio, the EPC Contractor will be obliged to pay liquidated damages to cover the performance ratio shortfalls over the two year contract term as well as assumed future shortfalls over a 25 year term on a discounted cash flow basis. Security against such payment obligations usually take the form of either cash retentions or on-demand performance bonds. In addition, the EPC contractor will also be responsible for any component defect that occurs on site during the initial two-year period. As assets in the portfolio approach the end of the two year EPC warranty period, in preparation for the issuance of a Final Acceptance Certificate ('FAC'), the Asset Manager carries out a rigorous technical audit of the site. During 2017 the Asset Manager continued its established FAC process on all sites that were approaching the end of the EPC Warranty Period and by the end of 2017, all but four assets in the current UK portfolio had reached their FAC date. The technical audit is carried out to identify any defects and ensure construction, ***planning*** and all installed equipment are in-line with contractual obligations. The performance data for each site is also assessed in detail as well as specific tests of key pieces of equipment (modules, transformers, cables) to ensure compliance. The EPC contractor is then notified of any site underperformance and any defects that need to be rectified. The SPVs security (warranty bond/cash retention) is maintained for the period of time from the end of the EPC Warranty period until such a time the defects are all rectified to the Asset Manager's satisfaction. Where Defects are not corrected accordingly or an agreement cannot be reached, the securities in place can be called upon so that the SPVs can rectify the defects themselves or a settlement agreement can be entered into releasing the EPC of their liability. O&M CONTRACTS The SPVs have also entered into Operation and Maintenance ('O&M') contracts for the provision of preventative and corrective maintenance services. Under the terms of the O&M Contracts, an annual test is carried out on each of the solar power plants which analyses the respective solar power project's availability to generate power over the previous 12 month period. If the respective solar power project's availability were to be less than that guaranteed under the O&M Contract, typically 99 per cent., the O&M Contractor will be liable to pay liquidated damages, usually capped per annum to the level of the annual fees paid to the O&M Contractor. O&M CONTRACTS WITH BRIGHTER GREEN ENGINEERING Due to the extensive scope of services offered and competitive pricing, Brighter Green Engineering ('BGE') continues to be the Company's preferred O&M contractor, taking over sites as inherited O&M contracts expire. As at the date of this report, BGE is the appointed O&M contractor for eleven out of 18 assets in the UK portfolio, which represent 238MW of total installed capacity. Over the last six months the Company has undertaken a benchmarking exercise. This ensures continued best practice is followed and that the works better reflect the needs of the portfolio. As part of this process new contracts have been agreed with BGE, along with new pricing that will represent a saving of 20% on a like for like basis. The Directors approved the new contracts on 21 February 2018. The revised pricing was incorporated into the valuation as at 31 December 2017. Each SPV is entering into a separate contract for O&M services, with a minimum term of five years. Total consideration payable by the nine SPVs to BGE under the new contracts will initially be \xA31.6 million per year. Pricing is linked to the RPI index. Further contracts may be added in the future as EPC contractors typically only provide O&M services for the first two years of a site's operations. BGE has ultimate Shareholders in common with Foresight Group although they operate as separate entities and share no common executive personnel. BGE is deemed to be a related party of the Company under LR 15.5.4R as it is a member of the Investment Manager's group. The Transaction is classed as a smaller related party transaction under Listing Rule 11.1.10R. GRID LIAISON WORK Both scheduled and unscheduled grid disconnections impact the portfolio and are considered as an 'exclusion event', meaning that the EPC/O&M is not liable for any production loss that is suffered as a consequence. While there is little control over unscheduled grid disconnections due to issues such as storms and equipment failures, the Asset Manager has taken a much more active role in working with the Distribution Network Operators ('DNOs') to minimise the impact caused by scheduled grid outages. Scheduled grid outages are those that occur when a DNO carries out work on its network (e.g. upgrades/servicing of equipment). Typically, the DNO will send a notice to the SPV detailing the ***planned*** outage, including its expected duration. Once this is received the Asset Manager contacts the DNO to understand the outage and establish whether the works can be carried out earlier or later in the year with the aim of always avoiding higher irradiation months in the summer. During 2016 and 2017, there have been a number of cases where outages have been successfully re-scheduled using this approach, thus reducing or avoiding a potentially negative impact on revenue. In addition to this, each DNO hosts an owner/operator forum on a quarterly basis with the aim of understanding the requirements of owners and operators, while also updating them on the processes they have put in place to manage outages. The Asset Manager has been attending these forums for a number of years now, providing the opportunity to discuss outages in more detail and contribute to work on this topic. This also allows the Asset Manager to meet and establish relationships with key contacts within the DNOs. This approach with the DNOs will continue for the foreseeable future to ensure that the impact of grid outages is minimised across the portfolio. AUSTRALIAN CONSTRUCTION ASSETS The Asset Manager believes that by investing in Greenfield opportunities in Australia and taking on the construction of these projects, it has been able to source higher quality assets. This also enables the Asset Manager to more effectively manage and monitor the construction process from early on, by negotiating the EPC and O&M agreements and ensure that all construction and budget milestones are being achieved. The Asset Manager is confident that the Australian assets, currently under construction, will be ready as per the agreed contract terms and construction timetable, however if there are any construction delays the Company has financial protections in place with the EPC contractor via Liquidated Damages to cover any losses caused by delays. Once the sites are operational, the EPC contractors have obligations to rectify any defects that become apparent within the first two years. As part of the construction management ***plan***, Foresight Group has hired two additional team members in Sydney with technical and project management experience to specifically manage these sites and minimise the risk of delay. Two of the sites will also have technical engineers living on site, monitoring developments and remaining there full time once operational. ASSET MANAGEMENT CONTRACTS Foresight Group LLP provides Asset Management Services to the underlying SPVs under direct and individual contracts. Foresight Group LLP is authorised and regulated by the Financial Conduct Authority. The Company is overseen by an experienced and majority independent Board. The Asset Management Services provided ensure the day to day operation of the sites is robust with commercial and ***strategic*** decisions dictated to the O&M counterparties. The services also include: \* Oversight of O&M counterparties \* Contractual compliance of all contracts, including enforcement of penalties and damages \* Portfolio optimisation including negotiation of project contracts (insurance, O&M, PPA, import power, security, warranties) , spare part and replacement strategy and technology improvements \* Reporting to debt providers and other debt compliance services \* Accounting, bookkeeping, tax compliance and statutory reporting of all SPVs \* Corporate governance activities including health and safety compliance On 21 February 2018, the Board approved an updated agreement that better reflects the needs of the SPVs and increases the price charged for those services. The contracts, entered into by each of the SPVs, includes a minimum term of five years and an aggregated initial fee of \xA30.94 million per year. These increased prices were incorporated into the valuation as at 31 December 2017. Pricing is linked to the RPI index. Further contracts may be added in the future as new acquisitions are made. Foresight Group LLP is deemed to be a related party of the Company under LR 15.5.4R as it is a member of the Investment Manager's group. The Transaction is classed as a smaller related party transaction under Listing Rule 11.1.10R. Environmental, Social and Governance Considerations LAND MANAGEMENT AND ENVIRONMENTAL ENHANCEMENTS The 475MW operational UK portfolio ***produced*** 426GWh of clean energy during the period. This is the equivalent of: The Company believes Environmental, Social and Governance ('ESG') considerations play an important part in delivering responsible and sustainable growth for the long term. These factors have been integrated into all stages of the investment process, and are actively supported by all involved, regardless of seniority. With that in mind, the Company has adopted a Responsible Investment Framework to provide a suitable operational framework in matters related to the investment process, such that ESG has become part of the normal day- to-day operations. SIGNATORY OF UNPRI Foresight Group is a signatory to the United Nations Principles for Responsible Investment ('UNPRI'). The UNPRI, established in 2006, is a global collaborative network of investors working together to put the six Principles for Responsible Investment into practice. As institutional investors, we have a duty to act in the best long-term interests of our beneficiaries. In this fiduciary role, we believe that ESG issues can affect the performance of investment portfolios (to varying degrees across companies, sectors, regions, asset classes and through time). We also recognise that applying these Principles may better align investors with broader objectives of society. Therefore, where consistent with our fiduciary responsibilities, we commit to the following: 1. We will incorporate ESG issues into investment analysis and decision-making processes. 2. We will be active owners and incorporate ESG issues into our ownership policies and practices. 3. We will seek appropriate disclosure on ESG issues by the entities in which we invest. 4. We will promote acceptance and implementation of the Principles within the investment industry. 5. We will work together to enhance our effectiveness in implementing the Principles. 6. We will report on our activities and progress towards implementing the Principles. As a signatory for this voluntary framework, Foresight Group submits an annual report to the UNPRI on its responsible investment activities, which is approved by senior management. This allows Foresight Group to demonstrate to stakeholders and the public how we incorporate ESG issues, understand where we sit in relation to local and global peers and to learn and develop our practices year-on-year. Foresight Group actively collaborates with the investment industry and relevant governmental bodies and regulators through direct conversations and contributing to collective consultation papers on matters affecting the investment process, including ESG. The Company has been awarded a five star rating by 3D Investing. Five star funds are the real pioneers in the industry. They are required to demonstrate at least a fair financial performance, excellent transparency, a high social impact and a lack of exposure to ethically controversial companies. 3D Investing provides research and communication services to help investment managers and advisers to deliver a high quality and distinctive service for the socially motivated investor. For further details please refer to the website   [*www.3dinvesting.com*](http://www.3dinvesting.com) Further to the environmental advantages of large scale renewable energy, each investment is closely scrutinised for localised environmental impact. Where improvements can be made, the Company will work with residents, landowners and local authorities to minimise visual and auditory impact of sites. The Asset Manager is a working partner of the Solar Trade Association's Large Scale Asset Management Working Group and a signatory to the Solar Farm Land Management Charter. It ensures that solar farms are managed in a manner that maximizes the ***agricultural***, landscaping, biodiversity and wildlife potential, which can also contribute to lowering maintenance costs and enhancing security. As such, the Asset Manager has worked with Kent Wildlife Trust to identify site specific biodiversity enhancements for a number of sites to secure long-term gains for wildlife and ensure that the land and environment are maintained to a high standard. Biodiversity and wildlife enhancements undertaken by the Company include: \* Management of grassland areas within the security fencing to promote wildflower meadows and sustainable sheep grazing; \* Planting and management of hedgerows and associated hedge banks; \* Management of field boundaries between security fencing and hedgerows; \* Sustainable land drainage and pond restoration; \* Installation of insect hotels and reptile hibernacula; \* Installation of boxes for bats, owls and kestrels; and \* Installation of beehives by local beekeepers. Some solar plants are designed to enable sheep grazing through the installation of protection barriers around electrical equipment, and other plants are investigated for upgrading to ensure that the farmland the solar assets are located on can remain in ***agricultural*** production, which is a frequent desire of local communities. Currently our Copley, High Penn, Pitworthy, Bournemouth and Wymeswold solar assets have active sheep grazing by the landowner's livestock, in an effective working partnership with the Company. SOCIAL AND COMMUNITY ENGAGEMENT The Asset Manager has actively sought to engage with the local communities around the Company's solar assets and regularly attends parish meetings to encourage community engagement and promote the benefits of the solar assets. Educational visits have also taken place across the portfolio, including hosting local members of the Institute of Engineering and Technology and students from Loughborough University at the Wymeswold solar plant and hosting students of Warwickshire College at the Southam solar plant. COMMUNITY BENEFITS The Company supports community benefit schemes that assist parish councils in developing and maintaining community assets. In 2017, \xA399k worth of grants were provided to local communities. Projects funded include upgrading recreational facilities and playgrounds and the provision of bus shelters in these rural communities. GOVERNANCE The Asset Manager actively reviews the consents of all solar assets to ensure that all solar plants are compliant with the consents and the conditions attached to them and actively engages with local government organisations to ensure ongoing compliance. In addition to ensuring the company is protected from prosecution this also promotes trust with local communities. HEALTH AND SAFETY There were no reportable health and safety incidents reported during the year. Safety, Health, Environmental and Quality ('SHEQ') performance and proportionate risk management are a top priority at all levels for Foresight Group. To further improve the management of SHEQ risks, reinforce best practice and ensure non-compliance with regulations is avoided, the Asset Manager has appointed an independent professionally accredited health and safety consultant who regularly visits the portfolio assets to ensure they not only meet, but exceed, industry and legal standards. The consultant has confirmed that all sites are in compliance with all applicable regulations. Recommendations that have been implemented to help raise standards further including improvements to wiring and safety signage/labelling. When Foresight Group representatives visit the sites, they ensure that induction procedures are properly undertaken, appropriate clothing is worn and that the site office is properly equipped. They will also provide feedback on site conditions to ensure that assets remain safe and secured. A similar regime is employed for the assets under construction in Australia, where compliance with health and safety standards and regulations are a contractual obligation of those constructing the facilities. Additionally, professionally accredited independent health and safety consultants are employed to review on site construction activity to ensure that staff understand and are complying with health and safety requirements, that staff remain alert to risks and do not sustain accidents or injuries and that non- compliance with regulations is avoided. ESG IMPACT IN AUSTRALIA Our selected development and construction partners have been active in including local communities in the progress of the development of the Australian projects and ensuring that the projects are not disruptive to residents or the environment during construction and operation. The Oakey developments will also be beneficial to local communities in Queensland. The projects will provide local landowners with the opportunity to improve the resilience of their farming operations due to the fact long-term land leasing to solar energy generators supplements their income. In addition, the farm will create 120 construction jobs. POWERING THE MELBOURNE TRAM NETWORK The Company's first Australian solar project, Bannerton, has won a tender from the Victorian Government to supply clean power to the Melbourne tram network. Not only is this good from a clean energy perspective as it lowers carbon emissions, it will also be beneficial from a social perspective as it provides low cost travel and will help reduce the number of petrol powered cars on the road. Principal Risks Reliance is placed on the internal systems and controls of the Investment Manager and external service providers such as the Administrator to effectively manage risk across the portfolio. Foresight Group has a comprehensive Risk Management Framework in place which is reviewed on a regular basis by the Directors. A full list of relevant risks can be found in the Company's latest Prospectus issued on 3 March 2017. The Directors consider the following as the principal risks and uncertainties to the Company at this time, and their mitigants. +------------------------+--------------------------+--------------------------+ | Major Risk |Summary of Risk |Mitigants | +------------------------+--------------------------+--------------------------+ |Risks relating to |A decline in the |Volatility in the | |the sale of |wholesale price of |wholesale electricity | |electricity |electricity could |price can be mitigated | | |materially adversely |by entering hedging | | |affect the price of |agreements against | | |electricity generated |future price movements. | | |by solar PV assets |This can be achieved | | |and thus the Company's |through a variety of | | |business, financial |trading strategies | | |position, results of |including forward sale | | |operations and business |contracts of | | |prospects. |electricity and fixed | | | |price PPAs. The | | | |portfolio currently has | | | |PPAs in place into | | | |the medium term | | | |offering a secure | | | |route to market. At | | | |31 December 2017, 29% | | | |of the UK portfolio | | | |was subject to fixed | | | |electricity prices, | | | |with the remaining | | | |PPAs allowing for | | | |electricity prices to | | | |be fixed at any point.| | | | The Investment Manager | | | |regularly reviews | | | |wholesale electricity | | | |price forecasts and | | | |would consider | | | |increasing the | | | |percentage of fixed | | | |whole sale revenues if | | | |future movements prices | | | |affect the minimum | | | |dividend cover | | | |targets., The | | | |percentage of fixed | | | |electricity sales are | | | |expected to increase | | | |to 36% once the | | | |Australian portfolio | | | |becomes operational | | | |(assuming full 12 | | | |months of operations). | +------------------------+--------------------------+--------------------------+ |Risks relating to |The introduction of |Despite recent changes | |regulatory changes to |subsidy scheme changes, |to the UK RO scheme, | |subsidy schemes |either of a |the grandfathering | | |retrospective nature or |principle states that | | |not, could have a |existing operational | | |material adverse effect |accredited projects | | |on the Company |will continue to be | | |financial position and |supported for the | | |valuation of the |duration of their RO | | |existing portfolio. |eligibility period (20 | | | |years from the date | | | |of accreditation). | | | |Furthermore, while the | | | |UK's renewable energy | | | |policy has, over the | | | |last few years, | | | |experienced much | | | |development and change | | | |the Government has | | | |avoided making changes | | | |with retrospective | | | |character. In addition, | | | |the UK Government | | | | remains committed to | | | |ambitious targets in | | | |terms of renewable | | | |generation and carbon | | | |emission reductions | | | |under the Climate | | | |Change Act. | | | | | | | |Australia has set its | | | |federal policy to meet | | | |its Renewable Energy | | | |Target ('RET') for | | | |33,000 GWh by 2020, | | | |but it will remain in | | | |place until 2030. The | | | |Large-scale RET | | | |includes legislated | | | |annual targets which | | | |will require | | | |significant investment | | | |in new renewable | | | |energy generation | | | |capacity in coming | | | |years. | | | | | | | |The Investment Manager | | | |will continue to | | | |monitor any regulatory | | | |changes that can | | | |potentially affect the | | | |renewable market in | | | |the UK and Australia. | +------------------------+--------------------------+--------------------------+ |Risks relating to |The Company's |Any new debt | |gearing |underlying subsidiaries |facilities are | | |currently have |thoroughly appraised | | |borrowings of |before they are | | |approximately \xA3200.3. |entered into to ensure | | |million. Under the |they benefit the | | |terms of the Facility |Shareholders without | | |Agreements, the |creating unnecessary | | |borrower has agreed to |risk. Due to | | |covenants as to its |conservative gearing | | |operation and financial |targets and sound | | |conditions. Any failure |management it is | | |by the borrower to |unlikely that debt | | |fulfil obligations |covenants would | | |under the Facility |negatively impact our | | |Agreements (including |ability to pay | | |repayment) may permit |dividends, and would | | |the lender to demand |indeed be expected to | | |repayment of the |increase dividend | | |related loan and to |coverage. Gearing, | | |realise its security |calculated as Group | | |which may mean the |borrowings (including | | |loss of a solar power |any asset level | | |asset. |gearing) as a | | | |percentage of the | | | |Company's Gross Asset | | | |Value will not exceed | | | |50 per cent. at the | | | |time of drawdown. It | | | |is the Board's current | | | |intention that long- | | | |term gearing (including | | | |any long-term, asset | | | |level gearing), | | | |calculated as Group | | | |borrowings (excluding | | | |intra-group borrowings | | | |and any revolving | | | |credit facilities) as | | | |a percentage of the | | | |Company's Gross Asset | | | |Value will not exceed | | | |40 per cent. at the | | | |time of drawdown. | +------------------------+--------------------------+--------------------------+ |Risks relating to RPI|The revenues and |The Investment Manager | | |expenditure of solar |considers the inflation | | |PV assets are |risk presented by | | |frequently partly or |these assets to be | | |wholly subject to |minimised through the | | |indexation, typically |explicit inflation- | | |with reference to RPI. |linked nature of both | | |Additionally, \xA363.0 |operating revenues and | | |million of the Long- |costs. On the revenue | | |Term Debt in place is |side, ROC prices are | | |linked to RPI. |formally linked to RPI | | | |and for PPAs the | | | |electricity price forms | | | |part of the RPI | | | |basket of goods. For | | | |costs, Operation and | | | |Maintenance ('O&M') | | | |contract prices and | | | |land rents are both | | | |linked to inflation | | | |and as such there is | | | |a natural inflation | | | |linkage to costs and | | | |revenues. | +------------------------+--------------------------+--------------------------+ |Risks relating to |The Company's |Currency hedging will | |movements in currency |investment policy |be implemented for | | |permits the Company to |investments outside of | | |invest up to 25 per |the UK. In order to | | |cent. of the Gross |reduce the risk of | | |Asset Value of the |currency fluctuations | | |Company (calculated at |and to minimise the | | |the time of |volatility of equity | | |investment) in |returns the Company | | |investments outside the |will implement a | | |UK. Movements in |hedging strategy of | | |exchange rates may |entering forward | | |affect the sterling |contracts for up to | | |value of any assets |two years in length | | |favourably or |to hedge the majority | | |unfavourably that are |of its distributable | | |denominated in |foreign currency cash | | |currencies other than |flows at project | | |sterling. At the year |level. The equity | | |end, the Company had |invested will not | | |acquired 146MW of |benefit from foreign | | |assets under |exchange hedging. In | | |construction in |addition, the assets | | |Australia. |will benefit from | | | |Australian dollar | | | |denominated senior debt | | | |facilities at project | | | |level (c.60 per cent. | | | |gearing on average) | | | |which will limit the | | | |equity exposure to | | | |foreign exchange | | | |movements. | +------------------------+--------------------------+--------------------------+ |Risks relating to |The Company relies on |The SPVs have entered | |operation and |third-party |into Operation and | |maintenance contracts |professionals and |Maintenance ('O&M') | | |independent contractors |contracts with | | |and other companies to |contractors pursuant to | | |provide the required |which the contractor | | |operator and |provides both | | |maintenance support |preventative and | | |services throughout the |corrective maintenance. | | |operating phases of |Under the terms of | | |the solar PV assets |the O&M contracts the | | |in the Company's |contractor is typically | | |investment portfolio. |required to keep the | | |If such contracted |site available 99% of | | |parties are not able |the time during the | | |to fulfil their |hours of daylight. | | |contractual obligations, |Liquidated Damages are | | |the Company's ability |due to the SPV should | | |to operate the solar |availability fall below | | |plants could be |the guaranteed level. | | |adversely affected and |The Liquidated Damages | | |the Company may be |compensate for all | | |forced to seek |lost revenue but are | | |recourse against such |usually capped at the | | |parties, provide |annual O&M fee. | | |additional resources to |Foresight Group's | | |complete their work, |experience in managing | | |or to engage other |this asset type since | | |companies to complete |2007 and expertise in | | |their work. |identifying strong | | | |counterparties further | | | |mitigates this risk. | +------------------------+--------------------------+--------------------------+ |Risk of grid outages |Solar plants are |Whilst there is little | | |subject to |control over | | |disconnections from the |unscheduled grid | | |grid from the network |disconnections due to | | |operators. These |issues such as storms | | |outages are beyond the |and equipment failure, | | |control of the Asset |the Asset Manager has | | |Manager. The Company's |taken a much more | | |valuation models assume |active role in working | | |that the projects will |with the Distribution | | |be unavailable for a |Network Operator | | |proportion of the time |('DNO') to minimise | | |and believe this |the impact caused by | | |assumption to be |scheduled grid outages. | | |robust over the medium | | | |to long term. If | | | |there is a grid | | | |disconnection for any | | | |reason the SPV is | | | |unable to recover the | | | |cost of the production | | | |loss. | | +------------------------+--------------------------+--------------------------+ |Risks relating to |The Company can invest |The Investment Manager | |the construction of |up to 25 per cent. |ensures that risks are | |solar PV assets |of its GAV in assets |mitigated through the | | |under construction. |performance bonds and | | |Delays in project |through the use of | | |construction may result |milestone payments, | | |in a reduction in |with funds only being | | |returns caused by a |transferred once | | |delay in the project |certain conditions are | | |generating revenue. |met. In addition, the | | |Failure in the |construction progress | | |construction of a |is overseen by the in-| | |plant, for example, |house Asset Management | | |faulty components or |team with support from | | |insufficient structural |independent technical | | |quality may not be |advisers to ensure the | | |evident at the time |construction milestones | | |of acquisition or |are achieved on | | |during any period |schedule and in line | | |during which a |with the specifications | | |warranty claim may be |set up in the | | |brought against the |construction contract. | | |contractor and may | | | |result in loss of | | | |value without full or | | | |any recourse to | | | |insurance or | | | |construction warranties. | | +------------------------+--------------------------+--------------------------+ Corporate Governance Report The Board has considered the principles and recommendations of the AIC Code of Corporate Governance (AIC Code) by reference to the AIC Corporate Governance Guide for investment companies (AIC Guide). The AIC Code, as explained by the AIC Guide, addresses all the principles set out in the UK Corporate Governance Code, as well as setting out additional principles and recommendations on issues that are of specific relevance to the Company. The Board considers that reporting against the principles and recommendations of the AIC Code, and by reference to the AIC Guide (which incorporates the UK Corporate Governance Code), will provide better information to Shareholders. The Company has complied with the recommendations of the AIC Code and the relevant provisions of the UK Corporate Governance Code, except as set out below. The UK Corporate Governance Code includes provisions relating to: \* The role of the Chief Executive \* Executive Directors' remuneration \* The need for an internal audit function For the reasons set out in the AIC Guide, and as explained in the UK Corporate Governance Code, the Board does not consider these provisions to be relevant to the position of the Company, being an externally managed investment company. In particular, all of the Company's day-to-day management and administrative functions are outsourced to third parties. As a result, the Company has no Executive Directors, employees or internal operations. The Company has therefore not reported further in respect of these provisions. THE BOARD The Company has a Board of three Non-Executive Directors, two of whom are considered to be independent. Peter Dicks is considered non- independent under the listing rules by virtue of being a Director of other Foresight Venture Capital Trusts ('VCTs') which are also managed by Foresight Group. During the year, Peter Dicks acted as a Director of Foresight VCT plc, Foresight 2 VCT plc (dissolved on 27 June 2017, following its merger with Foresight VCT plc), Foresight 3 VCT plc (in members voluntary liquidation, following its merger with Foresight 4 VCT plc) and Foresight 4 VCT plc. Mr Dicks resigned as a Director from the Board of Foresight 4 VCT plc on 22 June 2017. These VCTs invest in high growth, small unquoted UK companies. Due to the different investment focus of the Company compared to the VCTs, the Board believes there to be no conflict between the roles Mr Dicks performs. Where conflicts of interest do arise between the different funds, the common Director would seek to act fairly and equitably between different groups of Shareholders. If a conflict were to occur then decisions would be taken by the independent Directors. DIVISION OF RESPONSIBILITIES The Board is responsible to Shareholders for the proper management of the Company and Board meetings are held on at least a quarterly basis with further ad hoc meetings scheduled as required. In the year under review 16 Board meetings were held. The Board has formally adopted a schedule of matters for which its approval is required, thus maintaining full and effective control over appropriate ***strategic***, financial, operational and compliance issues. A Management Agreement between the Company and the Investment Manager sets out the matters over which the Investment Manager has authority, including monitoring and managing the existing investment portfolio and the limits above which Board approval must be sought. All other matters are reserved for approval by the Board of Directors. Individual Directors may, at the expense of the Company, seek independent professional advice on any matter that concerns them in the furtherance of their duties. In terms of the requirements of the Articles of Association the Directors retire periodically at every third Annual General Meeting after the AGM at which they were elected. Full details of duties and obligations are provided at the time of appointment and are supplemented by further details as requirements change. There is no formal induction ***programme*** for the Directors as recommended by the AIC Code. However, this will be implemented should the need arise. The Board has access to the officers of the Company Secretary who also attend Board Meetings. Representatives of the Investment Manager attend all formal Board Meetings although the Directors may meet without the Investment Manager being present. Informal meetings with the Investment Manager are also held between Board Meetings as required. The Company Secretary provides full information on the Company's assets, liabilities and other relevant information to the Board in advance of each Board Meeting. Attendance by Directors at Board and Committee meetings is detailed in the table below. +---------------+-------+-----------------------------------------+-------+ | | Board | Management Engagement & Remuneration | Audit | +---------------+-------+-----------------------------------------+-------+ | Alex Ohlsson | 16/16 | 1/1 | 3/3 | +---------------+-------+-----------------------------------------+-------+ | Peter Dicks | 16/16 | 1/1 | 3/3 | +---------------+-------+-----------------------------------------+-------+ | Chris Ambler | 14/16 | 1/1 | 3/3 | +---------------+-------+-----------------------------------------+-------+ In the light of the responsibilities retained by the Board and its Committees and of the responsibilities delegated to Foresight Group CI Limited, JTC (Jersey) Limited and its legal advisors, the Company has not appointed a Chief Executive Officer, Deputy Chairman or a Senior Independent Non-Executive Director as recommended by the AIC Code. As such, the provisions of the UK Corporate Governance Code which relate to the division of responsibilities between a Chairman and a Chief Executive Officer are not considered applicable to the Company. INVESTMENT MANAGER As an experienced multi-fund asset manager, Foresight Group has in place established policies and procedures designed to address conflicts of interest in allocating investments among its respective investment funds. Foresight Group is fully familiar with, and has extensive experience in allocating investments, ensuring fair treatment for all investors and managing conflicts of interest should these arise. Foresight Group is keen to ensure such fair treatment for all investors. Under the rules and regulations of the Guernsey Financial Services Commission ('GFSC'), Foresight Group is also legally obliged to treat its investors fairly and handle such conflicts in an open and transparent manner and these processes are audited on an annual basis. In terms of allocation, Foresight Group adheres to a formal written policy for allocating new investment opportunities which are overseen by Foresight Group's Investment Committee. Each opportunity is allocated with reference to the net capital available within each Foresight Group managed fund with a sector and asset class investment strategy matching the proposed investment. Where the allocation would result in any Foresight Group managed fund having insufficient liquidity or excessive portfolio concentration the allocation is revised accordingly. Foresight Group's allocation policy is reviewed from time-to-time by the independent Board of Directors of each of the Foresight Group funds and this policy has been operated successfully for many years. Investments are allocated on pari passu terms. After a full evaluation of the performance of the Investment Manager, including review of assets purchased by the Company and the results of ongoing portfolio management, it is the opinion of the Directors that the continuing appointment of the Investment Manager on the terms currently agreed is in the interests of the Shareholders. BOARD COMMITTEES The Board has adopted formal terms of reference, which are available to view by writing to the Company Secretary at the registered office, for two standing committees which make recommendations to the Board in specific areas. The Audit Committee comprises Chris Ambler (Chairman), Alex Ohlsson and Peter Dicks, all of whom are considered to have sufficient financial experience to discharge the role. The Committee meets at least twice a year to, amongst other things, consider the following: \* Monitor the integrity of the financial statements of the Company and approve the accounts; \* Review the Company's internal control and risk management systems; \* Make recommendations to the Board in relation to the appointment of the external auditors; \* Review and monitor the external Auditors' independence; and \* Implement and review the Company's policy on the engagement of the external Auditors to supply non-audit services. KPMG LLP has completed the Company's external audit for the period and has not performed any non-audit services during the year. Ernst & Young LLP prepares all necessary tax returns following sign off of the annual accounts. The Management Engagement & Remuneration Committee, which has responsibility for reviewing the remuneration of the Directors, comprises Alex Ohlsson (Chairman), Peter Dicks and Chris Ambler and meets at least annually to consider the levels of remuneration of the Directors, specifically reflecting the time commitment and responsibilities of the role. The Management Engagement & Remuneration Committee also undertakes external comparisons and reviews to ensure that the levels of remuneration paid are in line with industry standards. The Management Engagement & Remuneration Committee also reviews the appointment and terms of engagement of the Investment Manager. The Board believes that, as a whole, it has an appropriate balance of skills, experience and knowledge. The Board also believes that diversity of experience and approach, including gender diversity, amongst Board members is important and it is the Company's policy to give careful consideration to issues of Board balance and diversity when making new appointments. Copies of the terms of reference of each of the Company's committees can be obtained from the Company Secretary upon request. BOARD EVALUATION The Board undertakes an annual evaluation of its own performance and that of its Committees through an initial evaluation questionnaire. The Chairman then discusses the results with the Board and its Committees and will take appropriate action to address any issues arising from the process. RELATIONS WITH SHAREHOLDERS The Company communicates with Shareholders and solicits their views when it is considered appropriate to do so. Individual Shareholders are welcomed to the Annual General Meeting where they have the opportunity to ask questions of the Directors, including the Chairman, as well as the Chairman of the Audit, Remuneration and the Management Engagement & Remuneration Committee. From time to time, the Board may also seek feedback through Shareholder questionnaires and through open invitations for Shareholders to meet the Investment Manager. INTERNAL CONTROL The Directors of the Company have overall responsibility for the Company's system of internal controls and the review of their effectiveness. The internal controls system is designed to manage, rather than eliminate, the risks of failure to achieve the Company's business objectives. The system is designed to meet the particular needs of the Company and the risks to which it is exposed and by its nature can provide reasonable but not absolute assurance against misstatement or loss. The Board's appointment of JTC (Jersey) Limited as accountant and administrator has delegated the financial administration of the Company. There is an established system of financial controls in place, to ensure that proper accounting records are maintained and that financial information for use within the business and for reporting to Shareholders is accurate and reliable and that the Company's assets are safeguarded. Directors have access to the advice and services of the Company Secretary, who is responsible to the Board for ensuring that Board procedures and applicable rules and regulations are complied with. Pursuant to the terms of its appointment, Foresight Group invests the Company's assets in infrastructure investments and has physical custody of documents of title relating to the equity investments involved. The Investment Manager confirms that there is a continuous process for identifying, evaluating and managing the significant risks faced by the Company. This has been in place for the year under review and up to the date of approval of the Annual Report and financial statements, and is regularly reviewed by the Board. The process is overseen by the Investment Manager and uses a risk-based approach to internal control whereby a test matrix is created that identifies the key functions carried out by the Investment Manager and other service providers, the individual activities undertaken within those functions, the risks associated with each activity and the controls employed to minimise those risks. A residual risk rating is then applied. The Board is provided with reports highlighting all material changes to the risk ratings and confirming the action that has or is being taken. This process covers consideration of the key business, operational, compliance and financial risks facing the Company and includes consideration of the risks associated with the Company's arrangements with professional advisors. The Audit Committee has carried out a review of the effectiveness of the system of internal control, together with a review of the operational and compliance controls and risk management. The Audit Committee has reported its conclusions to the Board which was satisfied with the outcome of the review. The Board monitors the investment performance of the Company in comparison to its objectives at each Board meeting. The Board also reviews the Company's activities since the last Board meeting to ensure that the Investment Manager adheres to the agreed investment policy and approved investment guidelines and, if necessary, approves changes to such policy and guidelines. The Board has reviewed the need for an internal audit function. It has decided that the systems and procedures employed by the Investment Manager, the Audit Committee and other third party advisers provide sufficient assurance that a sound system of internal control to safeguard Shareholders' investment and the Company's assets, is in place and maintained. In addition, the Company's financial statements are audited by external Auditors and thus an internal audit function specific to the Company is considered unnecessary. DIRECTORS' PROFESSIONAL DEVELOPMENT Full details of duties and obligations are provided at the time of appointment and are supplemented by further details as requirements change, although there is no formal induction ***programme*** for the Directors as recommended by the AIC Code. Directors are also provided with key information on the Company's policies, regulatory and statutory requirements and internal controls on a regular basis. Changes affecting Directors' responsibilities are advised to the Board as they arise. Directors also participate in industry seminars. BRIBERY ACT 2010 The Company is committed to carrying out business fairly, honestly and openly. The Investment Manager has established policies and procedures to prevent bribery within its organisation. CRIMINAL FINANCES ACT 2017 The Company has committed to a policy to conduct all of its business in an honest and ethical manner. The Company takes a zero- tolerance approach to facilitation of tax evasion, whether under UK law or under the law of any foreign country. The Company is committed to acting professionally, fairly and with integrity in all of its business dealings and relationships wherever it operates and implementing and enforcing effective systems to counter tax evasion facilitation. The Company will uphold all laws relevant to countering tax evasion in all the jurisdictions in which the Company operates, including the Criminal Finances Act 2017. GOING CONCERN The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in this report. The financial position of the Company, its cash flows, liquidity position and borrowing facilities are referred to in the Chairman's Statement, Investment Manager's Report and Notes to the Accounts. In addition, the financial statements include the Company's objectives, policies and processes for managing its capital; its financial risk management objectives; and its exposures to credit risk and liquidity risk. The Company has sufficient financial resources together with investments and income generated. As a consequence, the Directors believe that the Company is able to manage its business risks. The Directors have reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements. VIABILITY STATEMENT In accordance with the UK Corporate Governance Code, the Directors have assessed the viability of the Company over a three year period to December 2020, taking into account the Company's current position and the potential impact of the principal risks and uncertainties set out under Risk Management. Based on this assessment, the Directors confirm that they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period to December 2020. The Directors have determined that a three year period to 31 December 2020 constitutes an appropriate period over which to provide its viability statement. This is the period focussed on by the Board during the ***strategic*** ***planning*** process and is considered reasonable for a business of its size and nature. Whilst the Directors have no reason to believe the Company will not be viable over a longer period, it believes this presents users of the Annual Report with a reasonable degree of confidence whilst still providing a longer-term perspective. In making this statement, the Board carried out a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity. The Board also considers the ability of the Company to raise finance and deploy capital. The results take into account the availability and likely effectiveness of the mitigating actions that could be taken to avoid or reduce the impact or occurrence of the underlying risks. This review has considered the principal risks which were identified by the Investment Manager. The Board concentrated its effort on the major factors which affect the economic, regulatory and political environment. The Board also paid particular attention to the importance of its close working relationship with the Investment Manager. As part of this process, the Directors have also considered the viability of the Company should long-term debt be introduced in the near future. Directors' Remuneration Report INTRODUCTION The Board has prepared this report in line with the AIC code. An ordinary resolution to approve this report will be put to the members at the forthcoming Annual General Meeting on 11 June 2018. The law requires the Company's Auditor, KPMG LLP, to audit certain of the disclosures provided. Where disclosures have been audited, they are indicated as such. The Auditor's opinion is included in the 'Independent Auditor's Report.' (Henry Todd, Lead Audit Engagement Partner). ANNUAL STATEMENT FROM THE CHAIRMAN OF THE MANAGEMENT ENGAGEMENT AND REMUNERATION COMMITTEE The Board, which is profiled below, consists solely of Non-Executive Directors and considers at least annually the level of the Board's fees. CONSIDERATION BY THE DIRECTORS OF MATTERS RELATING TO DIRECTORS' REMUNERATION The Management Engagement & Remuneration Committee comprises three Directors: Alex Ohlsson (Chairman), Chris Ambler and Peter Dicks. The Committee has responsibility for reviewing the remuneration of the Directors, specifically reflecting the time commitment and responsibilities of the role, and meets at least annually. The Committee also undertakes external comparisons and reviews to ensure that the levels of remuneration paid are broadly in line with industry standards and members have access to independent advice where they consider it appropriate. During the year neither the Board nor the Committee has been provided with external advice or services by any person, but has received industry comparison information from management in respect of the Directors' remuneration. The remuneration policy set by the Board is described below. Individual remuneration packages are determined by the Remuneration Committee within the framework of this policy. The Directors are not involved in deciding their own individual remuneration. REMUNERATION POLICY The Board's policy is that the remuneration of Non-Executive Directors should reflect time spent and the responsibilities borne by the Directors for the Company's affairs and should be sufficient to enable candidates of high calibre to be recruited. The levels of Directors' fees paid by the Company for the year ended 31 December 2017 were agreed in 2016. It is considered appropriate that no aspect of Directors' remuneration should be performance related in light of the Directors' Non-Executive status. The Company's policy is to pay the Directors quarterly in arrears, to the Directors personally (or to a third party if requested by any Director). Mr Ohlsson's remuneration is paid to Carey Olsen Corporate Services Jersey Limited. None of the Directors has a service contract but, under letters of appointment dated 16 August 2013 may resign at any time by mutual consent. No compensation is payable to Directors leaving office. As the Directors are not appointed for a fixed length of time there is no unexpired term to their appointment but, as noted above, the Directors will retire by rotation every year. The above remuneration policy was approved by the Shareholders at the Annual General Meeting held on 11 June 2017 for the financial year to 31 December 2017 and will apply in subsequent years. Shareholders' views in respect of Directors' remuneration are communicated at the Company's Annual General Meeting and are taken into account in formulating the Directors' remuneration policy. DETAILS OF INDIVIDUAL EMOLUMENTS AND COMPENSATION The emoluments in respect of qualifying services of each person who served as a Director during the year and those forecast for the year ahead are shown below. No Director has waived or agreed to waive any emoluments from the Company in the year under review. No other remuneration was paid or payable by the Company during the current year nor were any expenses claimed by or paid to them other than for expenses incurred wholly, necessarily and exclusively in furtherance of their duties as Directors of the Company. The Company's Articles of Association do not set an annual limit on the level of Directors' fees but fees must be considered within the wider Remuneration Policy noted above. Directors' liability insurance is held by the Company in respect of the Directors. +-------------------------+--------------------------+-------------------------+ | | Anticipated Directors' | | | | fees for the year | Audited Directors' | | | ending | fees for year ended | | | 31 December 2018 | 31 December 2017 | +-------------------------+--------------------------+-------------------------+ |Alex Ohlsson (Chairman)| \xA370,000 | \xA365,000 | +-------------------------+--------------------------+-------------------------+ |Chris Ambler | \xA355,000 | \xA350,000 | +-------------------------+--------------------------+-------------------------+ |Peter Dicks | \xA345,000 | \xA340,000 | +-------------------------+--------------------------+-------------------------+ The Directors are not eligible for pension benefits, share options or long-term incentive schemes. DIRECTORS' INTERESTS Directors who had interests in the shares of the Company as at 31 December 2017 are shown below. There were no changes in the interests shown as at 31 December 2016. The Directors do not have any options over shares. +-------------------------+----------------------------------------------------+ | | Ordinary shares of nil par value held on | | | 31 December 2017 | +-------------------------+----------------------------------------------------+ |Alex Ohlsson (Chairman)| 25,000(1) | +-------------------------+----------------------------------------------------+ |Chris Ambler | 9,280 | +-------------------------+----------------------------------------------------+ |Peter Dicks | 51,433 | +-------------------------+----------------------------------------------------+ (1) Shares legally and beneficially owned by a personal pension company. APPROVAL OF REPORT The Board will propose a resolution at the forthcoming AGM that the remuneration of the Directors will be at the levels shown above for the year to 31 December 2018. Audit Committee Report AUDIT COMMITTEE REPORT The Audit Committee is chaired by Chris Ambler and comprises the full Board. The Committee operates within clearly defined terms of reference. The terms of reference were reviewed during the year under review and were updated as deemed appropriate. Meetings are scheduled to coincide with the reporting cycle of the Company and the Committee has met three times in the year under review. The function of the Committee is to ensure that the Company maintains the highest standards of integrity, financial reporting, internal and risk management systems and corporate governance and maintains an effective relationship with the Company's Auditors. None of the members of the Audit Committee has any involvement in the preparation of the financial statements of the Company. The Audit Committee is charged with maintaining an open relationship with the Company's Auditors. The Chairman of the Audit Committee keeps in regular contact with the Auditors throughout the audit process and the Auditors attend the Audit Committee meeting at which the accounts are considered. The Committee reports directly to the Board which retains the ultimate responsibility for the financial statements of the Company. SIGNIFICANT ISSUES CONSIDERED The Audit Committee has identified and considered the following principal key areas of risk in relation to the business activities and financial statements of the company: \* Valuation of unquoted investments. This issue was discussed with the Investment Manager and the Auditor at the conclusion of the audit of the financial statements, as explained below: VALUATION OF UNQUOTED INVESTMENTS The unquoted investment is a 100% controlling interest in Foresight Solar (UK Hold Co) Limited ('UK Hold Co'), a non-consolidated subsidiary company which is measured at fair value. The majority of UK Hold Co's total assets (by value) are in companies where no quoted market price is available. 100% controlling interests are held in these companies, being FS Holdco Limited ('FS Holdco'), FS Holdco 2 Limited ('FS Holdco 2'), FS Holdco 3 Limited ('FS Holdco 3') and FS Holdco 4 Limited ('FS Holdco 4'). FS Holdco 2 also has a 100% controlling interest investment in FS Debtco Limited ('FS Debtco'). These are all non-consolidated subsidiary companies which are also measured at fair value, established by using the fair value of the net assets of FS Holdco, FS Holdco 2, FS Holdco 3, FS Holdco 4 and FS Debtco. The majority of FS Holdco's, FS Debtco's and FS Holdco 4's total assets (by value) are held in investments where no quoted market price is available. FS Holdco's and FS Debtco's assets are valued by using discounted cash flow measurements. FS Holdco 4's assets were held at cost at 31 December 2017. These valuations of underlying investments are seen to be areas of inherent risk and judgement. There is an inherent risk of the Investment Manager unfairly valuing the investment due to the Investment Manager's fee being linked directly to the Net Asset Value of the Company. During the valuation process the Board and Audit Committee and the Investment Manager follow the valuation methodologies for unlisted investments as set out in the International Private Equity and Venture Capital Valuation guidelines and appropriate industry valuation benchmarks. These valuation policies are set out in note 2 of the accounts. These were then further reviewed by the Audit Committee. The Investment Manager confirmed to the Audit Committee that the underlying investment valuations had been calculated consistently throughout the year and in accordance with published industry guidelines, taking account of the latest available information about investee companies and current market data. Furthermore, the Investment Manager held discussions regarding the investment valuations with the Auditors. The Investment Manager has agreed the valuation assumptions with the Audit Committee. Key assumptions used in the valuation forecasts are detailed in note 17 of the financial statements. The Investment Manager has provided sensitivities around those assumptions which are also detailed in note 17. The Investment Manager confirmed to the Audit Committee that they were not aware of any material misstatements. Having reviewed the reports received from the Investment Manager and Auditors, the Audit Committee is satisfied that the key areas of risk and judgement have been addressed appropriately in the financial statements and that the significant assumptions used in determining the value of assets and liabilities have been properly appraised and are sufficiently robust. The Audit Committee considers that KPMG LLP has carried out its duties as Auditor in a diligent and professional manner. During the year, the Audit Committee assessed the effectiveness of the current external audit process by assessing and discussing specific audit documentation presented to it in accordance with guidance issued by the Auditing Practices Board. The audit partner is rotated every five years ensuring that objectivity and independence is not impaired. KPMG LLP has audited the Company since 2014. A new Audit Director was appointed in November 2017, and the 2017 financials will be first year that the Audit Director has been in place. No tender for the audit of the Company has been undertaken since 2014. As part of its review of the continuing appointment of the Auditors, the Audit Committee considers the need to put the audit out to tender, their fees and independence from the Investment Manager along with any matters raised during each audit. The Audit Committee considered the performance of the Auditor during the year and agreed that KPMG LLP continued to provide a high level of service and maintained a good knowledge of the market, making sure audit quality continued to be maintained. Statement of Directors' Responsibilities For the year 1 January 2017 to 31 December 2017 The Directors are responsible for preparing the Financial Statements in accordance with applicable law and regulations. Company law requires the Directors to prepare Financial Statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union ('EU'). Under company law the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these Financial Statements, the Directors are required to: \* Select suitable accounting policies and then apply them consistently; \* Make judgements and estimates that are reasonable and prudent; \* State whether applicable IFRS Accounting Standards have been followed, subject to any material departures disclosed and explained in the Financial Statements; and \* Prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business. The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the Financial Statements comply with the Companies (Jersey) Law 1991. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities. Under applicable law and regulations, the Directors are also responsible for preparing a Corporate Governance Statement that complies with that law and those regulations. The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website (which is delegated to Foresight Group and incorporated into their website). We confirm that to the best of our knowledge: \* the Financial Statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; \* the Annual Report gives a true and fair view of the development and performance of the business and the position of the Company together with a description of the principal risks and uncertainties that the Company faces; and \* the Report and Financial Statements, taken as a whole, are fair, balanced, and understandable and provide the necessary information for the shareholders to assess the Company's performance, business model and strategy. For and behalf of the Board Alexander Ohlsson Chairman 21 February 2018 UK Asset Summaries +--------------------------------------+ | Wymeswold, Leicestershire | | Ownership 100% | | ROCs 2.0/1.4 | | Acquisition Date | | November '13 / March '15 | | Solar Panels 142,000 | | Technology Polycrystalline Silicon | | Panel Supplier | | Trina Solar; Suntech Power | | EPC Party Lark Energy | | O&M Counterparty | | Brighter Green Engineering | | Inverter Supplier LTi REEnery | | Grid Operator | | Western Power Distribution | +--------------------------------------+ +--------------------------------------+ | Castle Eaton, Wiltshire | | Ownership 100% | | ROCs 1.6 | | Acquisition Date June '14 | | Solar Panels 60,000 | | Technology Polycrystalline Silicon | | Panel Supplier Canadian Solar | | EPC Party SunEdison | | O&M Counterparty | | Brighter Green Engineering | | Inverter Supplier Bonfiglioli | | Grid Operator | | Southern Electric Power | | | +--------------------------------------+ +------------------------------+ | Highfields, Essex | | Ownership 100% | | ROCs 1.6 | | Acquisition Date June '14 | | Solar Panels 38,000 | | Technology Monocrystalline | | Panel Supplier SunEdison | | EPC Party SunEdison | | O&M Counterparty | | Brighter Green Engineering | | Inverter Supplier Ingeteam | | Grid Operator | | UK Power Networks | +------------------------------+ +---------------------------------+ | High Penn, Wiltshire | | Ownership 100% | | ROCs 1.6 | | Acquisition Date June '14 | | Solar Panels 30,000 | | Technology Monocrystalline | | Panel Supplier SunEdison | | EPC Party SunEdison | | O&M Counterparty | | Brighter Green Engineering | | Inverter Supplier Bonfiglioli | | Grid Operator | | SSE Power Distribution | | UK Power Networks | | | +---------------------------------+ +---------------------------------+ | Pitworthy, North Devon | | Ownership 100% | | ROCs 1.4 | | Acquisition Date June '14 | | Solar Panels 48,000 | | Technology Monocrystalline | | Panel Supplier SunEdison | | EPC Party SunEdison | | O&M Counterparty | | Brighter Green Engineering | | Inverter Supplier Bonfiglioli | | Grid Operator | | Western Power Distribution | | | +---------------------------------+ +--------------------------------------+ | Hunters Race, West Sussex | | Ownership 100% | | ROCs 1.4 | | Acquisition Date September '14 | | Solar Panels 41,000 | | Technology Polycrystalline Silicon | | Panel Supplier Hareon Solar | | EPC Party Hareon Solar | | O&M Counterparty | | Brighter Green Engineering | | Inverter Supplier Power One | | Grid Operator | | SSE Power Distribution | | | +--------------------------------------+ +----------------------------------------+ | Spriggs Farm, Essex | | Ownership 100% | | ROCs 1.6 | | Acquisition Date November '14 | | Solar Panels 50,000 | | Technology Polycrystalline Silicon | | Panel Supplier Talesun | | EPC Party Bester Generation | | O&M Counterparty | | Brighter Green Engineering | | Inverter Supplier Green Power Tech | | Grid Operator | | UK Power Networks | | | +----------------------------------------+ +--------------------------------------+ | Bournemouth, Dorset | | Ownership 100% | | ROCs 1.4 | | Acquisition Date December '14 | | Solar Panels 146,000 | | Technology Polycrystalline Silicon | | Panel Supplier REC | | EPC Party Goldbeck | | O&M Counterparty | | Brighter Green Engineering | | Inverter Supplier SMA | | Grid Operator | | SSE Power Distribution | | | +--------------------------------------+ +----------------------------------+ | Landmead, Oxfordshire | | Ownership 100% | | ROCs 1.4 | | Acquisition Date December '14 | | Solar Panels 483,000 | | Technology Thin film | | Panel Supplier First Solar | | EPC Party Belectric | | O&M Counterparty Belectric | | Inverter Supplier | | GE Power Conversion | | Grid Operator | | SSE Power Distribution | | | +----------------------------------+ +--------------------------------------+ | Kencot, Oxfordshire | | Ownership 100% | | ROCs 1.4 | | Acquisition Date March '15 | | Solar Panels 144,000 | | Technology Polycrystalline Silicon | | Panel Supplier Astronergy | | EPC Party Conergy | | O&M Counterparty | | Brighter Green Engineering | | Inverter Supplier SMA | | Grid Operator | | Southern Electric Power | | | +--------------------------------------+ +----------------------------------------+ | Copley, Lincolnshire | | Ownership 100% | | ROCs 1.3 | | Acquisition Date June '15 | | Solar Panels 115,000 | | Technology Polycrystalline Silicon | | Panel Supplier Renesola | | EPC Party Cofely Fabricom N.V./S.A | | O&M Counterparty | | Cofely Fabricom N.V./S.A | | Inverter Supplier SMA | | Grid Operator | | Western Power Distribution | | | +----------------------------------------+ +-------------------------------+ | Atherstone, Warwickshire | | Ownership 100% | | ROCs 1.4 | | Acquisition Date July '15 | | Solar Panels 154,000 | | Technology Thin film | | Panel Supplier First Solar | | EPC Party Belectric | | O&M Counterparty Belectric | | Inverter Supplier SMA | | Grid Operator | | Western Power Distribution | | | +-------------------------------+ +-------------------------------+ | Paddock Wood, Kent | | Ownership 100% | | | | ROCs 1.4 | | Acquisition Date July '15 | | Solar Panels 97,000 | | Technology Thin film | | Panel Supplier First Solar | | EPC Party Belectric | | O&M Counterparty Belectric | | Inverter Supplier SMA | | Grid Operator | | UK Power Networks | | | +-------------------------------+ +-------------------------------+ | Southam, Warwickshire | | Ownership 100% | | ROCs 1.4 | | Acquisition Date July '15 | | Solar Panels 103,000 | | Technology Thin film | | Panel Supplier First Solar | | EPC Party Belectric | | O&M Counterparty Belectric | | Inverter Supplier SMA | | Grid Operator | | Western Power Distribution | | | +-------------------------------+ +-----------------------------------------+ | Port Farm, Wiltshire | | Ownership 100% | | ROCs 1.4 | | Acquisition Date August '15 | | Solar Panels 136,000 | | Technology Polycrystalline Silicon | | Panel Supplier ReneSola | | EPC Party Renesola UK Limited | | O&M Counterparty | | Renesola UK Limited | | Inverter Supplier Schneider Electric | | Grid Operator | | SSE | | | +-----------------------------------------+ +--------------------------------------+ | Membury, Berkshire | | Ownership 100% | | ROCs 1.4 | | Acquisition Date September '15 | | Solar Panels 63,000 | | Technology Polycrystalline Silicon | | Panel Supplier ReneSola | | EPC Party Renesola UK Limited | | O&M Counterparty | | Renesola UK Limited | | Inverter Supplier ABB | | Grid Operator | | SSE | | | +--------------------------------------+ +--------------------------------------------------------+ | Shotwick, Flintshire | | Ownership 100% | | ROCs 1.3 | | Acquisition Date February '17 | | Solar Panels 228,000 | | Technology Polycrystalline Silicon | | Panel Supplier Jetion | | EPC Party China Triumph International Engineering | | Corporation ('CTIEC') | | O&M Counterparty CTIEC | | Inverter Supplier SMA | | Grid Operator | | Scottish Power | | | +--------------------------------------------------------+ +-----------------------------------------+ | Sandridge, Wiltshire | | Ownership 100% | | ROCs 1.3 | | Acquisition Date February '17 | | Solar Panels 192,000 | | Technology Polycrystalline Silicon | | Panel Supplier | | Canadian Solar Inc: S-Energy | | EPC Party Goldbeck | | O&M Counterparty Goldbeck | | Inverter Supplier Schneider Electric | | Grid Operator | | SSE | | | +-----------------------------------------+ +--------------------------------------+ | Wally Corner, | | South | | Oxfordshire | | Ownership 100% | | ROCs 1.2 | | Acquisition Date July '17 | | Solar Panels 18,000 | | Technology Polycrystalline Silicon | | Panel Supplier Hanwa Q Cells | | EPC Party Ethical Power | | O&M Counterparty Ethical Power | | Inverter Supplier SMA | | Grid Operator | | Southern Electric Power | | Distribution (SSE) | | | +--------------------------------------+ Australia Asset Summaries +-----------------------------------+ | Bannerton, Victoria | | Ownership 48.5% | | Subsidy mechanism LGC | | Aquisition Date September '17 | | Solar Panels 319,000 | | Technology | | Monocrystalline Silicon panels | | Panel Supplier | | Hanwha Q-Cells | | EPC contractor UGL Engineering | | O&M contractor | | UGL Engineering | | Inverter Supplier SMA | | Grid Operator | | Powercor | | | +-----------------------------------+ +----------------------------------+ | Longreach, Queensland | | Ownership 49.0% | | Subsidy mechanism LGC | | Aquisition Date October '17 | | Solar Panels 51,000 | | Technology | | Monocrystalline Silicon panels | | Panel Supplier | | Canadian Solar | | EPC contractor RCR | | O&M contractor | | RCR | | Inverter Supplier SMA | | Grid Operator | | Ergon Energy | | | +----------------------------------+ +----------------------------------+ | Oakey 1, Queensland | | Ownership 49.0% | | Subsidy mechanism LGC | | Aquisition Date October '17 | | Solar Panels 88,200 | | Technology | | Monocrystalline Silicon panels | | Panel Supplier | | Canadian Solar | | EPC contractor RCR | | O&M contractor | | RCR | | Inverter Supplier SMA | | Grid Operator | | Ergon Energy | | | +----------------------------------+ +----------------------------------+ | Oakey 2, Queensland | | Ownership 100% | | Subsidy mechanism LGC | | Aquisition Date October '17 | | Solar Panels 206,000 | | Technology | | Monocrystalline Silicon panels | | Panel Supplier | | Canadian Solar | | EPC contractor Canadian Solar | | O&M contractor | | Canadian Solar | | Inverter Supplier SMA | | Grid Operator | | Ergon Energy | +----------------------------------+ Independent Auditor's Report to the members of Foresight Solar Fund Limited 1. OUR OPINION IS UNMODIFIED We have audited the financial statements of Foresight Solar Fund Limited ('the Company') for the year ended 31 December 2017 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows and the related notes, including the accounting policies in note 2. In our opinion the financial statements: \* give a true and fair view of the state of Company's affairs as at 31 December 2017 and of its profit for the year then ended; \* have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union; and \* have been properly prepared in accordance with the Companies (Jersey) Law 1991. BASIS FOR OPINION We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ('ISAs (UK&I)') and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the audit committee. We were appointed as auditor by the directors on 11 February 2015. The period of total uninterrupted engagement is for the 4 financial years ended 31 December 2017. We have fulfilled our ethical responsibilities under, and we remain independent of the Company in accordance with UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities. No non-audit services prohibited by that standard were provided. +-----------------------------------------------------------------------------+ |Overview | +-----------------------------------+-----------------------------------------+ |Materiality: | \xA34.6m (2016: \xA33.5m)| |financial statements as a whole| 0.9% (2016: 1%) of Total Assets| +-----------------------------------+-----------------------------------------+ |Interest income | \xA30.4m (2016: \xA30.3m)| +-----------------------------------+-----------------------------------------+ |Risks of material misstatement vs 2016 | +-----------------------------------+------------------------------------+----+ |Recurring risks |Valuation of Unquoted Investments|< >| +-----------------------------------+------------------------------------+----+ 2. KEY AUDIT MATTERS: OUR ASSESSMENT OF RISKS OF MATERIAL MISSTATEMENT Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. We summarise on the next page the key audit matter unchanged from 2016, in arriving at our above audit opinion, together with our key audit procedures to address those matters and, as required for public interest entities, our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters. +--------------------+---------------------+-----------------------------------+ | |The risk |Our response | +--------------------+---------------------+-----------------------------------+ |Investments |Valuation of |Our procedures included: | | |Unlisted Investments| | |\xA3408.5 million; | |Control design: Documenting and | |(2016: \xA3273.6m) |85% (2016: 78%) |assessing the design and | | |of the company's |implementation of the | |Refer to page |total assets (by |investment valuation processes | |50 (Audit |value) is held in |and controls; | |Committee Report), |investments where | | |page 77-78 |no quoted market |Control observation: Attending | |(accounting |price is |the year end Audit Committee | |policy) and page |available. |meeting where we assessed the | |82-90 (financial | |effectiveness of the Audit | |disclosures). |The unquoted |Committee's challenge and | | |investment is a |approval of unlisted investment | | |100% controlling |valuations; | | |interest in | | | |Foresight Solar |Methodology choice: In the | | |(UK Hold Co) |context of observed industry | | |Limited ('UK Hold |best practice and the | | |Co'), a non- |provisions of the International | | |consolidated |Private Equity and Venture | | |subsidiary company |Capital Valuation Guidelines, | | |which is measured |we challenged the | | |at fair value, |appropriateness of the | | |being the net |valuation basis selected; | | |assets of UK Hold | | | |Co. |Our valuations experience: With | | | |the assistance of our own | | |85% (2016: 87%) |valuation specialists, | | |of UK Hold Co's |challenging the Investment | | |total assets (by |Manager on key judgements | | |value) are held |affecting investee company | | |in investments |valuations, such as discount | | |where no quoted |factors and the useful | | |market price is |economic life of the assets. | | |available. The |We compared key underlying | | |unquoted |financial data inputs to | | |investments are |external sources, investee | | |100% controlling |company audited accounts and | | |interests in FS |management information as | | |Holdco Limited |applicable. We challenged the | | |('FS Holdco'), FS |assumptions around the | | |Holdco 2 Limited |sustainability of earnings | | |('FS Holdco 2'), |based on the ***plans*** of the | | |FS Holdco 3 |investee companies and whether | | |Limited ('FS |these are achievable, and we | | |Holdco 3') and FS |obtained an understanding of | | |Holdco 4 Limited |existing and prospective | | |('FS Holdco 4'). |investee company cash flows to | | |These are measured |understand whether borrowings | | |at fair value, |can be serviced or refinancing | | |being the fair |may be required. Our work | | |value of the net |included consideration of | | |assets of FS |events which occurred | | |Holdco, FS Holdco |subsequent to the year end up | | |2, FS Holdco 3 |until the date of this audit | | |and FS Holdco 4. |report; | | | | | | |65% of FS Holdco |Comparing valuations: Where a | | |2's total assets |recent transaction has been | | |(by value) is |used to value any holding, we | | |held in an |obtained an understanding of | | |investment where |the circumstances surrounding | | |no quoted market |those transactions and whether | | |price is |it was considered to be on | | |available. The |an arms-length basis and | | |unquoted investment |suitable as an input into a | | |is a 100% |valuation; and | | |controlling | | | |interest in FS |Assessing | | |Debtco Limited |transparency: Consideration of | | |('FS Debtco'). |the appropriateness, in | | |This is measured |accordance with relevant | | |at fair value, |accounting standards, of the | | |being the net |disclosures in respect of | | |assets of FS |unquoted investments and the | | |Debtco. |effect of changing one or | | | |more inputs to reasonable | | |70% of FS |possible alternative valuation | | |Holdco's, 100% of |assumptions. | | |FS Holdco 4's and | | | |74% of FS |Our results | | |Debtco's total |We found the Company's | | |assets (by value) |valuation of unquoted | | |are held in |investments to be acceptable. | | |investments where | | | |no quoted market | | | |price is | | | |available. These | | | |are measured at | | | |fair value using | | | |discounted cash | | | |flow measurements | | | |or the price of | | | |a recent | | | |transaction. | | | | | | | |Fair value is | | | |established in | | | |accordance with | | | |the International | | | |Private Equity and | | | |Venture Capital | | | |Valuation | | | |Guidelines. | | | | | | | |There is a | | | |significant risk | | | |over the valuation | | | |of the underlying | | | |investments | | | |[directly held by | | | |FS Holdco, FS | | | |Holdco 4 and FS | | | |Debtco] and that | | | |is the key | | | |judgemental area | | | |that our audit | | | |focused on. | | +--------------------+---------------------+-----------------------------------+ 3. OUR APPLICATION OF MATERIALITY AND AN OVERVIEW OF THE SCOPE OF OUR AUDIT Materiality for the financial statements as a whole was set at \xA34.6m (2016: \xA33.50m), determined with reference to a benchmark of Total Assets, of which it represents 0.9% (2016: 1%). In addition, we applied materiality of \xA30.40m (2016: \xA30.30m) to interest income from investments for which we believe misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the Company's members' assessment of the financial performance of the Company. We agreed to report to the Audit Committee any uncorrected identified misstatements exceeding \xA3230,000 (2016: \xA3175,000), in addition to other identified misstatements that warranted reporting on qualitative grounds. Our audit of the company was undertaken to the materiality level specified above and was performed at the office of the Manager in London. 4. WE HAVE NOTHING TO REPORT ON GOING CONCERN We are required to report to you if: \* we have anything material to add or draw attention to in relation to the directors' statement in note 2 to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Company's use of that basis for a period of at least twelve months from the date of approval of the financial statements; or \* the related statement under the Listing Rules set out on page 48 of the annual report is materially inconsistent with our audit knowledge We have nothing to report in these respects. 5. WE HAVE NOTHING TO REPORT ON THE OTHER INFORMATION IN THE ANNUAL REPORT The directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information. Disclosures of principal risks and longer-term viability Based on the knowledge we acquired during our financial statements audit, we have nothing material to add or draw attention to in relation to: \* the Directors' confirmation within the viability statement on page 48 of the annual report that they have carried out a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency and liquidity; \* the Principal Risks and Uncertainties disclosures describing these risks and explaining how they are being managed and mitigated; and \* the directors' explanation in the name of viability statement of how they have assessed the prospects of the Company, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions. Under the Listing Rules we are required to review the viability statement. We have nothing to report in this respect. Corporate governance disclosures We are required to report to you if: \* we have identified material inconsistencies between the knowledge we acquired during our financial statements audit and the directors' statement that they consider that the annual report and financial statements taken as a whole are fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy; or \* the section of the annual report describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee. \* a corporate governance report has not been prepared by the company. We are required to report to you if the Corporate Governance Report does not properly disclose a departure from the eleven provisions of the UK Corporate Governance Code specified by the Listing Rules for our review. We have nothing to report in these respects. Based solely on our work on the other information described above: \* with respect to the Corporate Governance Report disclosures about internal control and risk management systems in relation to financial reporting processes and about share capital structures: \* we have not identified material misstatements therein; and \* the information therein is consistent with the financial statements; and \* in our opinion, the Corporate Governance Report has been prepared in accordance with relevant rules of the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority. 6. WE HAVE NOTHING TO REPORT ON THE OTHER MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION Under the Companies (Jersey) Law 1991 we are required to report to you if, in our opinion: \* proper accounting records have not been kept by the Company, or \* proper returns adequate for our audit have not been received from branches not visited by us; or \* the Company's accounts are not in agreement with the accounting records and returns; or \* we have not received all the information and explanations we require for our audit. We have nothing to report in these respects. 7. RESPECTIVE RESPONSIBILITIES Directors' responsibilities As explained more fully in their statement set out on page 51 of the annual report, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so. Auditor's responsibilities Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or other irregularities (see below), or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK&I) will always detect a material misstatement when it exists. Misstatements can arise from fraud, other irregularities or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements. A fuller description of the scope of an audit of financial statements is provided on our website at   [*www.kpmg.com/uk/auditscopeother2014*](http://www.kpmg.com/uk/auditscopeother2014). 8. THE PURPOSE OF OUR AUDIT WORK AND TO WHOM WE OWE OUR RESPONSIBILITIES This report is made solely to the Company's members, as a body in accordance with Article 113A of the Companies (Jersey) Law 1991. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed. Henry Todd Senior Statutory Auditor for and on behalf of KPMG LLP, Statutory Auditor Chartered Accountants 15 Canada Square London E14 5GL 21 February 2018 Statement of Comprehensive Income For the year ended 31 December 2017 31 December 31 December 2017 2016 Notes \xA3'000 \xA3'000 Revenue Interest income 4 35,421 29,462 Gain on investments at fair value through profit or loss 14 4,650 4,775 40,071 34,237 Expenditure Management fees 5 (4,277) (3,054) Administration and accountancy expenses 6 (212) (228) Directors' fees 7 (155) (140) Other expenses 8 (340) (76) Total expenditure (4,984) (3,498) Profit before tax for the year 35,087 30,739 Taxation - - Profit and total comprehensive income for the year 35,087 30,739 Earnings per Ordinary Share (pence per Share) 9 8.80 10.38 All items above arise from continuing operations, there have been no discontinued operations during the year. Statement of Financial Position As at 31 December 2017 31 December 31 December 2017 2016 Notes \xA3'000 \xA3'000 Assets Non-current assets Investments held at fair value through profit or loss 14 408,464 273,614 Total non-current assets 408,464 273,614 Current assets Interest receivable 10 57,626 33,044 Trade and other receivables 11 1,933 4,847 Cash and cash equivalents 12 14,669 39,381 Total current assets 74,228 77,272 Total assets 482,692 350,886 Equity Retained earnings 26,793 11,767 Stated capital 18 454,515 339,003 Total equity 481,308 350,770 Liabilities Current liabilities Trade and other payables 13 1,384 116 Total current liabilities 1,384 116 Total liabilities 1,384 116 Total equity and liabilities 482,692 350,886 Net Asset Value per Ordinary Share 19 107.0 102.9 The Financial Statements were approved by the Board of Directors and signed on its behalf on 21 February 2018 by: Alexander Ohlsson Chairman The accompanying notes form an integral part of these Financial Statements. Statement of Changes in Equity For the year ended 31 December 2017 Stated Capital Retained Earnings Total Notes \xA3'000 \xA3'000 \xA3'000 Balance as at 1 January 2017 339,003 11,767 350,770 Total comprehensive income for the year: Profit for the year - 35,087 35,087 Transactions with owners, recognised directly in equity: Dividends paid in the period 22 - (20,061) (20,061) Issue of Ordinary Shares 18 117,539 - 117,539 Capitalised issue costs 18 (2,027) - (2,027) Balance as at 31 December 2017 454,515 26,793 481,308 For the period 1 January 2016 to 31 December 2016: Stated Capital Retained Earnings Total Notes \xA3'000 \xA3'000 \xA3'000 Balance as at 1 January 2016: 279,403 (297) 279,106 Total comprehensive income for the year: Profit for the year - 30,739 30,739 Transactions with owners, recognised directly in equity: Dividends paid in the year 22 - (18,675) (18,675) Issue of Ordinary Shares 18 60,781 - 60,781 Capitalised issue costs 18 (1,181) - (1,181) Balance as at 31 December 2016 339,003 11,767 350,770 The accompanying notes form an integral part of these Financial Statements. Statement of Cash Flows For the year ended 31 December 2017 31 December 31 December 2017 2016 \xA3'000 \xA3'000 Profit for the year before tax from continuing operations 35,087 30,739 Adjustments for: Unrealised gain on investments (4,650) (4,775) Operating cash flows 30,437 25,964 Increase in interest receivable (24,582) (28,398) Decrease in trade and other receivables 2,914 7,305 Increase/(decrease) in trade and other payables 1,268 (160) Net cash inflow from operating activities 10,037 4,711 Investing activities Increase in loan notes to subsidiary - (34,000) (Increase)/decrease in shareholder loan to subsidiary (130,200) 14,821 Net cash outflow from investing activities (130,200) (19,179) Financing activities Dividends paid (20,061) (18,675) Issue costs paid (2,027) (1,181) Proceeds from issue of shares 117,539 60,781 Net cash inflow from financing activities 95,451 40,925 Net (decrease)/increase in cash and cash equivalents (24,712) 26,457 Cash and cash equivalents at the beginning of the year 39,381 12,924 Cash and cash equivalents at the end of the year 14,669 39,381 The accompanying notes form an integral part of these Financial Statements. Notes to the Financial Statements FOR THE YEAR ENDED 31 DECEMBER 2017 1. Company information Foresight Solar Fund Limited (the 'Company') is a closed-ended company with an indefinite life and was incorporated in Jersey under the Companies Law (Jersey) 1991, as amended, on 13 August 2013, with registered number 113721. The address of the registered office is: 28 Esplanade, St Helier, Jersey, JE4 2QP. The Company has one investment, Foresight Solar (UK Hold Co) Limited ('UK Hold Co'). Up to 31 March 2016, UK Hold Co invested in further holding companies (the 'SPVs') which then invested in the underlying solar investments. On 11 January 2016, UK Hold Co incorporated a subsidiary, FS Holdco Limited ('FS Holdco'). On 31 March 2016, UK Hold Co transferred all equity investments and related shareholder loans in the SPVs to FS Holdco in return for 16 ordinary shares issued by FS Holdco Limited and a loan receivable on a pari passu basis. On 1 December 2016, UK Hold Co incorporated a further subsidiary, FS Holdco 2 Limited ('FS Holdco 2'), which in turn incorporated a subsidiary, FS Debtco Limited ('FS Debtco'), on 2 December 2016. FS Debtco invested in SPVs which then invested in the underlying solar investments. During the year ended 31 December 2017, UK Hold Co incorporated two additional subsidiaries, FS Holdco 3 Limited ('FS Holdco 3'), on 31 August 2017 and FS Holdco 4 Limited ('FS Holdco 4'), on 1 September 2017. As at 31 December 2017, there had been no activities in FS Holdco 3. FS Holdco 4 invested in SPVs which then invested in the underlying solar investments. The principal activity of the Company, UK Hold Co, FS Holdco, FS Holdco 2, FS Debtco, FS Holdco 3, FS Holdco 4 and the SPVs (together 'the Group') is investing in operational UK ground based solar power plants. 2. Summary of significant accounting policies 2.1 Basis of presentation The Financial Statements for the year ended 31 December 2017 (the 'Financial Statements') have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ('IFRS') which comprise standards and interpretations issued by the International Accounting Standards Board ('IASB'), and International Accounting Standards and Standing Interpretations approved by the International Financial Reporting Interpretation Committee that remain in effect and to the extent they have been adopted by the European Union. The Financial Statements have been prepared on the historical cost convention as modified for the measurement of certain financial instruments at fair value through profit or loss and in accordance with the provisions of the Companies (Jersey) Law 1991. 2.2 Going concern The Directors have considered the Company's cash flow projections for a period of no less than twelve months from the date of approval of these Financial Statements together with the Company's borrowing facilities. These projections show that the Company will be able to meet its liabilities as they fall due. The Directors have therefore prepared the Financial Statements on a going concern basis. 2.3 Changes in accounting policies and disclosures New standards, interpretations and amendments adopted by the Company No standards, interpretations or amendments newly applicable for financial periods beginning 1 January 2017 were considered to have a material impact on the Company. New and revised IFRSs in issue but not yet effective The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. At the date of authorisation of these Financial Statements, the following standards were in issue but not yet effective, and will be applicable to the Company. \xB7 IFRS 15, 'Revenue from Contracts with Customers'. IFRS 15 was endorsed on 22 September 2016 and effective for accounting periods beginning on or after 1 January 2018. The objective of IFRS 15 is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from a contract with a customer. A five-step model framework is adopted to recognise revenue based on the amount of consideration to which the entity expects to be entitled to in exchange for goods or services promised to customers. Scope: IFRS 15 applies to all contracts with customers except those within the scope of IAS 17 Leases, IFRS 9 Financial Instruments, IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements, IAS 27 Separate Financial Statements, IAS 28 Investments in Associates and Joint Ventures, IFRS 4 Insurance Contracts and non-monetary exchanges between entities in the same line of business to facilitate sales to customers. Application to the Company: The adoption of IFRS 15 is not expected to have a material impact on the Company's two revenue streams: - Interest revenue earned from loans that have been issued to underlying Companies within the Group; and - Gains on its investments at fair value through profit and loss. IAS 18 currently specifies that interest revenue is recognised using the effective interest method. The measurement principles for interest revenue have been included in IFRS 9 which similarly will require that interest revenue be recognised using the effective interest method. Revenue arising from changes in the fair value of financial assets and financial liabilities or their disposal is specifically excluded from the scope of IAS 18. Revenue from financial instruments and other contractual rights or obligations within the scope of IFRS 9 are specifically excluded from the scope of IFRS 15. As both revenue streams falls within the scope of IFRS 9 and thus specifically excluded from the scope of IFRS 15, the adoption of IFRS 15 is not expected to have a material impact on the Company. \xB7 IFRS 9, 'Financial Instruments - Classification and Measurement'. IFRS 9 was issued in July 2014 and is effective for annual periods beginning on or after 1 January 2018 with early adoption permitted but not elected by the Company. IFRS 9 was issued to replace IAS 39 Financial Instruments: Recognition and Measurement. It includes requirements for recognition and measurement, impairment, derecognition and general hedge accounting. Initial measurement of financial instruments. IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. IFRS 9 contains three principal classification categories for financial assets: amortised cost, fair value through profit or loss and fair value through other comprehensive income. The standard replaces the existing IAS 39 categories of held to maturity, loans and receivables , fair value through profit or loss, amortised cost and available for sale. Application to the Company: The adoption of IFRS 9 is not expected to have a material impact on the Company's financial instruments: Investments held at fair value through profit or loss The Company's investment in UK Holdco (which comprises both debt and equity) is presently held at fair value through profit or loss under IAS 39. In terms of IFRS 9, the investment in its entirety will continue to be held at fair value through profit or loss as the equity portion of the investment is not held for trading nor will the fair value through other comprehensive income option be elected and the debt portion of the investment meets the following conditions; - the fair value through profit or loss classification eliminates an accounting mismatch; and - the debt investment forms part of a group of assets that are managed and performance evaluated on a fair value basis. No change is therefore expected in the recognition or measurement of investments held at fair value through profit or loss. Interest receivable, trade and other receivables, cash and cash equivalents Interest receivable, trade and other receivables and cash and cash equivalents are presently measured at amortised cost under IAS 39. Under IFRS 9 assets can be classified under amortised cost under the following conditions; - The assets must be held in a business model whose objective is to collect the contractual cash flows i.e. 'held to collect'; and - the contractual cash flows must represent repayment of the principal and interest on the principal amount outstanding These assets by their nature meet the above conditions and will therefore continue to be held at amortised cost under IFRS 9. Trade and other payables Under IAS 39, trade and other payables are measured at amortised cost. This is not expected to change with the application of IFRS 9. Conclusion: Taking the above into account, the adoption of IFRS 9 is not expected to have a material impact on the Company's results. Upon adoption, additional disclsures may be required within the Accounting Policies note in the Annual Report. 2.4 Consolidation Associates Associates are entities over which the Company has significant influence, being the power to participate in the financial and operating policy decisions of the investee (but not control or joint control). Subsidiaries Subsidiaries are entities over which the Company has control. The Company controls an entity when the Company is exposed to, or has the rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Investment Entity Qualifying entities that meet the definition of an investment entity are not required to ***produce*** a consolidated set of Financial Statements and instead account for subsidiaries at fair value through profit or loss. The defined criteria of an 'investment entity' are as follows: \xB7 It holds more than one investment; \xB7 It has more than one investor; \xB7 It has investors that are not related parties to the entity; and \xB7 It has ownership interests in the form of equity or similar interests. However, the absence of one or more of these characteristics does not prevent the entity from qualifying as an 'investment entity', provided all other characteristics are met and the entity otherwise meets the definition of an 'investment entity': \xB7 It obtains funds from one or more investors for the purpose of providing those investor(s) with professional investment management services; \xB7 It commits to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income or both; and \xB7 It measures and evaluates the performance of substantially all of its investments on a fair value basis. As discussed in note 1, the Company has one direct subsidiary, a 100% controlling interest in UK Hold Co and a number of indirect subsidiaries. Under IFRS 10 'Consolidated Financial Statements', the directors deem that the Company is an investment entity and therefore the Company does not consolidate its subsidiary but carries it at fair value through profit or loss. The Company does not meet all the defined criteria of an 'investment entity' as the Company only has one investment. However, the Directors deem that the Company is nevertheless an 'investment entity' as the remaining requirements have been met and, through the Group, there is a diverse investment portfolio which will fill the criteria of having more than one investment. Therefore, the Company qualifies as an 'investment entity'. As UK Hold Co is not consolidated, its subsidiaries (plus their underlying investments) are not separately presented at fair value through profit or loss in the Company's accounts. However accounting standards require that if an investment entity is the parent of another investment entity, the parent shall also provide the additional disclosures required by IFRS 12 Interest in unconsolidated subsidiaries. These disclosures are set out in notes 16 and 17. 2.5 Income Income comprises interest income (bank interest and loan interest). Interest income is recognised when it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably. Loan interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition. 2.6 Expenses Operating expenses are the Company's costs incurred in connection with the on-going management of the Company's investments and administrative costs. Operating expenses are accounted for on an accruals basis. The Company's management and administration fees, finance costs and all other expenses are charged through the Statement of Comprehensive Income. Acquisition costs of assets are capitalised on purchase of assets. Costs directly relating to the issue of Ordinary Shares are charged to the Group's stated capital reserve. 2.7 Taxation The Company is currently registered in Jersey. The Company is taxed at 0% which is the general rate of Corporation tax in Jersey. 2.8 Functional and presentational currency The Directors consider the Company's functional currency to be Pounds Sterling ('GBP') as this is the currency in which the majority of the Company's assets and liabilities and significant transactions are denominated. The Directors have selected GBP as the Company's presentation currency. Indirect subsidiaries of the Company may have assets and liabilities of foreign operations which will impact the investment value on the Company's balance sheet. The assets and liabilities of these foreign operations, including fair value adjustments arising on acquisition, are translated into GBP at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into GBP at the exchange rates at the dates of the transactions. 2.9 Financial Assets and Liabilities 2.9.1 Financial asset at fair value through profit or loss The financial asset at fair value through profit or loss consists of one investment in UK Hold Co. The asset in this category is classified as non-current. (a) Recognition and measurement Purchases and sales of financial assets at fair value through profit or loss are recognised on the trade-date (the date on which the Company commits to purchase or sell the asset). Investments are initially and subsequently recognised at fair value. Fair value is defined as the amount for which an asset could be exchanged between knowledgeable willing parties in an arm's length transaction. The fair value of UK Hold Co is made up of the fair value of its net assets. UK Hold Co has four direct subsidiaries - FS Holdco, FS Holdco 2, FS Holdco 3 and FS Holdco 4, and FS Holdco 2 has one direct subsidiary - FS Debtco Limited. FS Holdco is fair valued using its net asset value as reported at period end, with adjustments to its long term external debt to reflect the fact that the carrying value at amortised cost is not considered to be the best approximation of its fair value. FS Holdco 2, FS Debtco, FS Holdco 3 and FS Holdco 4 are fair valued using their net asset value as reported at period end. The fair value of the underlying investments held by the Company's subsidiaries, which impact the value of the Company's subsidiaries, are determined by using valuation techniques. The Directors calculate the fair value of the investments based on information received from the Investment Manager. The Investment Manager's assessment of fair value of investments is determined in accordance with the International Private Equity and Venture Capital ('IPEVC') Valuation Guidelines, using a Discounted Cash Flow valuation methodology. As described in more detail in note 17, valuations such as these rely on inputs relating to the output of the asset (including assumptions such as solar irradiation and technological performance of the asset), power prices, operating costs, discount and inflation rates applied to the cash flows, and the duration of the useful economic life of the asset. The Board and the Investment Manager consider that the discounted cash flow valuation methodology used in deriving a fair value is in accordance with the fair value requirements of IAS 39. The investments held by FS Holdco 4 were valued at cost as at 31 December 2017 as these projects are not yet operational. Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the Statement of Comprehensive Income within 'gains/(losses) on investments at fair value through profit or loss' in the period in which they arise. (b) Change in valuation methodology A change in a valuation technique or its application is appropriate if the change results in a measurement that is equally or more representative of fair value in the circumstances. Revisions resulting from a change in the valuation technique or its application shall be accounted for as a change in accounting estimate in accordance with IAS 8. However, the disclosures in IAS 8 for a change in accounting estimate are not required for revisions resulting from a change in a valuation technique or its application. Due to the legacy capital structure of the group, the subsidiaries have historically adopted an equity discount rate that discounted expected future cash flows of the underlying investments before the cost of debt was considered. Under this technique the valuation of the investments were calculated by discounting unlevered project level cash flows with an equity discount rate. The Board considers that applying a leveraged WACC discount rate to both the underlying assets linked to long term debt and the long term debt better reflects the current and anticipated capital structure of the Company and provides greater accuracy when valuing assets with long term debt. Therefore, the new valuation methodology uses a levered WACC discount rate for assets with long term debt and an unchanged equity discount rate for assets funded through short term debt facilities and/or equity. The above change in valuation technique resulted in a \xA322,726,769 decrease in the fair value of FS Holdco's investments which, when combined with the fair value adjustment to FS Holdco's long term debt, resulted in a \xA311,087,422 net increase in the fair value of UK Hold Co's incestment in FS Holdco which directly impacts the value of the Company's investment at fair value through profit or loss. (b) Derecognition Financial assets at fair value through profit or loss (in whole or in part) are derecognised either: \xB7 when the Company has transferred substantially all the risks and rewards of ownership; or \xB7 when it has neither transferred nor retained substantially all the risks and rewards and when it no longer has control over the assets or a portion of the asset; or \xB7 when the contractual right to receive cash flow has expired. Any gain or loss on derecognition is taken to the Statement of Comprehensive Income. 2.9.2 Financial assets and liabilities at amortised cost The financial assets and liabilities at amortised cost are non- derivative financial assets with fixed or determinable payments that are not quoted in an active market. They comprise trade and other receivables, interest receivable, cash and cash equivalents and trade and other payables. Trade and other receivables are rights to receive compensation for goods or services that have been provided in the ordinary course of business to customers. Accounts receivable are classified as current assets if receipt is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current assets. Interest receivable is the right to receive payments at fixed or variable interest rates on loans issued by the Company. Interest receivable is classified as current if the receipt is due within one year or less. If not, it is presented as a non-current asset. Cash and cash equivalents comprise cash in hand. Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities. (a) Recognition and measurement Trade and other receivables are initially recognised at cost plus transaction costs that are directly attributable to the acquisition, and subsequently carried at amortised cost, less provision for impairment. Cash is initially and subsequently recognised at cost. Trade and other payables are initially and subsequently recognised at amortised cost. (b) Derecognition Trade and other receivables/payables are derecognised when the Company has extinguished its contractual obligations, it expires or is cancelled. Any gain or loss on derecognition is taken to the Statement of Comprehensive Income. 2.10 Share Capital Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares are shown in equity as a deduction, net of tax, from the proceeds. Ordinary shares have a nil par value. 2.11 Dividend distribution Dividend distributions to the Company's shareholders are recognised as a liability in the Company's Financial Statements in the period in which the dividends are approved by the Company's shareholders. 3. Critical accounting estimates and judgements The preparation of Financial Statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The Board considers that the only areas where management make critical estimates and judgements that may have a significant effect on the financial statements are in relation to the valuation of financial assets at fair value through profit and loss, which is discussed in detail in note 2.9.1 and the determination that the Company meets the definition of an investment entity, which is discussed in detail in note 2.4. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates and underlying assumptions are reviewed on an ongoing basis. The Board considers that the determination that the Company meets the definition of an investment entity involves significant judgements because the entity does not possess all the typical characteristics of an investment entity. While the absence of one or more of the typical characteristics of an investment entity described in IFRS 10 Consolidated Financial Statements does not immediately disqualify an entity from being classified as an investment entity. The entity is required to disclose its reasons for concluding that it is nevertheless an investment entity if one or more of these characteristics are not met. In order to reach that conclusion of whether the Company meets the definition of an investment entity the Board had to make significant judgements. The Board considers that the fair value of Investments not quoted in an active market involves critical accounting estimates and judgement because it is determined by the Directors using their own models, which are usually based on valuation methods and techniques generally recognised as standard within the industry. Models use observable data, to the extent practicable. However, they also rely on significant unobservable inputs about the output of the asset (including assumptions such as solar irradiation and technological performance of the asset), power prices, operating costs, discount and inflation rates applied to the cash flows, and the duration of the useful economic life of the asset. Furthermore, changes in these inputs and assumptions could affect the reported fair value of financial instruments. The determination of what constitutes 'observable' requires significant judgement by the Fund. The Fund considers observable data to be market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market. 4. Interest income 31 December 2017 31 December 2016 \xA3'000 \xA3'000 Bank interest income 25 13 Interest on loan notes 32,246 27,314 Interest on shareholder loan 3,150 2,135 35,421 29,462 Loan notes were issued by the company to UK Hold Co for the purchase of investments. Interest accrues at 9% per annum in arrears on each Interest Payment Date (28 / 29 February and 31 August each year). Where interest is not paid on payment date, it will compound and future interest shall accrue at 11% per annum from the due date up to the date of actual payment compounding on each Interest Payment Date. The loan notes balance at year end on which interest is charged is \xA3250,000,000 (2016: \xA3250,000,000). These loans form part of the fair value of the investments as per note 14. A Shareholder loan is created when the total amount paid by the Company on behalf of UK Hold Co to acquire the underlying investments is more than the total loan notes issued by the Company to UK Hold Co. Interest was previously accrued at 9% per annum, decreasing to 2% per annum with effect from 1 April 2017, and is repayable in full on demand. The shareholder loan balance at year end is \xA3154,110,000 (2016: \xA323,910,000). These loans form part of the fair value of the investments as per note 14. 5. Management fees The Investment Manager of the Company, Foresight Group CI Limited, receives an annual fee of 1% of the Net Asset Value ('NAV') of the Company. This is payable quarterly in arrears and is calculated based on the published quarterly NAV. For the year ended 31 December 2017, the Investment Manager was entitled to a management fee of \xA34,276,808 (2016: \xA33,053,551) of which \xA31,257,741 was outstanding as at 31 December 2017 (2016: \xA317,066). 6. Administration and Accountancy fees Under an Administration Agreement, the Administrator of the Company, JTC (Jersey) Limited, is entitled to receive minimum annual administration and accountancy fees of \xA3156,000 payable quarterly in arrears. For the year ended 31 December 2017, total administration and accountancy fees were \xA3211,534 (2016: \xA3227,452) of which \xA339,000 was outstanding as at 31 December 2017 (2016: \xA350,002). 7. Directors' fees 31 December 2017 31 December 2016 \xA3'000 \xA3'000 Peter Dicks 40 35 Alexander Ohlsson 65 60 Christopher Ambler 50 45 155 140 8. Other Expenses 31 December 2017 31 December 2016 \xA3'000 \xA3'000 Legal and professional fees 271 27 Other expenses 69 49 340 76 Included within legal and professional fees is \xA320,500 (2016: \xA324,400) relating to the audit of these financial statements. The total audit fee pertaining to the group is \xA388,938 for the year ended 31 December 2017 (2016: \xA365,900). There were no other fees paid to the auditors for non-audit services (2016: Nil). 9. Earnings per Ordinary share - basic and diluted The basic and diluted profits per Ordinary Share for the Company are based on the profit for the period of \xA335,086,596 (2016: \xA330,738,374) and on 398,908,689 (2016: 296,123,500) Ordinary Shares, being the weighted average number of shares in issue during the period. 10. Interest receivable 31 December 2017 31 December 2016 \xA3'000 \xA3'000 Interest receivable on loan notes 48,746 27,314 Interest receivable on shareholder loan 8,880 5,730 57,626 33,044 11. Trade and other receivables 31 December 2017 31 December 2016 \xA3'000 \xA3'000 Prepaid expenses 16 - Amounts due from subsidiaries\* 1,146 4,694 Other receivables 771 153 1,933 4,847 \*Amounts due from subsidiaries are unsecured, interest free and repayable on demand. 12. Cash and cash equivalents 31 December 2017 31 December 2016 \xA3'000 \xA3'000 Cash at bank 14,669 39,381 14,669 39,381 13. Trade and other payables 31 December 2017 31 December 2016 \xA3'000 \xA3'000 Accrued expenses 1,384 116 1,384 116 14. Investments at fair value through profit or loss The following table presents the Company's investments at fair value through profit or loss: 31 December 2017 31 December 2016 \xA3'000 \xA3'000 Investment in UK Hold Co Equity - - Loans 408,464 273,614 408,464 273,614 Book cost as at 1 January 273,909 254,730 Opening Investment Holding losses (295) (5,070) Valuation as at 1 January 273,614 249,660 Movements during the year Purchase at cost (loans drawn down) 130,200 34,000 Disposal proceeds - (14,821) Investment holding gains 4,650 4,775 Valuation as at 31 December 408,464 273,614 Book cost as at 31 December 404,109 273,909 Closing investment holding gains/(losses) 4,355 (295) 408,464 273,614 The Company has one investment in Foresight Solar (UK Hold Co) Limited ('UK Hold Co'). This investment consists of both debt and equity and is not quoted in an active market. Accordingly, the investment in UK Hold Co has been valued using its net assets. In turn, UK Hold Co has four investments in FS Holdco Limited ('FS Holdco'), FS Holdco 2 Limited ('FS Holdco 2'), FS Holdco 3 Limited ('FS Holdco 3') and FS Holdco 4 Limited ('FS Holdco 4'), and FS Holdco 2 has one investment in FS Debtco Limited ('FS Debtco'). These investments also consist of both debt and equity and are not quoted in an active market. FS Holdco is fair valued using its net asset value as reported at period end, with adjustments to its long term external debt to reflect the fact that the carrying value at amortised cost is not considered to be the best approximation of its fair value. FS Holdco 2, FS Debtco, FS Holdco 3 and FS Holdco 4 are fair valued using their net asset value as reported at period end. In turn, FS Holdco, FS Debtco and FS Holdco 4's investment portfolios consist of unquoted investments in solar projects, the valuations of which are based on a discounted cash flow methodology (as set out in note 16). Fair value hierarchy IFRS 13 'Fair Value Measurement' requires disclosures relating to fair value measurements using a three-level fair value hierarchy. The level within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement. Assessing the significance of a particular input requires judgement, considering factors specific to the asset or liability. The following table shows investments recognised at fair value, categorised between those whose fair value is based on: (a) Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities; (b) Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and (c) Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable. All investments held at fair value through profit or loss are classified as level 3 within the fair value hierarchy. As UK Hold Co's net asset value is not considered observable market data the investment in UK Hold Co has been classified as level 3. There were no movements between levels during the year. As at 31 December 2017: Level 1 Level 2 Level 3 Total \xA3'000 \xA3'000 \xA3'000 \xA3'000 Unquoted investment - - 408,464 408,464 - - 408,464 408,464 As at 31 December 2016: Level 1 Level 2 Level 3 Total \xA3'000 \xA3'000 \xA3'000 \xA3'000 Unquoted investment - - 273,614 273,614 - - 273,614 273,614 Sensitivity Analysis Due to the nature of the Group structure and the underlying valuation basis of UK Hold Co, FS Holdco, FS Holdco 2, FS Debtco, FS Holdco 3, FS Holdco 4 and the underlying solar project investments, the valuation of the Company's investment at fair value through profit or loss is directly linked to the valuation of the underlying solar investments. Therefore, the unobservable inputs driving the valuation of the Company's investments in UK Hold Co are directly attributable to the valuation of the unquoted investments in FS Holdco, FS Debtco and FS Holdco 4 which is discussed further in note 16. 15. Subsidiaries and associates Proportion Direct or of shares indirect Country of Principal and voting Name holding incorporation activity rights held Foresight Solar (UK Hold Co) Limited ('UK Holding Hold Co') Direct UK Company 100% FS Holdco Limited ('FS Holding Holdco') Indirect UK Company 100% FS Holdco 2 Limited ('FS Holding Holdco 2') Indirect UK Company 100% FS Debtco Limited ('FS Holding Debtco') Indirect UK Company 100% FS Holdco 3 Limited ('FS Holding Holdco 3') Indirect UK Company 100% FS Holdco 4 Limited ('FS Holding Holdco 4') Indirect UK Company 100% FS Wymeswold SPV Holding Limited Indirect UK Company 100% FS Castle Eaton SPV Holding Limited Indirect UK Company 100% FS Pitworthy SPV Holding Limited Indirect UK Company 100% FS Highfields SPV Holding Limited Indirect UK Company 100% FS High Penn SPV Holding Limited Indirect UK Company 100% FS Hunter's SPV Holding Race Limited Indirect UK Company 100% FS Spriggs SPV Holding Limited Indirect UK Company 100% FS Bournemouth SPV Holding Limited Indirect UK Company 100% FS Landmead SPV Holding Limited Indirect UK Company 100% FS Kencot SPV Holding Limited Indirect UK Company 100% FS Copley SPV Holding Limited Indirect UK Company 100% FS Port Farms SPV Holding Solar Limited Indirect UK Company 100% FS Membury SPV Holding Limited Indirect UK Company 100% FS Southam SPV Holding Solar Limited Indirect UK Company 100% FS Atherstone SPV Holding Solar Limited Indirect UK Company 100% FS Paddock Wood Solar Farm SPV Holding Limited Indirect UK Company 100% Atherstone Hold SPV Holding Co Limited Indirect UK Company 100% Southam Hold Co SPV Holding Limited Indirect UK Company 100% Paddock Wood SPV Holding Hold Co Limited Indirect UK Company 100% Shotwick Solar SPV Holding Limited Indirect UK Company 100% Sandridge Solar SPV Holding Power Limited Indirect UK Company 100% Acquisition Co SPV Holding 1 Limited Indirect UK Company 100% Acquisition Co SPV Holding 2 Limited Indirect UK Company 100% Acquisition Co SPV Holding 2 Limited Indirect UK Company 100% Foresight Bannerton Pty SPV Holding Limited Indirect UK Company 48.50% Wymeswold Solar Farm Limited ('Wymeswold') Indirect UK Investment 100% Castle Eaton Solar Farm Limited ('Castle Eaton') Indirect UK Investment 100% Pitworthy Solar Farm Limited ('Pitworthy') Indirect UK Investment 100% Highfields Solar Farm Limited ('Highfields') Indirect UK Investment 100% High Penn Solar Farm Limited ('High Penn') Indirect UK Investment 100% Proportion Direct or of shares indirect Country of Principal and voting Name holding incorporation activity rights held Hunter's Race Solar Farm Limited ('Hunter's Race') Indirect UK Investment 100% Spriggs Solar Farm Limited ('Spriggs') Indirect UK Investment 100% Bournemouth Solar Farm Limited ('Bournemouth') Indirect UK Investment 100% Landmead Solar Farm Limited ('Landmead') Indirect UK Investment 100% Kencot Hill Solar Farm Limited ('Kencot') Indirect UK Investment 100% Copley Solar Limited ('Copley') Indirect UK Investment 100% Port Farms Solar Limited (Port Farm') Indirect UK Investment 100% Membury Solar Limited ('Membury') Indirect UK Investment 100% Atherstone Solar Farm Ltd ('Atherstone') Indirect UK Investment 100% Southam Solar Farm Ltd ('Southam') Indirect UK Investment 100% Paddock Wood Solar Farm Ltd ('Paddock Wood') Indirect UK Investment 100% Shotwick Solar Limited ('Shotwick Solar') Indirect UK Investment 100% Sandridge Solar Power Limited ('Sandridge') Indirect UK Investment 100% SSR Wally Corner Limited ('SSR Wally') Indirect UK Investment 100% Foresight Solar Australia Pty Limited Indirect Australia Investment 100% Longreach Asset Company Pty Limited Indirect Australia Investment 49% Oakey 1 Asset Company Pty Limited Indirect Australia Investment 49% RE Oakey Pty Limited Indirect Australia Investment 100% 16. Interests in unconsolidated structured entities Year ended 31 December 2017 The following table represents the fair values of the investments held by FS Holdco Limited as required by IFRS12. Fair Unrealised Unrealised value Cost Cost as gain/(loss) Movement gain/(loss) as at at 1 Additions at 31 as at 1 on as at 31 31 January / December January unrealised December December 2017 (Disposals) 2017 2017 gain/(loss) 2017 2017 \xA3'000 \xA3'000 \xA3'000 \xA3'000 \xA3'000 \xA3'000 \xA3'000 Wymeswold 48,590 - 48,590 1,510 (1,782) (272) 48,318 Castle Eaton 21,630 - 21,630 270 (1,105) (835) 20,795 Pitworthy 18,210 - 18,210 90 (1,672) (1,582) 16,628 Highfields 14,300 - 14,300 700 (1,426) (726) 13,574 High Penn 11,310 - 11,310 690 (1,494) (804) 10,506 Hunter's Race 13,160 - 13,160 340 49 389 13,549 Spriggs 14,580 - 14,580 220 (919) (699) 13,881 Bournemouth 50,060 - 50,060 1,240 (876) 364 50,424 Landmead 51,580 - 51,580 2,520 (5,616) (3,096) 48,484 Kencot 47,210 - 47,210 1,790 (3,941) (2,151) 45,059 Copley 35,670 - 35,670 2,330 (940) 1,390 37,060 Paddock Wood 10,621 - 10,621 879 (326) 553 11,174 Atherstone 16,004 - 16,004 596 (917) (321) 15,683 Southam 11,145 - 11,145 655 (540) 115 11,260 Port Farms 44,215 - 44,215 1,785 (1,693) 92 44,307 Membury 21,160 - 21,160 740 (1,200) (460) 20,700 429,445 - 429,445 16,355 (24,398) (8,043) 421,402 The above individual project valuations do not include a (\xA35,010,200) adjustment (2016: Nil) relating to future tax payments which will be settled at the Fund level. Comparatives for the year ended 31 December 2016 are shown on page 87 of the annual report. Year ended 31 December 2017 The following table represents the fair values of the investments held by FS Debtco Limited as required by IFRS12. Fair Cost Unrealised Unrealised value Cost at as at gain/(loss) Movement gain/(loss) as at 1 Additions 31 as at 1 on as at 31 31 January / December January unrealised December December 2017 (Disposals) 2017 2017 gain/(loss) 2017 2017 \xA3'000 \xA3'000 \xA3'000 \xA3'000 \xA3'000 \xA3'000 \xA3'000 Shotwick Solar - 74,894 74,894 - 9,696 9,696 84,590 Sandridge Solar Power - 57,046 57,046 - 959 959 58,005 SSR Wally Corner - 5,718 5,718 - 41 41 5,759 - 137,658 137,658 - 10,696 10,696 148,354 FS Holdco 2 commenced trading during the period and therefore no comparatives are shown. As at 31 December 2017, there had been no activities in FS Holdco 3. Year ended 31 December 2017 The following table represents the fair values of the investments held by FS Holdco 4 Limited as required by IFRS12. Fair Cost Unrealised Unrealised value Cost as at gain/(loss) Movement gain/(loss) as at at 1 Additions 31 as at 1 on as at 31 31 January / December January unrealised December December 2017 (Disposals) 2017 2017 gain/(loss) 2017 2017 \xA3'000 \xA3'000 \xA3'000 \xA3'000 \xA3'000 \xA3'000 \xA3'000 Bannerton Solar Farm - 12,482 12,482 - - - 12,482 Longreach - 5,218 5,218 - - - 5,218 Oakey 1 7,842 7,842 - 80\* 80\* 7,922 Oakey 2 - 15,910 15,910 - 120\* 120\* 16,030 - 41,452 41,452 - 200 200 41,652 \*This relates to FX gain on translation from AUD to GBP at 31 December 2017. FS Holdco 4 commenced trading during the period and therefore no comparatives are shown. Year ended 31 December 2016 The following table represents the fair values of the investments held by FS Holdco Limited as required by IFRS12. Fair Cost Unrealised Unrealised value Cost at as at gain/(loss) Movement gain/(loss) as at 1 31 as at 1 on as at 31 31 January Additions/ December January unrealised December December 2016 (Disposals) 2016 2016 gain/(loss) 2016 2016 \xA3'000 \xA3'000 \xA3'000 \xA3'000 \xA3'000 \xA3'000 \xA3'000 Wymeswold 49,090 (500) 48,590 - 1,510 1,510 50,100 Castle Eaton 21,630 - 21,630 - 270 270 21,900 Pitworthy 18,210 - 18,210 - 90 90 18,300 Highfields 14,300 - 14,300 - 700 700 15,000 High Penn 11,310 - 11,310 - 690 690 12,000 Hunter's Race 13,160 - 13,160 - 340 340 13,500 Spriggs 14,580 - 14,580 - 220 220 14,800 Bournemouth 50,060 - 50,060 - 1,240 1,240 51,300 Landmead 51,580 - 51,580 - 2,520 2,520 54,100 Kencot 47,210 - 47,210 - 1,790 1,790 49,000 Copley 35,670 - 35,670 - 2,330 2,330 38,000 Paddock Wood 6,190 4,431 10,621 - 879 879 11,500 Atherstone 12,520 3,484 16,004 - 596 596 16,600 Southam 7,780 3,365 11,145 - 655 655 11,800 Port Farms 44,720 (505) 44,215 - 1,785 1,785 46,000 Membury 21,160 - 21,160 - 740 740 21,900 419,170 10,275 429,445 - 16,355 16,355 445,800 17. Fair value of the investments in unconsolidated entities Valuation process Valuations are the responsibility of the Board of Directors. The Investment Manager is responsible for submitting fair market valuations of Group assets to the Directors. The Directors review and approve these valuations following appropriate challenge and examination. Valuations are carried out quarterly. The current portfolio consists of non-market traded investments and valuations are based on a discounted cash flow methodology. The Investment Manager's assessment of fair value of investments is determined in accordance with the International Private Equity and Venture Capital Valuation Guidelines ('IPEVC'), using levered and unlevered Discounted Cash Flow principles. The Investment Manager and Directors consider that the discounted cash flow methodology used in deriving a fair value is in accordance with the fair value requirements of IFRS 13. The investments held by FS Holdco 4 were valued at cost as at 31 December 2017 as these projects were not yet operational and therefore are not included in the sensitivity analysis on the following pages. Sensitivity analysis of significant changes in unobservable inputs within Level hierarchy of underlying Investments The Company's investments (indirectly held through its unconsolidated subsidiaries FS Holdco and FS Holdco 2) are valued with reference to the discounted value of future cash flows. The Directors consider the valuation methodology used, including the key assumptions and discount rate applied, to be appropriate. The Board review, at least annually, the valuation inputs and where possible, make use of observable market data to ensure valuations reflect the fair value of the investments. A broad range of assumptions are used in the valuation models. These assumptions are based on long-term forecasts and are not affected by short term fluctuations in inputs, be it economic or technical. The Directors consider the following assumptions to be significant inputs to the DCF calculation. The valuation of the Company's investments is determined based on the discounted value of future cash flows of those investments over their useful economic lives ('UELs'). The UEL of individual assets is determined by reference to a fixed contractual lease term, and therefore, the Board and Manager do not consider that the UEL is an unobservable input or assumption that can have a significant impact on the valuation of the investments. However, the Boards notes that if extended contractual lease terms were negotiated for individual assets, this would increase the value of those assets. Similarly, if the assets did not operate for the duration of the fixed contractual period, this would reduce the value of those assets. Discount rate The weighted average discount rate used is 7.58%. The Directors do not expect to see a significant change in the discount rates applied within the Solar Infrastructure sector. Therefore a variance of +/- 0.5% is considered reasonable. +-----------------------------+--------+--------+-------+--------+--------+ | | -0.50% | -0.25% | Base | +0.25% | +0.50% | +-----------------------------+--------+--------+-------+--------+--------+ | Directors' valuation (\xA3m) | 593.8 | 581.6 | 569.8 | 558.3 | 547.3 | +-----------------------------+--------+--------+-------+--------+--------+ | NAV per share (pence) | 112.3 | 109.6 | 107.0 | 104.5 | 102.0 | +-----------------------------+--------+--------+-------+--------+--------+ | Change vs Base Case (%) | 4.2 | 2.1 | 0.0 | (2.0) | (3.9) | +-----------------------------+--------+--------+-------+--------+--------+ Production Base case production is a function of a number of separate assumptions including irradiation levels, availability of the sites and technical performance of the equipment. A sensitivity of +/- 10% is considered reasonable given stable levels of irradiation, contractual availability guarantees and understanding of future performance levels of the equipment. +-----------------------------+--------+-------+-------+ | | -10% | Base | +10% | +-----------------------------+--------+-------+-------+ | Directors' valuation (\xA3m) | 501.4 | 569.8 | 637.4 | +-----------------------------+--------+-------+-------+ | NAV per share (pence) | 91.8 | 107.0 | 122.0 | +-----------------------------+--------+-------+-------+ | Change vs Base Case (%) | (12.0) | 0.0 | 11.9 | +-----------------------------+--------+-------+-------+ Power Price DCF models assume power prices that are consistent with the Power Purchase Agreements ('PPA') currently in place. At the PPA end date, the model reverts to the power price forecast. During the year, c.60% of the Company's operational performance came from the sale of ROCS. These revenues are directly and explicitly linked to inflation for 20 years from the accreditation date under the ROC regime and therefore are not considered for sensitivity analysis. The remaining c.40% of revenue derived from electricity sales which are subject to power price movements. The power price forecasts are updated quarterly and based on power price forecasts from leading independent sources. The Investment Manager adjusts where more conservative assumptions are considered appropriate and applies expected PPA sales discounts. The forecast assumes an average annual increase in power prices in real terms of approximately 1.3%. +-----------------------------+--------+--------+-------+--------+--------+ | | -20.0% | -10.0% | Base | +10.0% | +20.0% | +-----------------------------+--------+--------+-------+--------+--------+ | Directors' valuation (\xA3m) | 503.7 | 536.9 | 569.7 | 602.4 | 634.9 | +-----------------------------+--------+--------+-------+--------+--------+ | NAV per share (pence) | 92.3 | 99.7 | 107.0 | 114.3 | 121.5 | +-----------------------------+--------+--------+-------+--------+--------+ | Change vs Base Case (%) | (11.6) | (5.8) | 0.0 | 5.7 | 11.4 | +-----------------------------+--------+--------+-------+--------+--------+ Inflation A variable of 1.5% is considered reasonable given historic fluctuations. A long term inflation rate of 2.75% has been used. +-----------------------------+--------+--------+-------+--------+--------+ | | -1.50% | -0.75% | Base | +0.75% | +1.50% | +-----------------------------+--------+--------+-------+--------+--------+ | Directors' valuation (\xA3m) | 501.4 | 534.4 | 569.8 | 608.4 | 650.7 | +-----------------------------+--------+--------+-------+--------+--------+ | NAV per share (pence) | 91.8 | 99.1 | 107.0 | 115.6 | 124.9 | +-----------------------------+--------+--------+-------+--------+--------+ | Change vs Base Case (%) | (12.0) | (6.2) | 0.0 | 6.8 | 14.2 | +-----------------------------+--------+--------+-------+--------+--------+ Operating costs (investment level) Operating costs include operating and maintenance ('O&M') and insurance costs. Other costs are fixed and are therefore not considered to be sensitive to changes in unobservable inputs. Base case costs are based on current projected commercial agreements. We would not expect these costs to fluctuate widely over the life of the assets and are comfortable that the base case is prudent. A variance of +/- 5.0% is considered reasonable, a variable of 10.0% is shown for information purposes. +-----------------------------+--------+--------+--------+--------+--------+ | | -10.0% | -5.0% | Base | +5.0% | +10.0% | +-----------------------------+--------+--------+--------+--------+--------+ | Directors' valuation (\xA3m) | 579.20 | 574.48 | 569.76 | 565.05 | 560.34 | +-----------------------------+--------+--------+--------+--------+--------+ | NAV per share (pence) | 109.10 | 108.05 | 107.00 | 105.96 | 104.91 | +-----------------------------+--------+--------+--------+--------+--------+ | Change vs Base Case (%) | 1.7 | 0.8 | 0. 0 | (0.8) | (1.7) | +-----------------------------+--------+--------+--------+--------+--------+ 18. Stated Capital The stated capital of the Company consists solely of Ordinary Shares of nil par value and therefore the value of the stated capital relates only to share premium. At any General Meeting of the Company each Shareholder will have, on a show of hands, one vote and on a poll one vote in respect of each Ordinary Share held. Stated capital is the net proceeds received from the issue of Ordinary Shares (net of issue costs capitalised). Ordinary Shares 31 December 31 December 2017 2016 Shares Shares Opening balance 340,950,912 281,803,232 Issued during the period 109,001,179 59,147,680 Repurchased and held in Treasury - - Closing balance 449,952,091 340,950,912 31 December 31 December 2017 2016 \xA3'000 \xA3'000 Opening balance 339,003 279,403 Proceeds from share issue 117,539 60,781 Less: issue costs capitalised (2,027) (1,181) Closing balance 454,515 339,003 19. NAV per Ordinary Share The Net Asset Value ('NAV') per redeemable Ordinary Share for the Company is based on the Net Asset Value at the reporting date of \xA3481,307,486 (2016: \xA3350,769,981) and on 449,952,091 (2016: 340,950,912) redeemable Ordinary Shares, being the number of Ordinary Shares in issue at the end of the period. 20. Financial instruments and risk profile The Company holds cash and liquid resources as well as having receivables and payables that arise directly from its operations. The underlying investments of the Company's investment activities indirectly expose it to various types of risks associated with solar power. The main risks arising from the Company's financial instruments are market risk, liquidity risk and credit risk. The Directors regulatory review and agree policies for managing each of these risks and these are summarised below: 20.1 Market risk (a) Foreign currency risk Foreign currency risk, as defined in IFRS 7, arises as the values of recognised monetary assets and monetary liabilities denominated in other currencies fluctuate due to changes in foreign exchange rates. Transactions in foreign currency are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to pounds sterling at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in income. The Company has no direct exposure to foreign currency risk, however through its underlying investment in Australian assets via FS Holdco 4 it has indirect exposure. FS Holdco 4 is directly exposed to fluctuations in foreign currency due to its investments in Australian dollar denominated assets. The group mitigates its exposure to fluctuations in foreign currency through the use of forward exchange contracts. The carrying amount of FS Holdco 4's foreign currency exposure at the reporting date is as follows: 31 December 2017 31 December 2016 \xA3'000 \xA3'000 AUD 41,652 - The FX rate applied at 31 December 2017 was 0.5782 (2016: n/a). A 10% weakening or strengthening of the FX rate would have a \xA34,165,000 impact on the valuation of assets denominated in AUD. (b) Price risk The Company's investments are susceptible to market price risk arising from uncertainties about future values of the instruments. The Company's Investment Manager provides the Company with investment recommendations. The Company's Investment Manager's recommendations are reviewed and approved by the Board before the investment decisions are implemented. To manage the market price risk, the Company's Investment Manager reviews the performance of the investments on a regular basis and is in regular contact with the management of the non current investments for business and operational matters. Price risk is the risk that the fair value or cash flows of a financial instrument will fluctuate due to changes in market prices. At 31 December 2017, the Company's only investment was valued at net assets excluding the outstanding loans issued by the Company. Were this value to increase by 10%, the increase in net assets attributable to shareholders for the year would have been \xA340,846,400 (2016: \xA327,361,400). The impact of changes in unobservable inputs to the underlying investments is considered in note 17. (c) Interest rate risk Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's long-term borrowing to its subsidiary. At year end the Company had no long term borrowings with third parties (2016: Nil). Weighted average Total portfolio Weighted average time for which rate 31 December 2017 interest rate is fixed \xA3'000 31 December 2017 31 December 2017 % Days Loan notes 250,000 11.00% 1,145 Shareholder loans 154,110 4.25% 1,652 Cash 14,669 0.05% - 418,779 Weighted average Weighted average time for which rate Total portfolio interest rate is fixed 31 December 2016 31 December 2016 31 December 2016 \xA3'000 % Days Loan notes 250,000 10.93% 780 Shareholder loans 23,910 9% 1,287 Cash 39,381 0.05% - 313,291 The Company is also indirectly exposed to interest rate risk through its cash and loans held by its subsidiaries. Details of the indirect interest rate risk exposure is as follows: Total Weighted average time UK Hold Co Weighted average for which portfolio interest rate rate is fixed 2017 2017 2017 Loans - FS Holdco 343,730,873 8.00 640 Loans - FS Holdco 2 & FS Holdco 4 116,345,404 5.00 275 Cash - UK Holdco, FS Holdco, FS Holdco 2 and FS Holdco 4 539,488 - - Total indirect exposure interest rate risk 460,615,765 20.2 Liquidity risk Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due as a result of the maturity of assets and liabilities not matching. An unmatched position potentially enhances profitability, but can also increase the risk of losses. Liquidity could be impaired by an inability to access secured and/or unsecured sources of financing to meet financial commitments. The Board monitors the Company's liquidity requirements to ensure there is sufficient cash to meet the Company's operating needs. 31 December 2017 Greater Carrying Contractual Less than 6 to 12 than 12 amount Total 6 months Months months \xA3'000 \xA3'000 \xA3'000 \xA3'000 \xA3'000 Financial Assets Investments 408,464 408,464 - - 408,464 Trade and other Receivables 1,933 1,933 1,933 - - Interest receivable 57,626 57,626 57,626 - - Cash and cash equivalents 14,669 14,669 14,669 - - Total Financial assets 482,692 482,692 74,228 - 408,464 Trade and other payables (1,384) (1,384) (1,384) - - Total financial liabilities (1,384) (1,384) (1,384) - - Net position 481,308 481,308 72,844 - 408,464 31 December 2016 Greater Carrying Contractual Less than 6 to 12 than amount Total 6 months Months 12 months \xA3'000 \xA3'000 \xA3'000 \xA3'000 \xA3'000 Financial Assets Investments 273,614 273,614 - - 273,614 Trade and other Receivables 4,847 4,847 4,847 - - Interest receivable 33,044 33,044 33,044 - - Cash and cash equivalents 39,381 39,381 39,381 - - Total Financial assets 350,886 350,886 77,272 - 273,614 Financial Liabilities Trade and other payables (116) (116) (116) - - Total financial liabilities (116) (116) (116) - - Net position 350,770 350,770 77,156 - 273,614 20.3 Credit risk Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company and its subsidiaries place cash with authorised deposit takers and is therefore potentially at risk from the failure of such institutions. In respect of credit risk arising from other financial assets and liabilities, which mainly comprise of cash and cash equivalents, exposure to credit risk arises from default of the counterparty with a maximum exposure equal to the carrying amounts of these instruments. In order to mitigate such risks, cash is maintained with major international financial institutions. During the year and at the reporting date, the Company maintained relationships with the following financial institutions: 31 December 2017 Moody's Credit Rating \xA3'000 Cash in hand: Royal Bank of Scotland International Limited P2 14,659 Lloyds Bank International Limited P1 10 Total cash and cash equivalents 14,669 31 December 2016 Moody's Credit Rating \xA3'000 Cash in hand: Royal Bank of Scotland International Limited P2 327 Lloyds Bank International Limited P1 18,684 Santander UK plc P1 20,370 Total cash and cash equivalents 39,381 The Company is also indirectly exposed to credit risk through the cash held by its subsidiaries, and through the interest receivable from the underlying solar investments. The Board of UK Hold Co has determined that the maximum exposure to credit risk in relation to investments is \xA3535,515,409, being the portion of UK Hold Co investments that are made up of loans as at 31 December 2017 (2016: \xA3343,730,873). 20.4 Other risks Political and economic risk The value of Ordinary Shares may be affected by uncertainties such as political or diplomatic developments, social and religious instability, changes in government policies, taxation or interest rates, currency repatriation and other political and economic developments in law or regulations and, in particular, the risk of expropriation, nationalisation, and confiscation of assets and changes in legislation relating to the level of foreign ownership. Governmental authorities at all levels are actively involved in the promulgation and enforcement of regulations relating to taxation, land use and zoning and ***planning*** restrictions, environmental protection, safety and other matters. The introduction and enforcement of such regulations could have the effect of increasing the expense and lowering the income or rate of return from, as well as adversely affecting the value of, the Company's assets. 21. Capital Management The Company's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares (up to its authorised number of shares) or sell assets to reduce debt. 22. Dividends Dividends paid during the year comprise an interim dividend in respect of quarter 1 (1 January 2017 to 31 March 2017) of \xA36,413,924 (1.58 pence per Ordinary Share) (2016: \xA34,339,770, 1.54 pence per Ordinary Share), quarter 2 (1 April 2017 to 30 June 2017) of \xA36,538,064 (1.58 pence per Ordinary Share) (2016: \xA34,773,313, 1.54 pence per Ordinary Share) and quarter 3 (1 July 2017 to 30 September 2017) of \xA37,109,243 (1.58 pence per Ordinary Share) (2016: \xA35,250,644, 1.54 pence per Ordinary Share). The proposed year end dividend will be \xA37,109,243 (1.58 pence per Ordinary Share) (31 December 2016: 1.55 pence per ordinary share). 23. Related party disclosures For the purposes of these Financial Statements, a related party is an entity or entities who are able to exercise significant influence directly or indirectly on the Company's operations. As noted in Note 2, the Company does not consolidate its subsidiary. However, the Company and its subsidiaries (direct and indirect) are a Group and therefore, are considered to be related parties. Transactions with UK Hold Co During the year the Company issued no additional Loan Notes to UK Hold Co (2016: \xA334,000,000), thus the total issued to UK Hold Co remained at \xA3250,000,000 (2016: \xA3250,000,000), on which interest of \xA332,245,925 accrued during the year (2016: \xA327,314,252). As at the reporting date interest of \xA348,745,653 was receivable (2016: \xA327,314,940). On 18 January 2017 the Company issued an additional \xA335,200,000 shareholders loans to UK Hold Co, funded using equity proceeds raised during the prior year. Additionally, cash proceeds from two placings during the year, \xA367,500,000 in March and \xA327,500,000 in November, were transferred to UK Hold Co in the form of shareholders loans. As at the reporting date, the Company had increased its Shareholders loan receivable from UK Hold Co by \xA3130,200,000 to \xA3154,109,725 (2016: \xA323,910,000). Total interest of \xA33,150,225 accrued for the year (2016: \xA32,135,009). As at reporting date interest of \xA38,880,064 was receivable (2016: \xA35,729,824). Transactions between UK Hold Co and FS Holdco As at the reporting date, FS Holdco had a non-interest bearing loan receivable from UK Holdco totalling \xA3143,503,500 (2016: \xA3183,503,500) and an interest bearing loan payable to UK Hold Co of \xA3343,730,873 (2016: \xA3343,730,873). Total interest of \xA327,121,719 (2016: \xA320,736,506) accrued to UK Hold Co during the year of which \xA337,711,361 (2016: \xA320,511,723) remained payable by FS Holdco at year end. Transactions between UK Hold Co and FS Holdco 2 As at the reporting date, UK Hold Co had an interest bearing loan receivable from FS Holdco 2 totalling \xA374,893,885 (2016: \xA3nil), on which interest of \xA33,221,463 accrued during the year. As at the reporting date total interest of \xA388,302 (2016: \xA3nil) was receivable. As at the reporting date, UK Hold Co also had non-interest bearing loans receivable from FS Holdco 2 totalling \xA33,734,017 (2016: \xA3nil). As at the reporting date UK Hold Co had an interest bearing loan payable to FS Holdco 2 totalling \xA328,970,000 (2016: \xA3nil), on which interest of \xA3nil (2016: \xA3nil) accrued during the year. As at the reporting date UK Hold Co also had an interest bearing loan payable to FS Holdco 2 totalling \xA313,000,000 (2016: \xA3nil), on which interest of \xA3169,178 (2016: \xA3nil) was accrued during the year, all of which was outstanding at year end (2016: \xA3nil). Transactions between UK Hold Co and FS Holdco 4 As at the reporting date UK Hold Co had an interest bearing loan receivable from FS Holdco 4 totalling \xA328,970,000 (2016: \xA3nil), on which interest of \xA3nil (2016: \xA3nil) was accrued during the year. As at the reporting date UK Hold Co also had non interest bearing loans receivable from FS Holdco 4 totalling \xA312,481,519 (2016: \xA3nil), on which interest of \xA3162,430 (2016: \xA3nil) was accrued during the year, all of which was outstanding at year end (2016: \xA3nil). Transactions between UK Hold Co and FS Debtco As at the reporting date UK Hold Co had an interest bearing loan receivable from FS Debtco totalling \xA355,000,000 (2016: \xA3nil) on which interest of \xA32,019,178 (2016: \xA3nil) accrued during the year, all of which was outstanding at year end (2016: \xA3nil). Transactions between FS Holdco, FS Debtco 2, FS Holdco 4 and their SPVs All of the SPVs are cash generating solar farms. On occasion revenues received and expenses are paid on their behalf by FS Holdco, FS Debtco and FS Holdco 4. All of these transactions are related party transactions. FS Holdco made the following net transactions on behalf of SPVs during the year and had the following net amounts payable or receivable at year end (none payable and receivable to FS Debtco or FS Holdco 4): Net amount Opening Balance Amounts (payable)/ receivable/ Amounts paid received receivable (payable) on behalf of from as at 1 January SPV SPV 31 December 2017 2017 2017 2017 \xA3'000 \xA3'000 \xA3'000 \xA3'000 Atherstone - 1,323 (1,323) - Bournemouth - 3,699 (3,699) - Castle Eaton - 1,572 (3,772) (2,200) Copley 116 3,214 (3,330) - High Penn - 741 (1,927) (1,186) Highfields - 1,031 (2,582) (1,551) Hunters Race - 931 (931) - Kencot (293) 2,412 (3,686) (1,567) Landmead - 4,032 (4,174) (142) Membury (758) 1,564 (1,416) (610) Paddock Wood - 854 (854) - Pitworthy - 989 (2,863) (1,874) Port Farms - 2,843 (2,843) - Southam - 890 (890) - Spriggs - 1,052 (1,870) (818) Wymeswold - 3,736 (5,225) (1,489) (935) 30,883 (41,385) (11,437) Opening Balance Amounts Net amount receivable Amounts paid received receivable/ (payable) on behalf of from (payable) as at 1 January SPV SPV 31 December 2016 2016 2016 2016 \xA3'000 \xA3'000 \xA3'000 \xA3'000 Atherstone - 764 (764) - Bournemouth - 1,866 (1,866) - Castle Eaton - 872 (872) - Copley - 2,383 (2,267) 116 High Penn - 540 (540) - Highfields - 483 (483) - Kencot - 2,108 (2,401) (293) Landmead - 2,640 (2,640) - Membury - 1,398 (2,156) (758) Paddock Wood - 487 (487) - Pitworthy - 796 (796) - Port Farms - 857 (857) - Southam - 546 (546) - Spriggs - 69 (69) - Wymeswold - 1,370 (1,370) - - 17,179 (18,114) 935 Other During the year under review, UK Hold Co made use of a tax credit of \xA31,646,395 (2016: \xA31,003,322) availed by its subsidiary, FS Holdco, to reduce the tax liability of the Group at the reporting date. 24. Transactions with the manager Foresight Group CI Limited, acting as investment manager to the Group in respect of its investments, earned fees of \xA34,276,808 during the year (2016: \xA33,053,551), of which \xA31,257,741 was outstanding as at 31 December 2017 (2016: \xA317,066). Foresight Group CI Limited charged fees to FS Hold Co, FS Holdco 2, FS Debtco, FS Holdco 3 and FS Holdco 4 of \xA3Nil (2016: \xA3680,000) during the year in relation to the arrangement and transaction advice of the long term refinancing of the Group, of which \xA3Nil (2016: \xA3Nil) was outstanding as at year end. Foresight Group LLP, a related party of Foresight Group CI, charged asset management fees to the underlying projects of \xA3587,333 during the period (2016: \xA3512,000), of which \xA365,850 was payable at year end. Brighter Green Engineering, a related party of Foresight Group LLP, charged fees to the underlying projects under both the O&M contracts and EPC defect remedial work of \xA34,015,368 during the period (2016: \xA3853,203), of which \xA3Nil was payable at year end. Pursuant to the terms of the Prospectus, the total launch costs to be borne by the Shareholders of the Company were capped at 2% of the launch proceeds of \xA3150,000,000 (i.e. \xA33,000,000) with any excess launch costs being reimbursed to the Company from Foresight Group CI Limited. Launch costs to be reimbursed from Foresight Group CI Limited to the Company amounted to \xA3771,254 (2016: \xA3213,644). 25. Commitments and contingent liabilities There are no commitments or contingent liabilities (2016: \xA3Nil). 26. Controlling party In the opinion of the Directors, there is no controlling party as no one party has the ability to direct the financial and operating policies of the Company with a view to gaining economic benefits from its direction. 27. Post balance sheet events There were no post balance sheet events requiring disclosure. AIFMD Disclosures (unaudited) ALTERNATIVE INVESTMENTS FUND MANAGER DIRECTIVE REPORT In accordance with the Alternative Investments Fund Manager Directive Report (the 'Directive'), the Company is required in its capacity as the Alternative Investment Fund Manager ('AIFM') and the Alternative Investment Fund ('AIF') to disclose specific information in relation to the following aspects of the Company's management: OVERVIEW OF INVESTMENT ACTIVITIES The Company's investment activities during the year is disclosed in full in the Investment Manager's Report on page 20 of the Annual Report. The Company's portfolio's performance during the year is disclosed in full in the Asset Manager's Report on page 36 of the Annual Report. A list of the Company's portfolio holdings is included on page 16 of the Annual Report. LEVERAGE AND BORROWING Leverage is defined as any method by which the Company increases its exposure through debt, borrowed capital or the use of derivatives. The Company and its subsidiaries' leverage position and third party debt arrangements are disclosed in full in the Investment Manager's Report on page 20 of the Annual Report. 'Exposure' is defined in two ways - 'Gross method' and 'Commitment method' - and the Company must not exceed maximum exposures under both methods. The Directors are required to calculate and monitor the level of leverage of the Company, expressed as a ratio between the exposure of the Company and its Net Asset Value (Exposure/NAV), under both the Gross method and the Commitment method. 'Gross method' exposure is calculated as the sum of all positions of the Company (both positive and negative), that is, all eligible assets, liabilities and derivatives, including derivatives held for risk reduction purposes. 'Commitment method' exposure is also calculated as the sum of all positions of the Company (both positive and negative), but after netting off derivative and security positions as specified by the Directive. For the 'Gross method', the following has been excluded: - the value of any cash and cash equivalents which are highly liquid investments held in the local currency of the Company that are readily convertible to a known amount of cash, subject to an insignificant risk of changes in value and which provide a return no greater than the rate of the 3-month high quality government bond; - cash borrowings that remain in cash or cash equivalents as defined above and where the amounts of that payable are known. The total amount of leverage calculated as at 31 December 2017 is as follows: Gross method: 22% Commitment method: 32% LIQUIDITY Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due as a result of the maturity of assets and liabilities not matching. An unmatched position potentially enhances profitability, but can also increase the risk of losses. Liquidity could be impaired by an inability to access secured and/or unsecured sources of financing to meet financial commitments. The Board monitors the Company's liquidity requirements to ensure there is sufficient cash to meet the Company's operating needs. The financial position of the Company, its cash flows, liquidity position and borrowing facilities are referred to in the Chairman's Statement, ***Strategic*** Report and Notes to the Accounts. In addition, the financial statements include the Company's objectives, policies and processes for managing its capital; its financial risk management objectives; and its exposures to credit risk and liquidity risk. The Company has sufficient financial resources together with investments and income generated. As a consequence, the Directors believe that the Company is able to manage its business risks. RISK MANAGEMENT POLICY NOTE Please refer to Principal Risks report on page 43 of the Annual Report. REMUNERATION As AIFM, the Company is subject to a remuneration code which is consistent with the requirements of the FCA which apply to the AIFM. The remuneration policy is designed to ensure that any relevant conflicts of interest can be managed appropriately at all times and that the remuneration of the Directors and senior management is in line with the risk policies and objectives of the funds managed by the AIFM. The Company does not directly employ any staff members. The services in this regard are provided by staff members of Foresight Group LLP. In accordance with the AIFMD, information in relation to the remuneration of the Company's AIFM is required to be made available to investors. In accordance with the Directive, the AIFM's remuneration policy and the numerical remuneration disclosures in respect of the AIFM's relevant reporting period (year ending December 2017) are available from the AIFM on request. Advisors ADMINISTRATOR & COMPANY SECRETARY JTC (Jersey) Limited JTC House 28 Esplanade St. Helier Jersey JE4 2QP REGISTRAR Computershare Investor Services (Jersey) Queensway House Hilgrove Street St. Helier Jersey JE1 1ES CORPORATE BROKER Stifel Nicolaus Europe Limited (formerly Oriel Securities) 150 Cheapside London EC2V 6ET INVESTMENT MANAGER Foresight Group CI Limited PO Box 156 Dorey Court St. Peter Port Guernsey GY1 4EU LEGAL ADVISORS TO THE COMPANY AS TO ENGLISH LAW Dickson Minto W.S. Broadgate Tower 20 Primrose Street London EC2A 2EW LEGAL ADVISORS TO THE COMPANY AS TO JERSEY LAW Ogier Ogier House The Esplanade St. Helier Jersey JE4 9WG LEGAL ADVISORS TO THE COMPANY AS TO THE ACQUISITION OF SOLAR ASSETS Osborne Clarke One London Wall London EC2Y 5EB INDEPENDENT AUDITOR KPMG LLP 15 Canada Square London E14 5GL Glossary of Terms AEMO Australian Electricity Market Operator AIC The Association of Investment Companies AIC Code The Association of Investment Companies Code of Corporate Governance AIC Guide The Association of Investment Companies Corporate Governance Guide for Investment Companies AIFMD The Alternative Investment Fund Management Directive ARENA The Australian Renewable Energy Agency (ARENA) is an independent agency of the Australian federal government, established in 2012 to manage Australia's renewable energy ***programs***, with the objective of increasing supply and competitiveness of Australian renewable energy sources Asset Manager The Company's underlying investments have appointed Foresight Group LLP, a subsidiary of Foresight Group CI, to act as Asset Manager BEIS The Department for Business, Energy & Industrial Strategy BEPS Base Erosion and Profit Shifting Brexit Departure of the UK from the EU CfD Contract for Difference Company Foresight Solar Fund Limited CEFC The Clean Energy Finance Corporation (CEFC) is an Australian Government-owned Green Bank that was established to facilitate increased flows of finance into the clean energy sector DCF Discounted Cash Flow DECC The Department of Energy and Climate Change DNO Distribution Network Operator EPC Engineering, Procurement & Construction EU The European Union FAC Final Acceptance Certificate FiT Feed-in Tariff GAV Gross Asset Value on Investment Basis including debt held at SPV level Group Borrowing Group Borrowing refers to all third-party debt by the Company and its subsidiaries. GWh Gigawatt hour IAS International Accounting Standard IFRS International Financial Reporting Standards as adopted by the EU Investment Manager Foresight Group CI Limited IPO Initial Public Offering KID Key Information Document KPMG LLP KPMG is the Company's Auditor LCF Levy Control Framework LD Liquidated Damages awarded to renewable energy projects in relation to their clean energy production which were typically monetised under PPA contracts to offset levies due under the Climate Change Levy to energy suppliers. LGC Large-Scale Generation Certificate LIBOR London Interbank Offered Rate Listing Rules The set of FCA rules which must be followed by all companies listed in the UK Main Market The main securities market of the London Stock Exchange MIDIS Macquarie Infrastructure Debt Investment Solutions MWh Megawatt hour MWp Megawatt peak NAV Net Asset Value NEG National Energy Guarantee NEM National Electricity Market Official List The Premium Segment of the UK Listing Authority's Official List O&M Operation and Maintenance contractors PID Potential Induced Degradation. PID is a widely acknowledged module defect that, if not resolved, causes the PV modules to degrade faster than would usually be expected, reducing their efficiency over time. The effects of PID can be stopped or reversed through the implementation of site-specific technical solutions. PPA Power Purchase Agreements PR Performance Ratio PRIIPS Packaged Retail and Insurance-Based Investment Products PV Photovoltaic RET Renewable Energy Target RO Scheme Energy suppliers meet their obligations by presenting Renewable Obligation Certificates (ROCs) to Ofgem. Where suppliers do not have sufficient ROCs to cover their obligation, a payment is made into the buy-out fund. ROC Renewable Obligation Certificates RPI The Retail Price Index SPV The Special Purpose Vehicles which hold the Company's investment portfolio of underlying operating assets UK The United Kingdom of Great Britain and Northern Ireland -------------------------------------------------------------------------------- -------------------------------------------------------------------------------- This announcement is distributed by Nasdaq Corporate Solutions on behalf of Nasdaq Corporate Solutions clients. The issuer of this announcement warrants that they are solely responsible for the content, accuracy and originality of the information contained therein. Source: Foresight Solar Fund Limited via GlobeNewswire BD3QJR5R3

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**Body**

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IN-DEPTH ANALYSIS EPRS | European Parliamentary Research Service Authors: Gisela Grieger and Roderick Harte Members' Research Service October 2017 — PE 608.793 EN EU trade with Latin America and the Caribbean Overview and figures This publication provides an overview of trade relations between the EU and Latin American and Caribbean countries and groupings. The EU has concluded fully fledged agreements with two Latin American groupings (Cariforum and the Central America group), a multiparty trade agreement with three members of the Andean Community (Colombia, Ecuador, and Peru), and bilateral agreements with Chile and Mexico. It is currently also modernising its agreement with Mexico and intends soon to start negotiations on modernising its agreement with Chile. The EU has also concluded framework agreements with Mercosur and its individual members (Argentina, Brazil, Paraguay, and Uruguay). The agreement with the former will be replaced, once the on-going negotiations on an EU-Mercosur association agreement have been completed. This publication provides recent data on trade relations between the EU and Latin American and Caribbean countries and groupings, compares the agreements governing trade relations that have already been concluded, and analyses the reasons behind the ongoing and ***planned*** negotiations on the EU-Mercosur, EU-Mexico and EU-Chile agreements.

PE 608.793 ISBN 978-92-846-2007-4 doi:10.2861/881332 QA-05-17-064-EN-N Original manuscript, in English, completed in October 2017. The authors thank Odile Maisse and Giulio Sabbati for their assistance and contribution on graphics. Unless otherwise stated, all data in this publication are from Eurostat. This is a revised and updated edition of a publication from March 2016 by Enrique Gomez Ramirez, Eleni Lazarou, Laura Puccio and Giulio Sabbati. Disclaimer This document is prepared for, and addressed to, the Members and staff of the European Parliament as background material to assist them in their parliamentary work. The content of the document is the sole responsibility of its author(s) and any opinions expressed herein should not be taken to represent an official position of the Parliament. Reproduction and translation for non-commercial purposes are authorised, provided the source is acknowledged and the European Parliament is given prior notice and sent a copy. © European Union, 2017. Photo credits: © Itan1409 / Fotolia. [*eprs@ep.europa.eu*](mailto:eprs@ep.europa.eu) [*http://www.eprs.ep.parl.union.eu*](http://www.eprs.ep.parl.union.eu) (intranet)   [*http://www.europarl.europa.eu/thinktank*](http://www.europarl.europa.eu/thinktank) (internet)   [*http://epthinktank.eu*](http://epthinktank.eu) (blog) EU trade with Latin America and the Caribbean Page 1 of 35 EXECUTIVE SUMMARY The EU maintains close cooperation and political dialogue with Latin America and the Caribbean (LAC) on account of its historical, cultural and economic ties with the region. The 33 countries forming the Community of Latin American and Caribbean States (CELAC) are jointly the EU's fifth largest trading partner. Since the 1990s, the EU has pursued a strategy of promoting sub-regional integration initiatives within LAC and bi-regional integration between the EU and the then existing four sub-regional LAC groupings (the Andean Community of Nations (CAN), Cariforum, the Central America group, and Mercosur) as well as bilateral integration with Chile and Mexico. This has resulted in a number of agreements governing trade relations, including fully fledged agreements with two sub-regional groupings (Cariforum and Central America), a multiparty free trade agreement with three countries of the Andean Community (Colombia, Ecuador, and Peru; Bolivia may join at a later stage) and bilateral agreements with Mexico and Chile. In addition, the EU has an inter-regional framework agreement with Mercosur as well as bilateral framework agreements with its founding members (Argentina, Brazil, Paraguay, and Uruguay). Since 1999, the EU and Mercosur (excluding Venezuela) have been negotiating a fully fledged bi-regional agreement governing trade relations. Negotiations have gained momentum since 2016, with both parties aiming at a political agreement by the end of 2017. Alongside the ongoing EU-Mercosur negotiations, the EU is also in the process of modernising its 2000 Global Agreement with Mexico (ongoing negotiations) and its 2003 association agreement with Chile (preparatory phase). The trade pillars of these agreements are less comprehensive and advanced in terms of liberalisation compared with recently negotiated trade agreements such as the EU-Canada Comprehensive Economic and Trade Agreement (CETA). They lack among other things specific provisions on sustainable development (which are covered in softer political dialogue frameworks) and have limited WTO+ provisions on intellectual property rights (IPR), services, investment, public procurement and regulatory provisions. In July 2017, the European Parliament also gave its consent to the conclusion of the EUCuba Political Dialogue and Cooperation Agreement (PDCA). It constitutes an initial legal and institutional framework to normalise EU-Cuba ties and may provide a stepping stone to a more ambitious trade agreement in the future. Overall, the EU's agreements governing trade relations with Latin America and the Caribbean differ considerably in terms of coverage and methodology, depending on the time at which they were concluded and the context of the negotiations. EU trade with Latin America and the Caribbean Page 2 of 35 TABLE OF CONTENTS 1. 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Comprehensive Economic and Trade Agreement CJEU: Court of Justice of the European Union EFTA: European Free Trade Association EPA: Economic partnership agreement EuroLat: Euro-Latin American Parliamentary Assembly FDI: Foreign direct investment FTA: Free trade agreement FTAA: Free Trade Area of the Americas GATS: General Agreement on Trade in Services GI: Geographical indication GSP: Generalised scheme of preferences ICS: Investment court system IPR: Intellectual property rights LAC: Latin America and the Caribbean Mercosur: Common Market of the South MFN: Most-favoured nation NAFTA: North American Free Trade Agreement OECD: Organisation for Economic Co-operation and Development PDCA: Political Dialogue and Cooperation Agreement (EU-Cuba) PTA: Preferential trade agreement SME: Small and medium-sized enterprise SPS: Sanitary and phytosanitary TBT: Technical barriers to trade TPP: Trans-Pacific Partnership TRIPS: Trade-related aspects of intellectual property rights TSD: Trade and sustainable development TTIP: Transatlantic Trade and Investment Partnership WTO: World Trade Organization EU trade with Latin America and the Caribbean Page 5 of 35 1. Overview of EU trade relations with sub-regional groupings and individual countries in Latin America and the Caribbean The EU maintains close cooperation and political dialogue with Latin America and the Caribbean (LAC) given its historical, cultural and economic ties with the region. Biregional EU-LAC summits as an intergovernmental mechanism for political dialogue began in 1999 and, since 2013 have been held every two years, with the 33-memberstrong Community of Latin American and Caribbean States (CELAC) as the EU's counterpart.1 In 2006, meanwhile, the Euro-Latin American Parliamentary Assembly (EuroLat) was formed to be the parliamentary dimension of the bi-regional ***strategic*** partnership.2 The current President of the European Parliament, Antonio Tajani, has reaffirmed on various occasions, including at the 2017 EuroLat Parliamentary Assembly, that enhancing EU-LAC relations is one of the priorities of his presidency.3 Since the 1990s, the EU has pursued an ambitious strategy of promoting sub-regional integration initiatives within LAC and bi-regional integration between the EU and the then existing four sub-regional groupings (the Andean Community of Nations (CAN), Cariforum, the Central America group, and Mercosur) as well as bilateral integration with Chile and Mexico. This strategy was rolled out at a time when the United States of America (USA) was leading negotiations for the North American Free Trade Agreement (NAFTA) with Canada and Mexico, concluded in 1992, and the Free Trade Area of the Americas (FTAA) which stalled in 2005.4 The EU strategy has also aimed to balance the dominant US footprint in LAC and to ensure EU market access to the region. In the mid- 2000s several Latin American countries experienced major political shifts to left-wing governments seeking socialist alternatives to the free trade approach. As a result the EU's regional integration strategy for LAC did not develop as coherently as originally expected. As of September 2017, the EU has nevertheless concluded fully fledged agreements as part of interregional association agreements – including political dialogue, cooperation and a trade pillar – with two LAC groupings (Cariforum and the Central America group). It has also concluded a multiparty trade agreement with three countries of the Andean Community (Colombia, Ecuador, and Peru), which Bolivia may join in the future, and bilateral agreements governing trade relations5 with Mexico and Chile. Furthermore, an EU-Mercosur interregional framework agreement has been in place since 1999, which is intended to be replaced by an association agreement once ongoing negotiations are 1 Brendan O'Boyle, Explainer: What Is CELAC?, Americas Society/Council of the Americas, 27 January 2015. 2 EuroLat is a joint multilateral parliamentary assembly composed of 150 members, 75 from the European Parliament and 75 from the Latin American component, including Parlatino (Latin-American Parliament), Parlandino (Andean Parliament), Parlacen (Central American Parliament), Parlasur (Mercosur Parliament), the Mexican Congress, and the Chilean Congress, the Euro-Latin American Parliamentary Assembly (EuroLat), and the European Parliament. 3 European Parliament President speech at the formal sitting of the EuroLat Parliamentary Assembly to mark the 60th anniversary of the signing of the Treaty of Rome, 23 May 2017. 4 Emanuele Pollio, What Kind of Interregionalism? The EU-Mercosur Relationship within the Emerging 'Transatlantic Triangle', Bruges Regional Integration & Global Governance Papers, 3/2010. 5 In this publication, the term ‘agreement governing trade relations’ signifies that the agreement at issue encompasses various areas of cooperation, including trade relations. If an agreement only governs trade relations, it will be referred to as a ‘trade agreement’. EU trade with Latin America and the Caribbean Page 6 of 35 concluded. Finally, the EU has bilateral framework agreements with Mercosur's founding members Argentina, Brazil, Paraguay, and Uruguay.6 Since the mid-1990s, the EU's market share in LAC trade has decreased significantly.7 Whereas in 1990 the EU accounted for 24.8 % of LAC trade, in 2011 its share had shrunk to 13.7 %.8 This is the result of a combination of major geopolitical and policy shifts and the impact of the financial crisis. Key developments include: (i) the rise of emerging markets, notably China,9 and their increasing prominence as new players in LAC; and (ii) the creation in 2011 of the Pacific Alliance, a new very dynamic Latin American subregional integration initiative founded by the Pacific Rim countries Chile, Colombia, Mexico and Peru, which share a strong interest in engaging with dynamic Asian markets. In 2015, total EU-CELAC trade in goods amounted to €213.2 billion, which corresponds to 6.1 % of EU trade.10 This figure is down from a peak of €228.7 billion in 2012.11 The EU runs a trade surplus with the region, with EU exports (€117.4 billion) exceeding EU imports (€95.9 billion). Collectively, CELAC is the EU's fifth largest trading partner.12 Table 1 – EU trade with LAC groups/states and ranking of LAC's trade partners in 2016 LAC countries/subregional groupings EU total trade in goods value in billion € Ranking of LAC's trading partners USA China EU Andean Community 25.0 1 2 3 Central America 10.8 1 3 2 Cariforum 8.1 1 3 2 Mercosur 84.9 3 2 1 Mexico 53.8 1 2 3 Chile 15.9 3 1 2 Source: EPRS/Eurostat; Mercosur includes data for Venezuela. As can be seen from Table 1, the USA has remained the first trading partner for most LAC groupings and individual countries ahead of China and the EU. However, recent US trade policy changes – including the US withdrawal from the Trans-Pacific Partnership (TPP), originally signed with 11 other Pacific Rim countries, and the US announcement of its 6 See Table 2 in Annex 1 for an overview of the agreements in place. 7 Paolo Giordano, Regional Trade Agreements in Latin America and the Caribbean: Trade, development and cooperation, Inter-American Development Bank (IDB), 16 March 2010. 8 European Union and Latin America and the Caribbean: Investments for growth, social inclusion and environmental sustainability, Economic Commission for Latin America and the Caribbean (ECLAC), October 2012, p. 52. 9 Relaciones económicas entre América Latina y el Caribe y China. Oportunidades y desafíos, Comisión Económica para la América Latina y el Caribe (CEPAL), November 2016. The China-CELAC Forum, BRICS Policy Centre, 2016. 10 EU-CELAC relations, Factsheets, European External Action Service, 26 October 2016. 11 CELAC represents the fifth most important trading partner of the EU, Eurostat news release, 9 June 2015. 12 The data presented in this publication are mainly derived from Eurostat (with some data also coming from the International Monetary Fund). The European Commission’s DG TRADE also publishes regular overviews of EU trade statistics for specific LAC sub-regional groupings and countries. This paper will, however, primarily refer to Eurostat data because that is in many instances more up-to-date than the data in the Commission’s overviews. References to both sources are avoided as much as possible, in particular when discrepancies exist between the data. EU trade with Latin America and the Caribbean Page 7 of 35 intention to re-negotiate NAFTA – have created uncertainty in the region and a window of opportunity for the EU to advance its interests, notably as regards Mercosur for which the EU is still the first trading partner. In 2014, the EU remained the leading foreign investor in CELAC countries, with total foreign direct investment (FDI) stock amounting to about €642 billion,13 accounting for over one third of the region's total FDI stock. The EU's FDI stock in CELAC countries is higher than in Russia (€171.5 billion), China (€144.2 billion) and India (€38.5 billion) taken together (€354.2 billion). The EU is also CELAC's main partner in terms of development cooperation.14 Against the backdrop of ongoing tectonic geopolitical and trade policy shifts in the region, recent global and EU trade and investment policy developments, the EU is pursuing the three priorities for LAC set out in the 2015 EU trade policy communication 'Trade for All'.15 These priorities consist of the modernising the two trade pillars of the agreements concluded with Chile and Mexico (in the case of Mexico before the end of 2017) and finalising the long-standing negotiations with Mercosur (also by the end of 2017) to unlock untapped trade potential in the region.16 In July 2017 the European Parliament gave its consent to the conclusion of the EU-Cuba Political Dialogue and Cooperation Agreement (PDCA) signed in December 2016.17 As a mixed agreement, the latter (cooperation and trade parts) will be applied provisionally until its ratification by all Member States.18 The PDCA provides an initial legal and institutional framework to normalise EU-Cuba ties and may constitute a stepping stone towards a more ambitious trade agreement in the future. Part IV of the PDCA contains provisions on trade and trade cooperation which codify general WTO principles such as the most-favoured-nation (MFN) and national treatment principles for EU-Cuba trade. MFN is excluded from application to third countries through preferential agreements concluded between Cuba and third countries. In addition, the PDCA includes provisions on trade facilitation and cooperation in areas such as technical barriers to trade and standards, with a view to improving prospects for deeper economic relations. It includes a clause envisaging the future development of a stronger framework for investment.19 Previously, EU-Cuba relations were governed by the Common Position of 2 December 1996 which made full cooperation with Cuba conditional on progress on human rights and political liberties but did not exclude instruments of economic cooperation.20 13 EU-CELAC relations, Factsheets, European External Action Service, 26 October 2016. 14 Latin America – Regional Cooperation – funding, Europeaid. 15 Trade for all. Towards a more responsible trade and investment policy, European Commission, 2015. 16 For a monthly update of ongoing negotiations please refer to the European Parliament's legislative train schedule, International Trade section. 17 Enrique Gómez Ramírez, EU-Cuba Political Dialogue and Cooperation Agreement, EPRS, European Parliament, June 2017; Gisela Grieger, EU-Cuba Agreement, EPRS, European Parliament, July 2017. 18 Jesper Tvevad, EU-Cuba relations: a new chapter begins, Policy Department for External Policies, European Parliament, 11 July 2017. 19 Political Dialogue and Cooperation Agreement, Council of the European Union, 12504/16, 25 November 2016. For the prospects of EU-Cuba cooperation, see also: Evita Schmieg, Cuba 'updates' its economic model. Perspectives for cooperation with the European Union, German Institute for International and Security Affairs, April 2017. 20 Common Position of 2 December 1996 defined by the Council on the basis of Article J.2 of the Treaty on European Union, on Cuba, 96/697/CFSP. EU trade with Latin America and the Caribbean Page 8 of 35 1.1 Existing agreements governing trade relations This section analyses existing fully fledged agreements between, on the one hand, the EU and, on the other, countries and sub-regional groupings in Latin America and the Caribbean that are not currently undergoing modernisation (for new agreements and agreements that are currently being modernised, see Section 1.2). 1.1.1 EU-Andean Community The Andean Pact was founded in 1969 by the Cartagena Agreement and renamed Andean Community of Nations (CAN) in 1996. Currently, it comprises four countries: Bolivia, Colombia, Ecuador, and Peru.21 In 1993, the EU and the Andean Community concluded a Framework Agreement on Cooperation (covering also Venezuela) which entered into force in 1998. In 1996, political dialogue was institutionalised with the Declaration of Rome. In 2003, a Political Dialogue and Cooperation Agreement was signed, but it has not yet entered into force, despite completion of the ratification process by the Andean Community. Negotiations on an interregional association agreement containing a political dialogue, cooperation and trade pillar were launched in 2007.22 However, the talks stalled in 2008 partly because the political landscape in Bolivia and Ecuador had changed with the arrival in power of left-wing President Evo Morales in Bolivia in 2006 and left-wing President Rafael Correa in Ecuador in 2007.23 Both presidents preferred to pursue regional integration along the lines of the regional integration platform Bolivarian Alliance for the Peoples of our America (ALBA), which also includes Cuba and Venezuela. As a result, a new negotiation format was defined.24 Bloc-to-bloc negotiations continued on political dialogue and cooperation, while multiparty trade negotiations on a World Trade Organization Plus (WTO+) format25 were pursued with those Andean Community countries willing to embark upon them, i.e Peru, Colombia and Ecuador. Ultimately, in 2012, an ambitious and comprehensive trade agreement on progressive and reciprocal liberalisation was signed only with Peru and Colombia, both of which had signed a free trade agreement (FTA) with the USA in 2006. The agreement was thus strategically important for the EU to ensure a similar level of access to the markets of these two trading partners. It has been provisionally applied since 2013 and provides for the total liberalisation of trade in industrial products and fisheries over 10 years (with most tariffs eliminated at its entry into force) and increased market access for ***agricultural*** products (85 % are to be liberalised within 17 years). It also liberalises services and public 21 Chile originally belonged to the founding members, but withdrew in 1976. It is currently an associate member. Venezuela joined the Andean Community in 1973 but left in 2006 amid disarray within the CAN owing to divergent views on liberalisation and more generally on development policy, to become a full member of Mercosur in 2012. 22 SICE: trade policy developments: Andean countries – EU, Organisation of American States (OAS). 23 Steve Ellner, 'Latin America's new left in power: the governments of Hugo Chavez, Evo Morales and Rafael Correa', Latin American Perspectives, Vol. 39(1), January 2012, pp. 96-114. 24 Peru, Colombia to negotiate bilateral deals with EU, Andina.com, 11 November 2008. 25 Deep Provision in Regional Trade Agreements: How Multilateral Friendly?, Organisation for Economic Co-operation and Development (OECD), February 2015, p. 2. EU trade with Latin America and the Caribbean Page 9 of 35 procurement and contains provisions on intellectual property rights (IPR), human rights and labour and environmental standards.26 As regards Ecuador, the rationale for its decision to re-enter into negotiations with the EU in 2013 in order to join the EU-Colombia-Peru agreement was to secure improved market access to the EU.27 Following the overhaul of the EU's generalised scheme of preferences (GSP)28 Ecuador would have lost its GSP eligibility and would have faced MFN tariffs instead.29 In July 2014, the EU and Ecuador reached an agreement on Ecuador's accession protocol to the EU-Colombia-Peru trade agreement. The accession protocol was signed in November 2016.30 On 1 January 2017, Ecuador formally joined the trade agreement.31 As for Bolivia, it has retained its GSP status and has an option to join the multiparty trade agreement in the future. In 2016, total EU trade in goods with the Andean countries amounted to about €25.0 billion, down from a peak of €29.5 billion in 2012. The trend of EU imports from the Andean countries exceeding EU exports to them continued in 2016, with the EU running a trade deficit of €3 billion. The EU is the Andean countries' third largest trading partner (14.4 %) after the USA (25.8 %) and China (17.6 %) and before Brazil (5.6 %). The Andean countries export mainly primary products (***agricultural*** products, fuels and mining products) to the EU, while the EU exports chiefly manufactured goods (especially machinery and transport equipment, and chemical products). Colombia and Peru, both members of the Pacific Alliance, account for the largest share of EU-Andean Community trade. Ecuador is the EU's third largest trading partner among the Andean countries with a trading volume of €4.3 billion, followed by Bolivia with €1.3 billion.32 Although the multi-party trade agreement has been in force since 2013, EU-Colombia trade in goods has failed to gain momentum, but declined from €14.6 billion in 2014 to €10.9 billion in 2016 This trend is partly due to the decline of commodity prices and does 26 European Union: 'Trade Agreement' with Colombia and Peru, study commissioned by the Policy Department for External Policies, European Parliament, 20 March 2012. 27 Assessing the economic impact of the trade agreement between the European Union and Ecuador, European Commission, June 2016. 28 Regulation (EU) No 978/2012 of the European Parliament and of the Council of 25 October 2012 applying a scheme of generalised tariff preferences and repealing Council Regulation (EC) No 732/2008, which unilaterally grants preferential market access to developing countries, is applicable from 2014 to 2023. 29 The EU's Generalised Scheme of Preferences (GSP), European Commission, August 2015. 30 Ecuador joins EU-Colombia/Peru trade agreement, European Commission, press release, 11 November 201

6. 31 European Union, Countries and regions, Andean Community, European Commission, DG Trade. 32 European Union, Trade in goods with Bolivia, European Commission, DG Trade. Figure 1 – EU trade in goods with Andean Community Source: Eurostat. EU trade with Latin America and the Caribbean Page 10 of 35 not differ from the trend for Colombia's trade with the world. As for Peru, its total trade in goods with the EU has been more or less stagnant too, ranging between €8.2 billion in 2014 and €8.7 billion in 2016. Figure 6 – EU trade in goods with Colombia (2010-2016) Source: Eurostat. Figure 2 – Andean Community: Top 5 trade partners Trade in goods (exports plus imports) (2016) Source: IMF. Figure 3 – Main trade products EU trade in goods with Andean Community (2016) Source: Eurostat. Figure 4 – EU trade in services with Andean Community Source: Eurostat. Figure 5 – EU FDI stocks with Andean Community Source: Eurostat. EU trade with Latin America and the Caribbean Page 11 of 35 Figure 7 – EU trade with Colombia: Main products (2016, € million) Source: Eurostat. Figure 8 – EU trade in goods with Peru (2010-2016) Source: Eurostat. Figure 9 – EU trade with Peru: Main products (2016, € million) Source: Eurostat. EU trade with Latin America and the Caribbean Page 12 of 35 Figure 10 – EU trade in goods with Ecuador (2010-2016) Source: Eurostat. Figure 11 – EU trade with Ecuador: Main products (2016, € million) Source: Eurostat. EU trade with Latin America and the Caribbean Page 13 of 35 1.1.2 EU-Central America The group of Central America countries is composed of six countries: Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua, and Panama. Close relations between the EU and Central America have their roots in the 1980s when the EU supported the region's successful peace process in the framework of the San Jose Dialogue. In 1993, the EU concluded the EU-Central America Framework Cooperation Agreement, in force since 1998.33 In 2003, the parties signed the EU-Central America Political Dialogue and Cooperation Agreement which entered into force in 2014. In 2007, negotiations started on an interregional association agreement. These were concluded in 2010. The EU's first region-to-region agreement in Latin America was signed in June 2012 and has three pillars: political dialogue, cooperation and trade. The trade provisions have been provisionally applied since 2013.34 The trade pillar of the association agreement replaces the unilateral preferential access to its market that was granted to Central America under the EU's GSP. The association agreement was designed to eliminate the majority of tariffs for manufactured goods and fisheries with complete liberalisation at the end of the tariff phase-out period, for most products within 10 years and with respect to only a small number (4%) of products after 15 years.35 Upon the entry into force of the agreement, Central American countries were set to liberalise 68 % of their existing trade with the EU. The agreement has been seen as a means both to diversify Central America's exports and its regional integration. Moreover, the agreement contains WTO+ provisions on, amongst other things, services, sanitary and phytosanitary measures (SPS), technical barriers to trade (TBT), geographical indications (GI), and public procurement. An ambitious trade and sustainable development (TSD) chapter requires compliance with a list of labour conventions and multilateral environmental agreements (MEAs). A civil society dialogue forum is to monitor the implementation of the TSD chapter, but there is no enforcement mechanism ***planned*** for a robust response to violations.36 33 SICE: Trade policy developments: Central America-European Union, Foreign Trade Information System, OAS. 34 European Commission, Countries and regions, Central America. 35 EU-Central America: Trade relations under the Association Agreement, European Commission, 2012. 36 Everything you need to know about the EU-Central America Association Agreement, Act Alliance EU and Iniciativa de Copenhague para Centroamérica y México (CIFCA), undated. Figure 12 – EU trade in goods with Central America Source: Eurostat. EU trade with Latin America and the Caribbean Page 14 of 35 The access to the Central American market gained by the EU through its association agreement is almost equal to that achieved by the USA by means of the Dominican Republic-Central America FTA (CAFTA-DR). The positive impact on bilateral trade was expected to be proportionate to the small size of the Central American economies.37 The implementation of the association agreement has not yet led to an increase in trade in goods volumes. Bi-regional trade in goods actually decreased from a peak of €12.1 billion reached in 2012 to €10.8 billion in 2016. EU exports in goods to Central America decreased by 7.8 % in 2016. This is mainly on account of the drop in exports of chemical products and transport equipment by 7.3 % and 36.1 % respectively. In 2016 the EU ran a trade in goods deficit of €0.13 billion with Central America, down from €0.5 billion in 2015.38 The main EU imports from Central America are electronic components for dataprocessing machines, coffee, bananas and pineapples. The main EU exports to Central America are machinery and mechanical appliances, chemicals, electrical appliances, pharmaceuticals, motor vehicles and steel articles. 37 Elfriede Bierbrauer, EU-Central America Association Agreement – Free trade chapter, Policy Department for External Policies, European Parliament, 23 May 2011. 38 European Union, Countries and regions, Central America, European Commission, DG Trade. Figure 13 – Central America: Top 5 trade partners Trade in goods (exports plus imports) (2016) Source: IMF. Figure 14 – Main trade products EU trade in goods with Central America (2016) Source: Eurostat. Figure 15 – EU trade in services with Central America Source: Eurostat. Figure 16 – EU FDI stocks with Central America Source: Eurostat. EU trade with Latin America and the Caribbean Page 15 of 35 1.1.3 EU-Cariforum EU relations with the Caribbean countries were initially organised in the framework of the Group of African, Caribbean and Pacific States (ACP) which is currently governed by the 2000 Cotonou Agreement. The Caribbean countries are small, middle-income countries, with the exception of Haiti, and most of them are islands.39 They account for only a small share of EU trade. The Caribbean is, however, important to the EU in geopolitical terms, since British, Dutch, and French overseas countries and territories are part of its immediate neighbourhood. The EU's first regional counterpart in the Caribbean was the Caribbean Community (CARICOM) which was created in 1973. In 1992 the Caribbean Forum of African, Caribbean and Pacific States (Cariforum) was formed, encompassing CARICOM and the Dominican Republic. It subsequently became the EU's dialogue partner. Negotiations on an EU-Cariforum Economic Partnership Agreement (EPA)40 began in 2004. The agreement entered into force in 2008.41 A key goal of the EU-Cariforum EPA has been to replace the EU's non-reciprocal trade preferences and to introduce the principle of reciprocity into the EU's trade relations with the ACP countries.42 Reciprocal liberalisation between the EU and the Caribbean countries is asymmetrical in order to take into account the partners' different levels of economic development. Therefore a long transitional period of 25 years was agreed to expand current market liberalisation for 51 % of Caribbean imports from the EU to eventually reach 86.9 %. The EU grants the Caribbean countries complete free market access. However, ***agricultural*** and fishery products and a number of industrial goods are excluded from free market access.43 The EU-Cariforum EPA is also supposed to foster sustainable development, promote interregional integration, and connect trade policy with development instruments. It incorporates several sustainable development rules, such as comprehensive commitments on social and environmental dialogue, an obligation not to lower environmental, labour and other social standards in order to attract FDI and a monitoring provision. In line with Article 5 of the EU-Cariforum EPA, a first five-year review of the EPA's implementation was conducted in 2014 for the 2008 to 2013 period.44 Although the EU- 39 Cuba is the only Caribbean country not to have signed the Cotonou Agreement. 40 EPAs are the main instruments for promoting trade between the EU and the African, Caribbean and Pacific (ACP) regions under the 2000 Cotonou Agreement. They constitute key elements of EU-ACP trade relations, designed to be WTO-compatible. They are set to progressively replace the EU preferential trade regime. European Union, Fact Sheets on the European Union, Trade regimes applicable to developing countries. 41 Cuba is part of Cariforum, but it is not a signatory of the EU-Cariforum EPA. 42 Trade and Investment Agreements for Sustainable Development? Lessons from the EU’s Economic Partnership Agreement with the Caribbean, Evita Schmieg, SWP research paper, July 2015. 43 Cariforum–EU Economic Partnership Agreement: An overview. Information Paper, European Commission, July 2008. 44 Ranjit H. Singh et al., Monitoring the implementation and results of the Cariforum–EU EPA Agreement, September 2014. EU trade with Latin America and the Caribbean Page 16 of 35 Cariforum EPA's aid for trade component to support the implementation of the agreement has had a positive impact, there is still room for improvement as regards the EPA's joint institutions and the dissemination of information on the agreement. The review highlights delays both in the development cooperation part and in implementation of the trade part. Only 10 out of 15 Cariforum states have applied tariff reductions indicated for 2013, and export duties have been eliminated only partially. Although the Caribbean partners now enjoy free market access to the EU, they have so far had only limited success in seizing additional export opportunities, with only modest new trade flows. In 2016, the EU was Cariforum's second largest trading partner (11.8 %) after the USA (43.0 %) and before China (7.1 %). Trade in goods between the two regions reached €8.1 billion in 2016 significantly down from 2015 levels. The main exports in goods from the Caribbean to the EU are fuel and mining products; bananas, sugar and rum; minerals and fertilisers. The main exports in goods from the EU to the Caribbean are machinery and transport equipment, boats and ships, cars, construction vehicles and engine parts; phone equipment; milk and cream; and alcoholic beverages. Services are particularly important for Cariforum trade relations, in particular tourism, financial services and construction services. EU imports of services from Cariforum increased from €13.6 billion in 2014 to €21.1 billion in 2015. EU exports of services to Cariforum stood at €3.3 billion in 2014 and at €3.2 billion in 2015. The EU FDI stock in Cariforum grew significantly from €41.2 billion in 2013 to €80.7 billion in 2015. In 2012, the joint Caribbean-EU partnership strategy was adopted.45 The main targets of the Caribbean Regional ***Programme*** (11th European Development Fund (EDF), 2014- 2020) are regional economic cooperation and integration, climate change, environment, disaster management and sustainable energy, and crime and security.46 45 Joint Caribbean-EU partnership strategy, Foreign Affairs Council conclusions, 19 November 2012. 46 Caribbean Regional Indicative ***Programme*** 2014-2020 (11th EDF). Figure 17 – EU trade in goods with Cariforum Source: Eurostat. EU trade with Latin America and the Caribbean Page 17 of 35 Figure 18 – Cariforum: Top 5 trade partners Trade in goods (exports plus imports) (2016) Source: IMF. Figure 19 – Main trade products EU trade in goods with Cariforum (2016) Source: Eurostat. Figure 20 – EU trade in services with Cariforum Source: Eurostat. Figure 21 – EU FDI stocks with Cariforum Source: Eurostat. EU trade with Latin America and the Caribbean Page 18 of 35 1.2 Ongoing and ***planned*** negotiations on agreements governing trade relations This section analyses ongoing and ***planned*** trade negotiations between the EU and Latin American countries and sub-regional groupings. These negotiations cover both 'new' agreements (EU-Mercosur) and modernisations of existing fully fledged agreements (EUMexico and EU-Chile). 1.2.1 EU-Mercosur Mercosur, the 'Common Market of the South', was founded in 1991 when Argentina, Brazil, Paraguay, and Uruguay signed the Treaty of Asunción. In 2012, Venezuela formally joined Mercosur as a fifth member, but in December 2016 the country was suspended temporarily for failure to transpose Mercosur rules into Venezuelan law.47 In August 2017, the suspension was prolonged indefinitely, on the basis of Mercosur's democracy clause, until democracy is restored in Venezuela. Bolivia, which is still one of the five associate members (together with Chile, Colombia, Ecuador, Peru and Suriname), is in the process of joining Mercosur, with its accession protocol pending ratification by all Mercosur parliaments.48 With combined gross domestic product (GDP) of US$2.4 trillion in 2016, Mercosur is LAC's biggest trading bloc.49 Despite making use of the EU's supranational integration model, Mercosur's institutional structure has remained weak and decisions are taken at intergovernmental level by consensus, as member states have been unwilling to cede sovereignty to supranational organs.50 According to Article 1 of Mercosur's founding treaty, the aim is to create a common market.51 Yet the bloc is still far from having achieved this goal. A customs union with a common external tariff (CET) was established as a stepping stone to a common market, but the CET has not been applied consistently, since domestic policy interests have frequently prevailed.52 Mercosur has failed to implement its full harmonisation agenda including in competition policy and technical regulations.53 47 Le Venezuela qualifie de « coup d’Etat » sa suspension du Mercosur, Le Monde, 2 December 2016; Venezuela suspended indefinitely: 'Without democracy, you can't be part of Mercosur', MercoPress, 6 August 2017. 48 Bolivia to join Mercosur as full member – Rousseff, Reuters, 17 July 2015. 49 World Bank database. 50 Carlos Ricardo Caichiolo, 'The Mercosur experience and theories of regional integration', Contexto Internacional, Vol. 39(1) January/April 2017, pp. 117-134. 51 The Law of Mercosur, Marcílio Toscano Franca Filho, Lucas Lixinski, María Belén Olmos Giupponi (eds.), Bloomsbury Publishing, 2010. 52 F.E Bakker, Economic asymmetry and institutional shortfall in Mercosur: predictions for deepening Mercosur integration, Master's thesis June 2013; Chad P. Bown (Peterson Institute for International Economic) and Patricia Tovar (Pontificia Universidad Católica del Perú), Mercosur is not really a free trade agreement, let alone a customs union, 17 September 2016. 53 Mariana Mota Prado and Vladimir Bertrand, 'Regulatory Cooperation in Latin America: The Case of Mercosur', Law and Contemporary Problems, Vol. 78, 2015, pp. 205-230. EU trade with Latin America and the Caribbean Page 19 of 35 Considerable asymmetries exist among Mercosur countries because of the large differences in size and structure of their economies. While Argentina and Brazil have comparatively low involvement in global trade as reflected in their low trade-to-GDP ratio, Paraguay and Uruguay – given their small markets – have been more dependent on international and regional trade.54 Following significant growth of trade within Mercosur after its creation, trade flows have slowed down as a result of the financial crisis in the big Mercosur members and their weakened purchasing power. Since the mid- 2000s, new external actors like China have imported significant volumes of commodities from Mercosur countries, thereby increasingly exposing the latter to fluctuating global commodity prices and heightening the risk of de-industrialisation.55 In accordance with Mercosur Decision 32/00 of 2000, which reaffirms that its members cannot individually negotiate and conclude trade agreements with third countries, Mercosur countries have concluded a number of preferential trade agreements (PTA) and free trade agreements (FTA) as a bloc.56 The most recent preliminary negotiations on a future FTA are those with Canada and the European Free Trade Association (EFTA) which includes Iceland, Liechtenstein, Norway, and Switzerland.57 EU bilateral trade relations with the four founding members of Mercosur go back to the beginning of the 1990s.58 The EU concluded framework trade and cooperation agreements with Argentina in 1990, with Paraguay in 1992, with Uruguay in 1994, and with Brazil in 1995. In parallel, a first inter-regional cooperation agreement was signed in 1992 but was replaced by the 1995 interregional framework cooperation agreement which entered into force in 1999.59 It covers political dialogue, trade and economic cooperation and currently governs the relations between the two trading blocs, but was originally conceived as a stepping stone to an ambitious bi-regional EU-Mercosur association agreement liberalising trade between the two parties.60 Since 1999, the EU and Mercosur (excluding Venezuela) have been negotiating about trade liberalisation as part of their overall negotiations on a bi-regional association agreement that should also include a political and a cooperation pillar. However, in 2004 the parties failed to agree on each other's final offers on account of differing levels of ambition regarding the liberalisation of trade in ***agriculture***, services and public procurement markets. Talks were suspended until the 2010 EU-LAC summit in Madrid when they were re-launched. They stalled again in 2012, the year of Venezuela's formal accession to Mercosur. In economic terms, the cost of no agreement is rising for Mercosur, as none of its members, except Paraguay, benefit any longer from the EU's GSP and thus face fierce 54 Non-Tariff Measures in Mercosur: Deepening Regional Integration and Looking Beyond, UNCTAD, May 2017. 55 Claire Felter and Danielle Renwick, Mercosur: South America's Fractious Trade Bloc, Council on Foreign Relations, 5 October 2016. 56 Legal Framework of the Common Market of the Southern Cone, Foreign Trade International System, Organisation of American States (OAS). 57 Marcos Piacitelli, How two new free trade agreements could transform Brazil, World Economic Forum, 27 March 2017. 58 Bilateral framework agreements for cooperation with the Mercosur countries, Summaries of EU legislation, Eur-Lex. 59 European Commission, press release, Memo-94-62, undated. 60 Communication from the Commission to the Council and the European Parliament, The European Community and Mercosur – An enhanced policy, 19 October 1994. EU trade with Latin America and the Caribbean Page 20 of 35 competition from those countries still benefiting from it.61 As a result of the arrival in office of two pro-business presidents, Mauricio Macri in Argentina and Michel Temer in Brazil, in 2015 and in 2016 respectively, the long-standing negotiations with the EU on an interregional association agreement have gained momentum.62 May 2016 saw the first exchange of market access offers since the re-launch of negotiations.63 The negotiation rounds in March and July 2017 witnessed considerable progress on a wide range of chapters,64 although the parties are still in disagreement for instance as regarded provisions on subsidies and state-owned enterprises.65 Nevertheless, both parties aim to conclude a political agreement by the end of 2017.66 However, ***agriculture*** has remained a key stumbling block. Mercosur is a major ***producer*** of ***agricultural*** products such as beef and soybeans which currently make up a large part of Mercosur's exports to the EU. According to a 2016 study on the cumulative impact of the EU's trade agreements on EU ***agriculture***, EU ***agricultural*** sectors will be very differently affected by opening the EU market to ***agricultural*** imports. A number of the EU's offensive ***agricultural*** products would benefit from increased market liberalisation, such as cereals, in particular wheat, and also beverages, such as wine and spirits. Sensitive EU products such as beef, rice and, to a lesser extent, poultry and sugar, by contrast, would come under pressure.67 A significant number of EU Member States in the ***Agriculture*** and Fisheries Council of 12 June 2017 called for greater transparency and a balanced approach in the EU-Mercosur negotiations and for close involvement of the ***agricultural*** ministers of the Member States to allow them to adapt the 61 Actual impact of GSP reform as of 1st January 2014, Ernst & Young, 23 October 2013; Generalised Scheme of Preferences in a nutshell, European Commission. 62 Peter Millard, Brazil's economic policy lurches right, Bloomberg, 1 September 2016; Juan Cruz Díaz and Heidi Lough, Viewpoint: Argentina's pro-business president delivers on politics over economics, Americas Society/Council of the Americas, 12 December 2016. 63 EU, Mercosur exchange offers, amid Brazil political turmoil, International Centre for Trade and Sustainable Development (ICTSD), 19 May 2016; Uruguay says beef and ethanol are included in Mercosur/EU proposals, but with no volumes or time span, MercoPress, 13 September 2016. 64 As the Council's negotiating directives were adopted in September 1999, investment protection is not within the scope of the current negotiations, since the exclusive competence for investment (excluding portfolio investment) was only conferred from Member State to EU level with the entry into force of the 2009 Lisbon Treaty. European Commission press release 199910621/99, 13 September 1999. 65 Report of the XXVIIth negotiation round of the trade part of the EU-Mercosur Association Agreement, Buenos Aires, 14-20 March 2017, European Commission; Report from the XXVIIIth round of negotiations of the trade part of the Association Agreement between the European Union and Mercosur, Brussels, 3-7 July 2017, European Commission. 66 Mercosur nations prioritise end-of-year EU trade deal, Euractiv, 25 July 2017. 67 Pierre Boulanger, Hasan Dudu, Emanuele Ferrari, Mihaly Himics and Robert M'barek, Cumulative economic impact of future trade agreements on EU ***agriculture***, Joint Research Centre, 2016. Figure 22 – EU trade in goods with Mercosur Source: Eurostat. EU trade with Latin America and the Caribbean Page 21 of 35 negotiating mandate, if appropriate.68 In September 2017, Mercosur made it known that beef and ethanol will be included in the next market access offers.69 The EU’s own offer of October 2017 has attracted criticism both from Mercosur countries for not being ambitious enough and from several EU Member States for being too ambitious.70 As regards industrial sectors, in particular the automotive, pharmaceutical, chemical and textile sectors, financial services, telecommunications, and public procurement, EU offensive interests contrast with Mercosur's defensive interests given the latter's low level of competitiveness in these sectors, which have long been sheltered from external competition or for lack of earlier commitments.71 A 2011 study estimates that the gains for the EU through increased exports of industrial goods could range between €21 and €29 billion. It also states that the deal could enhance the EU's GDP by €15-21 billion and Mercosur's GDP by €2-3 billion.72 In 2016, the EU was the largest trading partner for Mercosur (20.4 %) before China (19.2 %) and the USA (17.0 %). Trade in goods between the two blocs reached a peak in 2011 with €111.6 billion, when EU imports from Mercosur still exceeded EU exports to Mercosur. In 2012 this trend reversed, with both imports and exports in goods declining in parallel. In 2016, EU trade in goods with Mercosur stood at €84.9 billion, with the EU running a surplus with Mercosur of €1.5 billion. In 2015, the EU exported services worth €22.9 billion to Mercosur and imported services worth €12.2 billion from Mercosur. A large share of EU imports from Mercosur are primary products, including ***agricultural*** products (food and live animals) fuels and mining products -. A much smaller share of EU imports from Mercosur is made up of manufactures, including machinery and transport equipment. EU exports to Mercosur consist to a large extent of manufactures, including machinery and transport equipment, and also chemical. The EU is a major foreign investor in Mercosur. EU FDI stock grew from €130 billion in 200073 to €406.6 billion in 2015. Mercosur's FDI stock in the EU amounted to €134.7 billion in the same year. Since 2007 Brazil has had a ***strategic*** partnership with the EU which includes the Mercosur integration process, climate change, the fight against poverty and sustainable energy.74 Through the ***strategic*** partnership joint action ***plan***, the two partners have agreed to work towards the conclusion of a balanced and comprehensive EU-Mercosur 68 Outcome of the 3547th Council meeting, ***Agriculture*** and Fisheries, Council of the European Union, 12 June 2017. 69 Brazil tells the EU 'it won't move' on Mercosur talks without ethanol and beef, Euractiv, 11 September 2017. 70 Brazil, Argentina call EU trade offer to Mercosur disappointing, Reuters, 6 October 2017; EU’s proposed trade deal with Latin America criticised by trade ministers, The Irish Times, 13 October 2017; França quer alterar mandato de negociação no acordo Mercosul-UE, Reuters, 16 October 2017; EU, Mercosur Trade Talks in Decisive Stage Amid Push for Deal, International Centre for Trade and Sustainable Development (ICTSD), 19 October 2017. 71 A 2011 European Commission impact assessment concludes that gains from an EU-Mercosur agreement in the EU manufacturing sector would outweigh the losses for the EU in the agrifood sector. The increase in GDP would range from €8.9 billion to €66 billion under different scenarios. Potential EU-Mercosur Free Trade Agreement: Impact Assessment, European Commission, 2011. 72 Assessment of barriers to trade and investment between the EU and Mercosur, Economic Impact Assessment, Copenhagen Economics, May 2011. 73 European Union, Trade in goods with Mercosur, European Commission. 74 Brazil and the EU, European External Action Service, 11 May 2016. EU trade with Latin America and the Caribbean Page 22 of 35 Agreement, and to strengthen the regulatory and industrial dialogue among the two regions. The conclusion of the ***planned*** agreement with Mercosur would ensure that the EU has comprehensive agreements governing trade relations with almost all Latin American and Caribbean countries (with the exception of Cuba, Bolivia and Venezuela). Figure 27 – EU trade in goods with Argentina (2010-2016) Source: Eurostat. Figure 23 – Mercosur: Top 5 trade partners Trade in goods (exports plus imports) (2016) Source: IMF. Figure 24 – Main trade products EU trade in goods with Mercosur (2016) Source: Eurostat. Figure 25 – EU trade in services with Mercosur (No data available for Paraguay) Source: Eurostat. Figure 26 – EU FDI stocks with Mercosur Source: Eurostat. EU trade with Latin America and the Caribbean Page 23 of 35 Figure 28 – EU trade with Argentina: Main products (2016, € billion) Source: Eurostat. Figure 29 – EU trade in goods with Brazil (2010-2016) Source: Eurostat. Figure 30 – EU trade with Brazil: Main products (2016, € billion) Source: Eurostat. EU trade with Latin America and the Caribbean Page 24 of 35 1.2.2 Ongoing modernisation of the EU-Mexico Global Agreement Mexico (formally known as the United Mexican States) has the 14th largest economy in the world in terms of GDP and the second largest in Latin America (after Brazil).75 It belongs to the G20, the OECD, the Pacific Alliance and APEC. Mexico was the first Latin American country to sign an economic partnership, political coordination and cooperation agreement (the 'Global Agreement') with the EU in 1997.76 The Global Agreement has been in force since 2000 and consists of three pillars, namely political dialogue, trade and cooperation. Under the Global Agreement's trade pillar, trade in goods and trade in services between the EU and Mexico has been (partially) liberalised and various other trade disciplines have to some extent been established. Mexico also has a ***strategic*** partnership with the EU (Brazil is the EU's other ***strategic*** partner in Latin America).77 This is unique in the sense that Mexico is the only country that has both a ***strategic*** partnership and a global agreement (or association agreement) with the EU. The partnership is an indicative strategy that facilitates a wider dialogue and deeper (political) cooperation between both parties. It contains only limited objectives with respect to bilateral trade relations. The EU is Mexico's third largest trade partner, while Mexico is the 13th largest trade partner of the EU. The EU is also Mexico's second biggest export market after the USA, and Mexico's third largest source of imports after the USA and China. In 2016, EU exports in goods to Mexico amounted to €33.9 billion, while EU imports in goods from Mexico amounted to €19.9 billion. Since the entry into force of the Global Agreement's trade pillar, bilateral trade in goods has grown from €21.6 billion in 2000 to €53.8 billion in 2016. This represented 8.1 % of Mexico's total external trade in 2016, while US-Mexico trade represented 63.0 % and US-China trade 10.1 %. However, as a result of the ongoing shifts in US trade policy towards NAFTA, Mexico is looking to (further) diversify its trade relations and that provides a good opportunity for the EU to increase its share in Mexico's total external trade. 75 Mexico: economic indicators and trade with the EU, EPRS and Globalstat, European Parliament, March 2017. 76 Economic Partnership, Political Coordination and Cooperation Agreement, 28 October 2000. 77 ***Strategic*** Partnership, 15 July 2008. Figure 31 – EU trade in goods with Mexico Source: Eurostat. EU trade with Latin America and the Caribbean Page 25 of 35 The EU's main exports to Mexico in 2016 were machinery and appliances, transport equipment, and chemical products.78 Mexico's main exports to the EU were machinery and electrical equipment, mineral products (mainly crude oil), transport equipment and optical and photographic instruments. Unlike most other Latin American economies, which are primarily commodity providers, Mexico is mainly a provider of manufactured goods. Total trade in services increased from €9.5 billion in 2010 to €14.4 billion in 2016.79 Mexico is a net importer of services from the EU, in particular transport services, and telecommunications, computer and information services. The EU, on the other hand, mostly imports travel services and transport services from Mexico. The EU is an important provider of capital goods and intermediate products that enter the processes of Mexican assembling companies that export to the USA. In 2015, FDI flows from the EU to Mexico amounted to €18.3 billion and from Mexico to the EU to €2.7 billion.80 FDI stocks of the EU in Mexico amounted to €161.6 billion while Mexico had FDI stocks in the EU worth €36.5 billion. Total FDI flows between the EU and Mexico increased from €5 billion in 2012 to €21 billion in 2015 and total FDI stocks increased from €103.8 billion to €198.1 billion in that same period. Although the USA has been the main foreign investor in Mexico over the past 15 years (49 % of total FDI), the EU follows quite closely with 37.8 % and was even the main investor in 2010 and 2013.81 Mexico has in recent years undertaken an ambitious set of internal structural reforms, agreed in the 'Pact for Mexico' (including tax, energy/telecoms and education reforms) and pushed for the introduction of mechanisms to facilitate investment flows in infrastructure.82 This provides opportunities for EU firms looking for greater access to the Mexican market. Since 2013, the EU and Mexico have been working on the modernisation of the Global Agreement's trade pillar.83 The objective is to unlock unfulfilled bilateral trade and investment potential by expanding the trade pillar's scope to include new trade issues (such as investment protection, regulatory cooperation, and trade and sustainable development). In addition, the modernisation seeks to adapt the trade pillar to political and economic changes that have occurred in both the EU and Mexico since 2000. Apart from gaining improved access to a market of 122 million consumers, the economic reforms carried out by Mexico in 2013 (in particular in the energy and telecom sectors) also form an important incentive for the EU to pursue this modernisation.84 So far, five rounds of negotiations have taken place and both sides are committed to concluding talks before the end of the year. 78 European Union, Trade in goods with Mexico, European Commission, DG Trade; Mexico, European Commission, DG Trade. 79 Mexico: Main indicators, European Commission, DG Trade. 80 Mexico: Main indicators, European Commission, DG Trade. 81 Trade: EU-Mexico trade relations, European External Action Service, Delegation of the European Union to Mexico. 82 Estudios económicos de la OCDE: México, OECD, January 2015. 83 See: Modernisation of the trade pillar of the EU-Mexico Global Agreement, EPRS, European Parliament, September 2017. 84 The EU-Latin American ***Strategic*** Partnership: state of play and ways forward, Policy Department for External Policies, European Parliament, July 2017. EU trade with Latin America and the Caribbean Page 26 of 35 Figure 32 – Mexico: Top 5 trade partners Trade in goods (exports plus imports) (2016) Source: IMF. Figure 33 – Main trade products EU trade in goods with Mexico (2016) Source: Eurostat. Figure 34 – EU trade in services with Mexico Source: Eurostat. Figure 35 – EU FDI stocks with Mexico Source: Eurostat. EU trade with Latin America and the Caribbean Page 27 of 35 1.2.3 ***Planned*** modernisation of the EU-Chile association agreement Chile, an OECD member, founding member of the Pacific Alliance, and an associate member of the Andean Community and Mercosur, has developed a broad web of free trade agreements that has underpinned its openness to foreign trade.85 EU-Chile relations were initially governed by the 1996 Framework Cooperation Agreement which was replaced by the 2002 EU-Chile Association Agreement (in force since 2005). The latter provides a comprehensive framework for the political, trade and cooperation aspects of bilateral relations, and also for political dialogue at different levels. The EU has also signed other agreements with Chile such as those on science and technology, and regional policy. The trade pillar of the EU-Chile association agreement (in force since 2003) led to a significant increase in bilateral trade in goods from €7.7 billion86 in 2003 to an all-time high in 2011 of €18.9 billion. Total trade in goods has since declined, to €15.9 billion in 2016. In 2016, the EU was Chile's second trading partner (14.9 %) after China (26.5 %) and before the USA (14.4 %) and Brazil (7.0 %). The EU was Chile's third source of imports, and its second export destination. Chile is the EU's 36th largest trading partner accounting for 0.5 % of extra EU trade in 2016. 87 Over time, EU exports to Chile have grown, while EU imports from Chile have declined, gradually reversing a previous trade deficit for the EU into a surplus in 2016 for the second year in a row. In 2016, Chile's exports to the EU overwhelmingly consisted of primary goods, both fuels and mining products such as ores and non-ferrous metals, mostly copper, and ***agricultural*** goods, such as wines, fruit and vegetables, fish and wood products such as cellulose. Chile's imports from the EU predominantly consisted of manufactures, such as machinery and electric equipment, transport equipment. Bilateral trade in services amounted to €5.8 billion in 2015, up from €5.1 billion in 2014. The EU is a major investor in Chile. In 2015, EU FDI stock in Chile amounted to €42.8 billion, up from €40.8 billion in 2014. Chile's FDI stock in the EU stood at €0.3 billion, down from €1.3 billion in 2014. 85 Information on Chile, Free Trade Agreements in Force, Foreign Trade Information System, OAS. 86 Countries and regions, Chile, European Commission, DG Trade. 87 European Union, Trade with Chile, European Commission, DG Trade. Figure 36 – EU trade in goods with Chile Source: Eurostat. EU trade with Latin America and the Caribbean Page 28 of 35 However, after 14 years in action, the trade pillar of the 2002 EU-Chile Association Agreement is partly outdated (obsolete rules of origin, incomplete non-tariff barriers and limited IPRs) on account of global trade policy developments. The preferential trade rules it contains have been superseded by the large number of ambitious and comprehensive FTAs Chile and the EU have meanwhile concluded with third countries. A 2017 study shows that an erosion of bilateral trade in relative terms has occurred in favour of third parties, such as China.88 Against this backdrop and unfulfilled market access in ***agriculture***, services and public procurement, at the 2013 EU-CELAC Summit in Santiago (Chile), the EU and Chile agreed to explore the agreement's modernisation.89 Modernisation will be an opportunity to take account of the evolution of trade disciplines, recent developments in EU trade and investment policy as well as the conferral from Member States to the EU of the exclusive competence for FDI under the Lisbon Treaty. The association agreement's untapped potential is to be unlocked by upgrading existing trade preferences and adding new disciplines to the trade pillar, including a single set of rules on investment replacing the existing bilateral investment treaties (BIT) between Chile and various Member States. In an attempt to make EU trade policy more responsive to citizens' concerns, the Commission is also keen to have trade- and investment-related anti-corruption provisions included for the first time in the modernised trade pillar. A dedicated trade and gender equality chapter is another proposed novelty.90 A May 2017 European Commission impact assessment91 estimated that 'in absolute values, the gains in real GDP for the EU in the long run would be €196 million in the conservative scenario and €391 million in the ambitious one. Chile would accrue real GDP gains of €304 million and €592 million under the respective scenarios'. In preparation for the Council's negotiating mandate, in September 2017 the European Parliament suggested92 including separate chapters in the trade pillar to cover microand also small and medium-sized enterprises (SMEs), investment, trade and sustainable development (TSD), and trade and gender equality. It also advocated the use of the new investment court system (ICS).93 It backed the conclusion of two separate agreements distinguishing between a trade and investment deal under the EU's exclusive competence and a second one for issues where the EU and Member States share competences in accordance with the recent opinion of the Court of Justice of the European Union (CJEU) on the EU-Singapore Agreement.94 During the plenary of September 2017, the European Parliament gave its consent to the conclusion of the (separate) EU-Chile agreement on trade in organic products, which is 88 Ex-ante study of a possible modernisation of the EU-Chile Association Agreement, Final report, Ecorys, February 2017. 89 Public online consultation on a possible modernisation of the trade part of the EU-Chile Association Agreement, European Commission, DG Trade. 90 Report on the implementation of the trade policy strategy Trade for All Delivering a Progressive Trade Policy to Harness Globalisation (COM (2017) 491), European Commission, May 2017, p. 10. 91 European Commission impact assessment, SWD(2017) 173 final, 24 May 2017. 92 Gisela Grieger, Modernising EU-Chile trade relations, EPRS, European Parliament, September 2017. 93 Laura Puccio and Roderick Harte, From arbitration to the investment court system (ICS): The evolution of CETA rules, EPRS, European Parliament, June 2017. 94 Laura Puccio, CJEU Opinion on the EU-Singapore Agreement, EPRS, European Parliament, May 2017; CJEU Opinion 2/15 of 16 May 2017. EU trade with Latin America and the Caribbean Page 29 of 35 the first of its kind with a Latin American country.95 Under this agreement, the EU and Chile mutually recognise the equivalence of their rules and controls on organic food production. 95 MEPs weigh in to revamp EU-Chile trade deal, European Parliament, press release, 14 September 2017. Figure 37 – Chile: Top 5 trade partners Trade in goods (exports plus imports) (2016) Source: IMF. Figure 38 – Main trade products EU trade in goods with Chile (2016) Source: Eurostat. Figure 39 – EU trade in services with Chile Source: Eurostat. Figure 40 – EU FDI stocks with Chile Source: Eurostat. EU trade with Latin America and the Caribbean Page 30 of 35 2. Comparative overview of existing EU agreements governing trade relations with sub-regional groupings and individual countries in Latin America and the Caribbean The EU has concluded a wide range of agreements governing trade relations with Latin America and the Caribbean. These include:  a multi-party free trade agreement with three countries of the Andean Community (Colombia, Ecuador and Peru);  two agreements with sub-regional groupings (Cariforum and Central America);  agreements with Mercosur and its individual members that could soon be replaced with an agreement with Mercosur;  bilateral agreements with Mexico and Chile (currently in the process of being modernised). These agreements differ considerably in terms of coverage and methodology depending on the time at which they were concluded and the backdrop to the negotiations.96 2.1 Different negotiation methodologies Each of the negotiations have proceeded along their own paths according to the particular circumstances of each case. The ongoing EU-Mercosur negotiations build on an existing legal framework that dates back to the 1990s. At that time, the EU first concluded bilateral framework agreements for cooperation with Argentina, Paraguay, Uruguay and Brazil followed by an interregional framework cooperation agreement with Mercosur. These agreements, in particular the latter, were considered interim stages in the process towards the conclusion of a fully fledged EU-Mercosur agreement governing trade relations. As described in Section 1.2.1, the negotiations for this agreement have proven to be very complicated and have even been suspended at various times. The latest attempt, through a re-launch in 2010, has the added benefit, however, that it is now immediately able to tackle the majority of trade issues in a modern and comprehensive way. This is in contrast to the EU's existing agreements with Mexico and Chile that are now considered outdated and therefore require modernisation. The procedure to conclude the negotiations on the trade pillar of the EU-Mexico Global Agreement was rather unique, in the sense that this pillar was not concluded at once (like most agreements) but instead in different stages as a 'living agreement'. First, in December 1997, the Global Agreement was concluded as a general framework agreement that laid down the basis for further negotiations on liberalising trade. This agreement came into force in November 2000. At the same time as the Global Agreement, in December 1997, an interim agreement on trade and trade-related aspects ('Interim Agreement'),97 which was derived from the Global Agreement, was also signed. It entered into force in July 1998, well before the Global Agreement. Together, the Interim Agreement and the trade part of the Global Agreement constituted the trade pillar of the Global Agreement. At the time of signing, however, both agreements set only broad objectives with respect to specific trade disciplines. A Joint Council was therefore created to implement these 96 For an overview, see Annex 1. 97 Interim Agreement on trade and trade related aspects, 13 August 1998. EU trade with Latin America and the Caribbean Page 31 of 35 objectives through detailed decisions. This Joint Council was composed of the Members of the Council of the EU and Members of the European Commission, on the one hand, and members of the Government of Mexico, on the other. It was also assisted by a joint committee, effectively to continue negotiations on implementing rules. Within this institutional set-up, several rounds of negotiation were held from November 1998 onwards to develop the trade pillar of the Global Agreement. The resulting decisions of the EU-Mexico Joint Council (partially) liberalised trade in goods in July 2000 (Decision No 2/2000)98 and trade in services in March 2001 (Decision No 2/2001).99 The reason for this particular approach was the entry into force of NAFTA in 1994; the EU quickly needed to conclude an agreement with Mexico so as not to lose ground in the emerging Mexican market. From the Mexican point of view, strong dependence on the US market also made it necessary to reach out to other partners and start a diversification process (in addition to the EU, Mexico concluded FTAs in those years with Chile, the EFTA countries, Israel, Japan and Uruguay).100 The structure of the EU’s trade agreement with Peru and Colombia (with Ecuador joining later) also derives from the particular circumstances of its negotiation. The negotiations were first started as a regional agreement between the EU and the Andean Community. However, Ecuador and Bolivia dropped out of the negotiations and negotiations then continued bilaterally with Peru and Colombia. The result was the conclusion of an umbrella trade agreement with distinct schedules for Peru and Colombia. Ecuador subsequently successfully negotiated its accession to the trade agreement in response to fear of losing its status as a GSP beneficiary. The EU-Cariforum negotiations had a strong focus on development. This objective translated into differentiated schedules for Cariforum members in order to account for their specific development needs. Some differential treatment was also introduced in the EU's agreement with Central America. Flexibility to adjust to various partners' needs has accordingly been a particular trait of the EU trade negotiation approach with Latin American countries in contrast to the USA, which relied more on the NAFTA model. 2.2 Differences in content between 'older' and 'newer' generation agreements The earliest bilateral and interregional EU-Mercosur agreements are naturally the least advanced in terms of content as they date from the 1990s and were intended to act as an interim stage in the process towards a fully fledged interregional agreement. Subsequent agreements with trade pillars concluded in the early 2000s, namely with Mexico and Chile, also reflect, from a content point of view, the time of their conclusion and differ significantly from later agreements. For example, issues such as regulatory cooperation and sustainable development provisions are much less developed in the former than those found in the latter. While the EU-Mexico and EU-Chile agreements already have WTO+ provisions for technical barriers to trade (TBT) and sanitary and phytosanitary (SPS) provisions, including regulatory cooperation frameworks (as well as provisions establishing cooperation to achieve mutual recognition), such rules are more advanced in later agreements. For example, in the EU's agreement with Colombia, 98 Decision No 2/2000 of the EC-Mexico Joint Council of 23 March 2000. 99 Decision No 2/2001 of the EU-Mexico Joint Council of 27 February 2001. 100 SICE: Countries: Mexico: Trade Policy Documents, Foreign Trade Information System, OAS. EU trade with Latin America and the Caribbean Page 32 of 35 Ecuador and Peru, the TBT chapter includes an obligation to use international standards101 unless those are ineffective or insufficient for achieving legitimate objectives. They also include a series of commitments regarding, among other things, marking and labelling standards, transparency requirements, conformity assessments, and exchange of information on standards. Sustainable development provisions form an important part of more recent agreements. Reflecting its developmental aim, the Cariforum EPA, for example, begins with a partnership on sustainable development and a clear commitment that the agreement should be applied in conformity with sustainable development principles.102 Specific titles were also dedicated to trade and sustainable development issues in the EU agreement with Colombia, Ecuador and Peru as well as in the agreement with Central America. In contrast, in the EU-Chile and EU-Mexico agreements, there are no specific chapters dedicated to sustainable development, although this issue was partly covered by political dialogues.103 The IPR-provisions in the EU-Chile and EU-Mexico agreements are also less developed than the trade-related aspects of intellectual property rights plus (TRIPS+) provisions included in the EU's more recent agreements. When geographical indications (GIs) were introduced in the EU-Chile and EU-Mexico agreements, they focused essentially on wines and spirits. GI provisions in other agreements, however, have encompassed food too, such as in the EU-Central America agreement and the EU-Colombia-Ecuador-Peru trade agreement. Moreover, in the EU-Cariforum agreement, a rendez-vous clause104 was included to allow the countries to establish a domestic regulatory framework for geographical indications before negotiating an agreement on GIs. In contrast to the Euro-Mediterranean association agreements, which merely confirmed General Agreement on Trade in Services (GATS) commitments in services, the EU-Mexico and EU-Chile agreement incorporate some GATS+ features. However, more recently negotiated agreements have gone further in ensuring GATS+ commitments and have further developed the areas of regulatory issues to be tackled under the services provisions (including data protection provisions). Finally, none of the EU's agreements in Latin America and the Caribbean include investment protection provisions; these provisions are instead in some instances covered by BITs with individual EU Member States. 2.3 Further deepening and widening of EU-LAC trade agreements The above comparative analysis itself shows the relevance of the modernisations launched by the Commission as regards the EU-Mexico and EU-Chile agreements in order to align them to its new 'Trade for All' agenda.105 There is at the same a geopolitical rationale for these modernisations. The trade pillar of the EU-Mexico Global Agreement 101 Article 76 of the EU-Colombia, Ecuador and Peru Trade Agreement. 102 See Part 1 and in particular Article 3 of the EU-Cariforum EPA. 103 For the evolution of EU TSD chapters, see: Krisztina Binder and Laura Puccio, Trade and sustainable development chapters in CETA, EPRS, European Parliament, January 2017. 104 Article 145 of the EU-Cariforum EPA. 105 Trade for all: Towards a more responsible trade and investment policy, European Commission, DG Trade. EU trade with Latin America and the Caribbean Page 33 of 35 was already less advanced than NAFTA106 and the conclusion of the Trans-Pacific Partnership (TPP),107 to which both Chile and Mexico are party, would widen the gap further (if it does come to fruition after the withdrawal of the USA). Moreover, it is in the EU's interests to align the EU-Mexico Global Agreement to the more comprehensive and recent EU-Canada Comprehensive Economic and Trade Agreement (CETA),108 as that would not least establish a certain degree of homogeny for parties covered by both agreements. Finally, the successful conclusion of an agreement with Mercosur would ensure that the EU has comprehensive agreements governing trade relations with almost all Latin American countries (except Bolivia, Cuba and Venezuela). As pointed out before, the EU has in recent decades lost market share in Latin America, owing in particular to the rise of China (and Asia more generally).109 Many Latin American countries are at the same time still highly dependent on the US market and are therefore vulnerable to possible spillovers from changes in US trade policies.110 In addition, LAC countries are recovering from a regional recession in 2016,111 which comes on top of the negative effects of the last global slowdown which affected Latin America particularly harshly.112 Latin American countries (and in particular Mercosur members) are also less open to trade113 compared with other emerging market regions.114 The existing EU-LAC agreements governing trade relations and ongoing and ***planned*** negotiations therefore provide an opportunity for both sides to strengthen their trade ties in a rapidly changing international environment. 106 Evaluation of the implementation of the EU-Mexico FTA and an assessment of the possible modernisation of this agreement, Report of the Stakeholder Consultation Workshop, 9 July 2015, ECORYS. 107 Trans-Pacific Partnership. 108 EU-Canada Comprehensive Economic and Trade Agreement, European Commission, DG Trade. 109 EU-Latin America relations, EPRS, European Parliament, March 2014. 110 Regional economic outlook – Western Hemisphere: A tale of two adjustments, IMF, May 2017. 111 Regional economic outlook – Western Hemisphere: A tale of two adjustments, IMF, May 2017. 112 Latin American and the Caribbean – Trade trend estimates 2016, IDB, 2015 (1Q). 113 Regional economic outlook – Western Hemisphere adjusting under pressure, IMF, October 2015. 114 International trade and market access data, World Trade Organization. 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EU trade with Latin America and the Caribbean Page 35 of 35 Annex 1: Overview of EU trade relations with sub-regional groupings and individual countries in Latin America and the Caribbean The EU has concluded a wide range of agreements governing trade relations with subregional groupings and individual countries in Latin America and the Caribbean. Table 2 provides an overview. Table 2 – Overview of comprehensive EU-LAC agreements governing trade relations Trade partner(s) Agreement containing a trade pillar / Trade agreement Year of entry into force (Related) political agreement Argentina Framework Agreement for trade and economic cooperation between the EU and Argentina 1990 N/A Paraguay Framework Agreement for cooperation between the EU and Paraguay 1992 N/A Uruguay Framework Agreement for cooperation between the EU and Uruguay 1994 N/A Brazil Framework Agreement for cooperation between the EU and Brazil 1995 N/A Mercosur Interregional Framework Cooperation Agreement between the EU and Mercosur 1999 N/A Mexico Economic Partnership, Political Coordination and Cooperation Agreement between the EU and Mexico (also known as the 'Global Agreement') 2000 N/A Chile Association Agreement between the EU and Chile 2003 N/A Cariforum Economic and Partnership Agreement between Cariforum and the EU 2008 (except Haiti) Cotonou Agreement Central America EU-Central America Association Agreement 2013 N/A Andean Community (Peru, Colombia, Ecuador) Trade Agreement between the EU and Colombia and Peru + Protocol of Accession to the Trade Agreement to take account of the accession of Ecuador) Provisional application: Peru, Colombia (2013), Ecuador (2017) Joint Declaration political dialogue (1996); to be replaced by the Political Dialogue and Cooperation Agreement (2003, not yet in force) Source: EPRS. Collectively, the 33 countries forming the Community of Latin American and Caribbean States (CELAC) are the fifth largest trading partner of the EU. On trade, the EU has concluded fully fledged agreements with two Latin American groupings (Cariforum and the Central America group), a multiparty trade agreement with three countries of the Andean Community (Colombia, Ecuador, and Peru), and agreements with Mexico and Chile that are in the process of being modernised. The EU's long-standing negotiations with Mercosur on an association agreement build on existing bilateral and inter-regional framework agreements with both Mercosur and its individual members. The EU's agreements governing trade relations with Latin American and Caribbean subgroupings and individual countries differ considerably in terms of coverage and methodology depending on the time at which they were concluded and the backdrop to the negotiations. The EU now aims to modernise the trade pillars of its agreements with Mexico (ongoing negotiations, to be concluded before the end of 2017) and Chile (***planned***) in order to align them to the current standards of EU FTAs. In addition, the EU and Mercosur intend to finish their negotiations on a comprehensive agreement governing trade relations before the end of 2017. If they succeed, the EU would have agreements governing trade relations with nearly all of Latin America and the Caribbean (with the exception of Bolivia, Cuba and Venezuela). This is a publication of the Members' Research Service Directorate-General for Parliamentary Research Services, European Parliament This document is prepared for, and addressed to, the Members and staff of the European Parliament as background material to assist them in their parliamentary work. 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Briefing International Agreements in Progress July 2017 EPRS | European Parliamentary Research Service Author: Krisztina Binder Members' Research Service PE 608.648 EN EU-Japan free trade agreement within reach OVERVIEW Negotiations on an EU-Japan free trade agreement (FTA) were officially launched in March 2013. Following 18 rounds of negotiations and a number of meetings at the technical and political levels, a political agreement in principle was reached during the 24th EU-Japan Summit in Brussels, on 6 July 2017. Negotiations on the outstanding issues that were left on the table will continue, with the aim of finalising the text of the agreement by the end of 2017. The deal with Japan, the EU's second largest trading partner in Asia, will enhance trade and investment relationships between the two parties. European companies, in the agri-food sector for instance, will benefit from improved access to the Japanese market, mainly through the reduction both of tariffs on specific goods as well as existing regulatory and non-tariff barriers. The 2016 trade sustainability impact assessment for the EU-Japan FTA indicated that the EU-Japan FTA and the Transatlantic Trade and Investment Partnership (TTIP) agreement, involving the EU and the USA, would result in similar levels of economic gains for Europe. According to recent Commission estimates, European companies will save up to €1 billion in customs duties per year as a result of the EU-Japan FTA.

Moreover, the value of EU goods and services exports could rise by up to €20 billion. This briefing is an update of an earlier version, of October 2016: PE 589.828 Free trade agreement between the European Union and its Member States, and Japan Committee responsible: Standing rapporteur: International Trade (INTA) Pedro Silva Pereira (S&D, Portugal) EPRS EU-Japan free trade agreement within reach Members' Research Service Page 2 of 12 Introduction With around 127 million inhabitants and gross domestic product (GDP) of US$4.9 billion, Japan was the world's third largest national economy in 2016. According to the trade sustainability impact assessment (SIA) for the EU-Japan FTA, published in 2016, on consumption, the Japanese market is almost equal in size to that of China, and the rate of private spending in Japan is almost double the rate in China. Japan is also comparable to China as a foreign direct investor, with global foreign direct investment (FDI) outflows of 8.4 % (Japan) and 8.6 % (China). Consequently, the Japanese market offers significant opportunities for EU business interests. Moreover, for the EU, intensifying trade and investment relations with Japan is part of a broader strategy of strengthening economic cooperation in the changing regional environment. Indeed, in its new trade strategy, published in 2015 and entitled 'Trade for all – towards a more responsible trade and investment policy', the European Commission recognised that the Asia-Pacific region is crucial to European economic interests, and considered strengthening economic ties with Japan a ***strategic*** priority for the EU. On the Japanese side, Prime Minister Shinzō Abe's economic ***programme*** of 2013, known as 'Abenomics', identified three ***strategic*** priorities, known as 'policy arrows'. The third arrow is aimed at enacting structural reforms, including the promotion of economic partnerships. In line with this objective, Japan is pursuing its interests in a number of bilateral and plurilateral trade negotiations, with FTAs – termed economic partnership agreements (EPAs) in Japan – either in effect or currently being negotiated. Existing situation Bilateral trade and investment relations Together, the EU and Japan, two of the world's major economies, account for approximately one third of global GDP. In 2016, Japan was the sixth largest destination market for EU exports of goods and it was the sixth largest supplier of EU imports. The EU is Japan's third largest trading partner in goods. However, even though EU exports of goods to Japan increased in absolute terms, Japan's share in the EU's trade of goods is declining, especially regarding imports. In 1999, 10.2 % of Europe's total imported goods were from Japan. In 2016, Japan's share decreased to 3.9 %. In the same year, the share of EU exports to Japan accounted for 3.3 % of the total EU export of goods; in 1999 this figure was 5.3 %. EPRS EU-Japan free trade agreement within reach Members' Research Service Page 3 of 12 In the past, Japan benefited from significant surpluses in the trade of goods with the EU. Trade figures have recently become considerably more balanced, owing to EU export performance and decreasing EU imports. Total trade in goods between the EU and Japan accounted for €124.6 billion in 2016, with a trade deficit on the EU side of €8.4 billion. In 2015, the EU exported €27.9 billion of services to Japan, while imports of services from Japan amounted to €15.6 billion. Consequently, the EU recorded a surplus of €12.3 billion in 2015, an upward trend from €4.9 billion in 2010. In 2015, Japan accounted for 3.4 % of total EU external trade in services. The EU has in general invested less in Japan than in other developed economies; the EU's outward FDI stocks represented 1.9 % (€96.1 billion) of the total in 2012. Conversely, Europe accounted for approximately 23 % of Japan's outward FDI stocks in 2012, representing Japan's second largest destination by share. The changing EU-Japan trade patterns can be explained by various factors, such as changes in the traditional global trade flows, due to the economic rise of emerging market economies, the increasing importance of regional trade integration, the proliferation of Figure 3 – EU trade with Japan (€ billion) 2005-2015 Data source: Eurostat. Figure 2 – Main EU and Japanese trade partners, 2015 Data source: Eurostat, IMF. EPRS EU-Japan free trade agreement within reach Members' Research Service Page 4 of 12 intra-Asian FTAs, and the negative effects of non-tariff measures (NTMs)1 on market access in Japan. The decline in Japanese exports of industrial goods to the EU may also be due to investment by the Japanese automotive and electronic sector in Europe as a way to circumvent EU tariffs. Obstacles to trade and investment Compared to the EU, the Japanese market has always been more closed. This is partly due to the particular characteristics of the Japanese economy and society, such as the local business culture, and consumers with strong domestic preferences, but mainly results from the large number of regulatory and other 'behind the border' obstacles. Average tariffs on goods are low both in the EU and in Japan (3.8 % for both partners in 2012). However, important exceptions remain in certain sectors. Exports in ***agricultural*** products and processed food are exposed to relatively high EU and Japanese tariffs, but European exporters face particularly high tariff barriers in Japan. In general, tariffs are relatively low for industrial goods. Nevertheless, tariffs remain high for items such as textiles, clothing and footwear in Japan, and for automotive products and electronic appliances in the EU. Comparative elements In parallel with the ongoing negotiations, the two parties have become part of a complex network of bilateral and regional trade initiatives. The largest initiative in which the EU is involved is the Transatlantic Trade and Investment Partnership (TTIP). Negotiations are currently on hold, pending a review by the new US administration of its trade policy with the EU. For its part, Japan became the first signatory of the Trans-Pacific Partnership (TPP) to ratify the agreement in January 2017. Following the US withdrawal from the TPP, Japan is among the remaining signatories most committed to saving the agreement. These free trade agreements, as well as other trade agreements currently under negotiation or already concluded, such as the EU-South Korea FTA and the EU-Canada Comprehensive Economic and Trade Agreement (CETA), have had an impact on the pace and outcome of the EU-Japan FTA negotiations. For instance, in the last few years, Japan has prioritised concluding the TPP before furthering its negotiations with Europe. In this way, for example, based on the outcome of TPP, Japan was better able to define its objectives in the ongoing EU-Japan FTA negotiations regarding ***agricultural*** issues. Meanwhile, the EU was able to align its position on investment disputes with its stance during the TTIP negotiations. EU negotiation objectives In November 2012, the Council approved the European Commission's mandate to negotiate the EU-Japan FTA (in a letter of 24 May 2017, Trade Commissioner Cecilia Malmström called on the Member States to publish the mandate). The Council stated that the objective is 'an agreement that would provide for the progressive and reciprocal liberalisation of trade in goods, services and investment, as well as rules on trade-related issues and the elimination of non-tariff barriers'. The Council approved the negotiating mandate on the condition that, before launching formal negotiations, Japan would eliminate various non-tariff barriers. According to a statement by Karel De Gucht, Trade Commissioner at the time, the EU negotiating directives required that the elimination of Japanese non-tariff barriers be carried out strictly in parallel with tariff reductions on the EU's part. A review clause was also included in the mandate, indicating that one year after the negotiations kicked off, the Commission would report on Japan's EPRS EU-Japan free trade agreement within reach Members' Research Service Page 5 of 12 progress on the roadmaps agreed upon in the scoping exercise, with the option of suspending negotiations in the event of unsatisfactory implementation. The roadmaps related to the elimination of non-tariff barriers and to government procurement issues. A safeguard clause dealing with the protection of sensitive EU sectors was also included in the mandate. At the same time the Council authorised the launch of negotiations with Japan on the political framework agreement (***Strategic*** Partnership Agreement). EU's main areas of interest EU interests are focused on a few specific areas. A significant part of the negotiations was dedicated to the reduction of regulatory and of non-tariff barriers, which presented the main obstacles for the EU. Such barriers affect several key EU exporting sectors, including chemicals, automotive, processed food, and medical devices, as well as telecommunications and financial services. Moreover, there are significant barriers both to FDI and in the area of public procurement. Tariff liberalisation is also an important objective, particularly in sectors where tariffs are still high, such as processed foods, ***agricultural*** products and motor vehicles. Better access to the opportunities offered by Japan's public procurement market (including the railway sector), as well as to the service and investment sector, is an outstanding issue. Finally, protection of intellectual property rights, and geographical indications in particular, is also of considerable interest to the EU. Japan's position According to the information available on the website of the Ministry of Foreign Affairs of Japan, the main areas of interest for Japan are the elimination of high tariffs on industrial products and the regulatory problems Japanese companies face in Europe. The Ministry of Economy, Trade and Industry includes a third point on its website, the 'movement of persons and other barriers'. The first objective can be explained by the fact that import tariffs are comparatively high for the most important Japanese export items, mainly cars, car components and electronics. For example, tariffs can reach 10 % for cars and 14 % for electrical machinery, placing these products at a disadvantage on the European markets compared to competing South Korean products. With the EU-Korea FTA, Korean exporters benefit from liberalisation of tariffs in these sectors. Japanese Figure 4 – Top five products in EU-Japan trade 2015 Data source: Eurostat. EPRS EU-Japan free trade agreement within reach Members' Research Service Page 6 of 12 firms also complain about non-tariff barriers on EU markets, such as differences in the regulatory systems and technical standards, for instance in the automotive, chemical and food processing sectors. Another issue of interest is investment. According to one study, almost all investment related agreements concluded by Japan, such as the TPP, include provisions for an investor-state dispute settlement (ISDS)2 procedure. Parliament's position The European Parliament (EP) followed the scoping exercise and the negotiations closely from the very outset. In May 2011, the European Parliament adopted a resolution on EUJapan trade relations. The EP stressed that it supports the idea of a free trade agreement between the EU and Japan, and noted that Japanese commitments on the removal of non-tariff barriers and obstacles to market access in public procurement are a precondition for opening the negotiations. In June 2012, the European Parliament adopted a resolution on EU trade negotiations with Japan. In this resolution, the EP requested that the Council deny approval to launch the negotiations until the EP adopted its position on the proposed negotiating mandate. In its resolution of October 2012, the European Parliament concluded that the significant potential of the EU-Japanese commercial relationship has remained unfulfilled, mainly due to the negative effects of Japanese non-tariff barriers on market access opportunities for European businesses. The EP called on the Council to authorise the Commission to open negotiations for the FTA, based on the results of the scoping exercise and clear targets. Moreover, the Parliament also presented a series of recommendations on the Commission's negotiating directives. In April 2014, the European Parliament published a resolution including its recommendation on the negotiations of the EU-Japan ***Strategic*** Partnership Agreement, calling for the timely conclusion of the talks to provide a long-standing framework for a stronger relationship between the two partners. A delegation of the European Parliament's Committee on International Trade (INTA), headed by the INTA Committee chair, Bernd Lange (S&D, Germany), visited Japan in November 2015. The members of the delegation noted that a trade agreement could be hugely beneficial for both economies. The developments of the negotiations were followed closely by the INTA Committee. In 2016-2017, seven meetings were held between the Commission and the Japan FTA Monitoring Group of the INTA Committee, and six meetings between the Commission and the INTA Committee. European Parliament President Antonio Tajani welcomed the adoption of the agreement in principle, stressing that in addition to creating jobs and boosting growth, the agreement signalled that the EU is an ambitious negotiator that sets high-level standards and norms in global trade. Welcoming the agreement, Bernd Lange, chair of the INTA Committee pointed out that, regarding protection of workers' rights and the environment, the final text has to meet the highest standards, and that the right to regulate must be safeguarded in the agreement. The agreement in principle met with mixed reactions from the political groups. Some groups stressed that certain areas, such as public services, are insufficiently protected, or even threatened. The lack of transparency in the negotiation process was also raised. Other groups welcomed the agreement, pointing out the benefits in terms of job creation and economic growth, but also called for the fulfilment of further conditions, such as the involvement of the Parliament. EPRS EU-Japan free trade agreement within reach Members' Research Service Page 7 of 12 Advisory Committees In October 2014, the European Economic and Social Committee (EESC) adopted an opinion on the role of civil society in the EU-Japan FTA. The EESC was in favour of an EUJapan FTA, but stressed that the economic, social and environmental impact in Europe should be assessed and that if needed, mitigating measures should be taken. It put forward a series of recommendations, underlining for example the importance of addressing non-tariff barriers to trade, and preserving environmental, social, health and cultural standards. The EESC requested the inclusion of a chapter on trade and sustainable development, to ensure a key monitoring role for civil society. It also recommended that each partner should establish a domestic advisory group, and that a joint consultative body should be set up in the framework of the agreement. Preparation of the agreement In 2009, Ecorys3 and the Swedish Board of Trade both ***produced*** economic studies analysing the potential impact of trade liberalisation between the EU and Japan. The Copenhagen Economics study assessing the trade and investment barriers between the EU and Japan was undertaken for the European Commission and published in 2010. The Commission presented an impact assessment report in 2012, in advance of the decision to request a negotiating mandate for an FTA. The 2016 Trade SIA analyses the potential economic, social, human rights and environmental impacts of the agreement. Negotiation process and outcome Negotiation process It was agreed to begin preparations for both a bilateral trade agreement and a political framework agreement at the 20th EU-Japan Summit in May 2011. To this end, a scoping exercise4 was conducted to define the scope of coverage and the level of ambition of the trade agreement. During the exercise, the parties established an ambitious negotiation agenda. They also agreed on roadmaps for the removal, in the context of the negotiations, of a number of non-tariff trade barriers, and on opening up the Japanese rail and urban transport market to EU suppliers. The Japanese party accepted that tariffs can be phased out only in parallel to the removal of regulatory barriers. The scoping exercise concluded in May 2012, and the Commission asked the Council to authorise the opening of the talks on the EU-Japan FTA the following July. The European Parliament supported the opening of negotiations by adopting a resolution in October 2012. Based on the negotiating directives adopted by the Council on 29 November 2012, the negotiations were officially launched in March 2013, and the first round of negotiations was held in April 2013. In accordance with the negotiating directives, the Commission reviewed the negotiation process one year after the beginning of the negotiations. It was decided to continue the talks. Since the launch of negotiations in 2013, 18 negotiating rounds have been held, the most recent in April 2017. Despite significant progress in these rounds, there were several sticking points, including trade in ***agricultural*** and processed ***agricultural*** products, services, investment, public procurement, non-tariff measures and the protection of GIs. In the past few months, the two negotiating teams were in regular contact, to allow negotiations to proceed as quickly as possible, and several meetings at the political level took place to clear the way for an agreement in principle between the EU and Japan. On 6 July 2017, at the 24th EU-Japan Summit, leaders reached a political agreement in principle both on the FTA and on the ***Strategic*** Partnership Agreement. On this occasion, EPRS EU-Japan free trade agreement within reach Members' Research Service Page 8 of 12 a joint summit statement was issued. The leaders of the EU and Japan stressed that the agreement in principle sends a strong message against protectionism and further promotes free trade. The free trade agreement is being negotiated in parallel with the EU-Japan ***Strategic*** Partnership Agreement, with the two creating a strengthened overall framework for bilateral relations. Scope of the negotiations To accommodate the different interests, balanced compromises were required. For example, ***agriculture*** was a contentious issue between the parties. The EU was ready to consider options for the treatment of sensitive Japanese products, such as sugar and rice, while striving for better market access for its products, for example wine and cheese. On the other hand, Japan expected the EU to lower its tariffs in certain manufacturing sectors, such as machinery and electronics, which are main export areas for Japan. Following the announcement of the agreement in principle, negotiations on the outstanding issues will continue. In some chapters, technical issues remain to be resolved. In the case of other chapters, i.e the chapters on regulatory cooperation and investment protection, further discussions are needed to achieve a final text by the end of 2017. Concerning the chapter on investment, the EU is pursuing the inclusion of the Investment Court System (ICS). The outcome of the agreement in principle on the FTA The outcome of the agreement in principle on the FTA On 6 July 2017, the Commission published a document summarising the outcome of the negotiations at the time of the agreement in principle. The Commission also published the text of several chapters which are, in principle, agreed. However, the Commission pointed out that as the negotiations are not yet concluded, the description of the results achieved should be considered provisional. Some of the main elements of the agreement in principle can be summarised as follows. On entry into force of the agreement nearly all customs duties (91 % of EU exports to Japan) paid by EU companies will be removed, but the level of liberalisation will rise to 99 % at the end of the staging period. All duties on industrial products will be fully liberalised, with transitional periods. Over time, approximately 85 % of agri-food products (in tariff lines) exported by the EU will enter Japan duty-free. In the case of the EU's major ***agricultural*** exports, such as pork, duties will be eliminated or significantly reduced. For beef, tariffs will be cut over time. As regards cheese exports, hard cheese tariffs will be phased out, while for soft and fresh cheese, annual duty-free tariff-rate quotas will be opened. Some processed ***agricultural*** products, such as pasta and chocolate, will enjoy duty-free entry to the Japanese market over a transitional period, while preferential quotas will be introduced for other processed products, such as butter and whey. From day one, tariffs on wine will also be eliminated. The agreement will also protect 205 GIs on the Japanese market. The EU will liberalise 75 % of its imports from Japan at the entry into force of the agreement. Over a 15 year period, this will increase to close to 100 %. As regards the automotive sector, a key exporting sector for Japan, once the transition periods expire, markets will be opened. The phasing-out period is seven years for Japanese automobiles, and in the case of car parts, this period varies from immediate tariff elimination to seven years. EPRS EU-Japan free trade agreement within reach Members' Research Service Page 9 of 12 The agreement also addresses non-tariff measures, for instance it ensures the full alignment of the parties to the same international standards in the automobile sector. As regards sanitary and phyto-sanitary (SPS) measures, the EU and Japan have agreed, among other things, to simplify approval and clearance processes. The agreement will create new opportunities in a range of sectors. For instance it will make it easier for EU companies to provide services on the Japanese market, particularly in sectors such as telecommunications, while safeguarding the right to protect public services. Moreover, it will open up Japanese public procurement markets at local level, guaranteeing non-discriminatory access for EU companies to government contracts in 48 large Japanese cities. The EU agreed to reciprocate by likely commitment at subcentral level. The EU has also obtained greater access to railway procurement in Japan. As regards data protection, the EU and Japan ***plan*** to complete a dialogue on reaching 'adequacy decision' by early 2018, to facilitate the transfers of personal data for commercial exchange, while reinforcing the highest level for the protection of data. A joint declaration on this issue was also published. The changes the agreement would bring The three independent studies analysing the potential impact of trade liberalisation between the EU and Japan (by Ecorys and the Swedish Board of Trade in 2009, and by Copenhagen Economics in 2010) suggest that the EU will not reap significant benefits from the liberalisation of tariffs, even when it is coupled with modest NTM reduction. Considerable benefits to the EU require significant NTM reductions in addition to reductions in tariffs. Trade and Sustainable Development (TSD) Chapter Although the reference to the principle of sustainable development in the EU FTAs appeared in the 1990s, a separate TSD chapter addressing labour and environmental issues was included for the first time in the EU-South Korea FTA which came into force in 2011. EU FTA law is evolving to strengthen this chapter. For instance, while the early European Community (EC) agreements (such as association agreements and FTAs) contained dialogue and cooperation-only provisions, under the EU-Cariforum EPA an additional monitoring provision appeared for the first time. Later, the EUSouth Korea agreement introduced a two stage dispute settlement process: consultation, and setting up a panel of experts to help to find a solution. In the meantime, the provisions on trade and environment dialogue were also reinforced as fully fledged commitments. However, mainly due to EU opposition, the chapter is not yet included under the scope of the state-to-state dispute settlement mechanism, and there are no sanctions for violation of the rules. This aspect is one of the grounds for strong criticism of the agreement. Other concerns are related, for instance, to the selection process for civil society representatives taking part in the domestic advisory groups, and to the enforceability of civil society representatives' comments, and of the panel of experts' recommendations. In its resolution of October 2012, the European Parliament demanded that a 'robust and ambitious' chapter on sustainable development be included in the FTA. In answer to a parliamentary question in August 2016, Trade Commissioner Cecilia Malmström confirmed the EU's intention to conclude an ambitious TSD chapter in the EU-Japan FTA. According to the documents published on 6 July 2017, the chapter dedicated to sustainable development is in line with the level of ambition of other chapters included in recent EU trade agreements. The chapter protects the EU's right to regulate and sets out the parties commitments to effectively implement the obligations in the field of labour and environment. Japan has still to ratify two of the ILO's core conventions and the chapter contains an obligation for Japan to make progress towards ratification. The chapter also includes a specific commitment to the implementation of the Paris climate agreement. EPRS EU-Japan free trade agreement within reach Members' Research Service Page 10 of 12 The impact assessment report presented by the Commission in 2012 estimated that, depending on the different FTA scenarios, EU exports to Japan would increase by 22.6 %-32.7 %, and Japanese exports to the EU would increase by 17.1-23.5 %. It predicted GDP increases for the EU of 0.34 % to 1.9 %, again depending on the various FTA scenarios. According to the Trade SIA of 2016, the EU-Japan Free Trade Agreement would generate a larger aggregated GDP growth than that expected for the EU-Korea FTA. In the long term, the FTA is expected to boost the EU economy by 0.76 % of GDP, under a symmetrical scenario. In the EU, 55 % of all export gains would come from the food, feed and processed food sector, while in Japan, 47 % of all export gains would be registered in the motor vehicles sector. Export gains in the service sector are assessed at 5 % for the EU and 1 % for Japan. With regard to the Member States, Denmark, France, Italy, the Netherlands and Spain are currently amongst the largest exporters of food and feed to Japan. Several studies, including the 2012 European Centre for International Political Economy (ECIPE) policy brief, underline the ***strategic*** importance of an FTA between the EU and Japan, and of the TTIP between the EU and the USA. These agreements would provide similar gains for the EU, having a macroeconomic impact ranging from 0.1 % to 2 % each The most recent Commission estimates set out that overall EU exports to Japan could increase by up to 24 %. For processed food products, the increase could be even more significant; exports could rise by up to 180 %. For other sectors, such as chemicals and machinery, major new opportunities can be expected (the predicted increase of exports of chemicals is up to 22 %, and of electrical machinery up to 16 %). EU companies will save up to €1 billion annually as a result of the removal of a vast majority of customs duties. Stakeholders' views The idea of an EU-Japan FTA met with mixed reactions from industry. The EU-South Korea FTA took effect in July 2011. Subsequently, there was a rapid increase in the number of imported cars in the EU. Therefore, the European automobile industry, especially French and Italian car manufacturers, feared a similar increase in the import of Japanese cars, and were sceptical about easier access to the Japanese market for European businesses. Other sectors, such as the agri-food, chemical, pharmaceutical and ICT (information and communications technology) industries, supported the initiative to conclude the agreement, considering it a key opportunity for market access and trade liberalisation. In 2016, in a joint letter, major representatives of both European and Japanese businesses called for the conclusion of the agreement as early as possible. The Japanese trade unions and the European Trade Union Confederation (JTUC-RENGO and ETUC) published a joint statement on the EU-Japan FTA, asking for a commitment from the EU and Japanese negotiators to achieve an agreement that contributes to the creation of quality jobs, sets up a monitoring mechanism, including social partners and civil society, and protects workers. In the process of finalising the European Commission's impact assessment report from 2012, the stakeholder input and feedback was also analysed and taken into account. The 2016 Trade Sustainability Impact Assessment contains a chapter on stakeholder consultations. The European Economic and Social Committee was partly involved in carrying out this extensive consultation, which was conducted at multiple levels. EPRS EU-Japan free trade agreement within reach Members' Research Service Page 11 of 12 Following the announcement of the agreement in principle, BusinessEurope, representing European national business federations, welcomed the deal, as did the European Services Forum, the voice of European services sectors. Copa and Cogeca, representing farmers and agri-cooperatives in the EU; CELCAA, an umbrella organisation for EU organisations covering trade in ***agricultural*** products; and FoodDrinkEurope, expressed the view that an ambitious trade deal will be beneficial for the European agrifood chain. According to the press agency Agence Europe, the Greenpeace NGO was critical about the agreement in principle, expressing concerns regarding transparency and social and environmental protection. Signature and ratification process Once the negotiations are concluded and the final text adopted, the agreement will enter into force when the approval and ratification procedure established for international trade agreements is completed. The European Parliamen

t will have to give its consent so that the Council can conclude the agreement. It is still not known whether the agreement will be concluded as a mixed agreement, requiring that all Member States ratify at national level, or as an exclusive EU agreement, for which EU level ratification will be sufficient. This decision on the nature of the agreement will be influenced by the opinion of the European Court of Justice on the allocation of competences between the EU and the Member States, issued in relation to the EU-Singapore FTA. The European Commission aims to complete legal revision and translation into all EU official languages of the finalised text by mid-2018, with the expected entry into force of the agreement ***planned*** for early 2019. EP supporting analysis E. D'Ambrogio, EU-Japan: forging ***strategic*** ties, EPRS, 2014. J. Matthes, Towards a Free Trade Agreement with Japan? Policy Brief for the European Parliament, Cologne Institute for Economic Research, 2012. F. de Ville, J. Orbie, L. Van den Putte, TTIP and Labour Standards, Directorate-General for Internal Policies, Study, 2016. M. Armanoviča, Trade and economic relations with Japan: assessing the hurdles to the FTA, Directorate-General for External Policies, Briefing, 2012. Other sources Impact assessment report on EU-Japan trade relations, European Commission, 2012. Trade Sustainability Impact Assessment of the Free Trade Agreement between the European Union and Japan, Final report, Directorate General for Trade, European Commission, 2016. D. Wnukowski, EU-Japan Free Trade Agreement: Opportunities and Challenges for Businesses in the CCE, The Polish Institute of International Affairs, 2015. C.G Alvstam, R. Nakamura, EU-Japan Free Trade agreement negotiations - Stuck between TPP and TTIP?, The 31st Annual Conference of the Euro-Asia Management Studies Association, Thammasat University, Bangkok, 2014. EU-Japan EPA – The Agreement in Principle, European Commission, 2017. EPRS EU-Japan free trade agreement within reach Members' Research Service Page 12 of 12 Endnotes 1 '[All non-price and non-quantity restrictions on trade in goods and services. This includes border measures (customs procedures etc.) as well as behind-the border measures flowing from domestic laws, regulations and practices)' (Source: Assessment of barriers to trade and investment between the EU and Japan, Copenhagen Economics, 2009). 2 ISDS allows foreign investors and companies to bring governments to court inter alia for state actions that result in direct or indirect expropriation of an investment. 3 Ecorys is an international company providing research, consultancy and management services. For more information, see the Ecorys website. 4 'The scoping exercise is a series of informal dialogues with the other country (countries, if the agreement is interregional) on the broad lines of what could be the content of the negotiations between the parties.' (Source: A guide to: EU procedures for the conclusion of international trade agreements, EPRS, forthcoming). Disclaimer and Copyright The content of this document is the sole responsibility of the author and any opinions expressed therein do not necessarily represent the official position of the European Parliament. It is addressed to the Members and staff of the EP for their parliamentary work. Reproduction and translation for non-commercial purposes are authorised, provided the source is acknowledged and the European Parliament is given prior notice and sent a copy. © European Union, 2017. [*eprs@ep.europa.eu*](mailto:eprs@ep.europa.eu) [*http://www.eprs.ep.parl.union.eu*](http://www.eprs.ep.parl.union.eu) (intranet)   [*http://www.europarl.europa.eu/thinktank*](http://www.europarl.europa.eu/thinktank) (internet)   [*http://epthinktank.eu*](http://epthinktank.eu) (blog)

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HINA Digest

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**Body**

Zagreb, 05 October 2017 (Hina) - Croatia and Germany agree business cooperation to strengthen defence industriesZAGREB, Oct4(Hina) - Croatiaand Germany have agreed on business cooperation for the purpose of boosting the connections between their respective defence industries, Croatian Defence Minister Damir Krsticevic said on Wednesday after receiving his German counterpartUrsulavon der Leyen in Zagreb.The German minister said at their joint news conference that her country "canalways rely on Croatia".Ursula von der Leyen is the first German defence minister to have visited Croatia in the last 10 years.During her stay, the German official, accompanied by her host, sawan exhibition of tactical and technicalequipment and weaponry of the Croatian armed forces and products of Croatian companies in the defence sector.Krsticevictold the news conference that they had agreed business cooperationbetween their countries' defence industries.It was a pleasure to gain an insight into Croatia'smilitary industry which we must put in a broader European context as those are small and medium-sized companies that take an important niche in the European economy, Ministervon der Leyen said.The two ministers expressed satisfaction with the current cooperation in many areas includinginternational peace missions in Afghanistan and Kosovo and in aEuropean Union combat group."I will use this opportunity to express my respect for Croatia's high engagementbothin NATO and in theEUconcerning the engagement of Croatian soldiers in those missions," the German minister said.Croatia's troops will soon be deployed in a combat group under the German command in Lithuania within a NATO-led mission."This is aconfirmation of our friendship and alliance," Krsticevic said.

Croatia perceives Germany as "a key European partner in the areas of defence and security."The German minister spoke about the importance of the mission in Lithuania as a good opportunityfor joint exercises of the Croatian and German troops.Krsticevic and his guest discussed ***plans*** for 2020 when Croatia takes over the EU presidency in the first halfand Germany in the second half of theyear.The two ministers agree that the EU needs a joint defence policy and stronger information exchange in efforts to address new security challenges.Croatian PM, German defence minister confirm good partner relationsCroatian Prime Minister Andrej Plenkovic on Wednesday met with German Defence Minister Ursula von der Leyen and said Germany was Croatia's number one partner in defence and security, Plenkovic's office said in a press release.Germany and Croatia are members of NATO and the European Union and have very good and friendly relations, it was confirmed at the meeting, which was also attended by Croatian Defence Minister Damir Krsticevic and the military deputy chief-of-staff Lt. Gen. Drago Matanovic.The intensive defence cooperation, inpeace missions andoperations, the building of defence capabilities and in military technology, makes up an important part of the relations between the two countries, Plenkovic said.Croatia and Germany are committed to European goals and security in the EU as well as in NATO, the press release said.Under a Croatian parliament decision of June 30, Croatian troops will take part in NATO's increased presencein Lithuania as of December in a combat group led by Germany, whereby Croatia is showingsolidarity and responsibility for the collective security inthe Euro-Atlantic space.Minister says Croatia to have 12 new combat jets by 2022ZAGREB, Oct 4 (Hina) - Croatian Defence Minister Damir Krsticevic said on Wednesday that Croatia would have 12 multi-purpose combat aircraft by 2022, and that the key parameters for their selection would be their characteristics and performances, their price and an accompanying inter-state agreement and package on economic cooperation.ByOctober 3, the Defence Ministry received four offers for the procurement of multi-purpose combat aircraft - from the USA, Israel, Greece and Sweden. A decision on which country Croatia will enter into a deal is to be known in two months' time."The United States is offering a new F16 jet, Israel is offering a used F16C jet, Greece a used F16C jetand Sweden new Grippen jets," Krsticevic said after talks with the visiting German Foreign Minister Ursula von der Leyen.Krsticevic said that the deadline for the purchase of the planes was 2020, when Croatia would chair the EU for the first time and when the 25th anniversary of Operation Storm would be marked."We intend to show then two combat jets, flown by Croatian pilots," said Krsticevic.He added that six more jets would be bought in 2021 and another four in 2022, and that the Air Force would have 12 combat jets in total.Croatian defence minister talks transit of US weaponsZAGREB, Oct4(Hina) - Croatian Defence Minister DamirKrsticevic on Wednesday commented on media reports about the Pentagon's military shipments to the Middle East via Rijekaairport in Croatia, saying the US was "our key partner and ally and that it helped us a lot in the whole process of joining NATO and the EU."Responding to questions from the press, Krsticevic said Croatia cooperated with its friends and allies and that he visited the Pentagon a couple of months ago, where he held talks with US Defence Secretary Jim Mattis. He said Mattis told him Croatia's 1995 military Operation Storm "was a superlative operationcarried out by an excellently prepared and trained army with excellent political guidelines."The Balkan Insight portal said yesterday Rijeka airporton the Croatian island of Krk"has become an important but unofficial logistical base for Pentagon shipments to the Middle East, likely including arms for Syrian rebels.""Since April, ten flights have been operated by Pentagon-commissioned air carriers between Rijeka and the US's airbase in Qatar...with the last taking off on September 25," the portal said."Rijeka’s transformation into a hub for military flights came after the US stopped supplying former Eastern Bloc arms to Syria through military bases in Germany."Krsticevic said the German defence minister was visiting Croatia today and that her counterparts from Poland, Israel and Sweden had done so recently. "We are cooperating with our partners within the partnership framework," he said, adding that Croatia'sinfrastructure was being used through the cooperation "under all international agreements and ***programmes***."According to the Balkan Investigative Reporting Network,the Pentagon stopped transferring weapons acrossGermany in December because Berlin had become "very sensitive"about the deliveries.Krsticevic would not comment on why Germanyrefused that job, then taken by Croatia, telling reporters they should have put the question to the German defence minister.Ivica Nekic, president of the state agency Alan, which imports and exports weapons, said it was normal for Croatia to have taken that job because it was crossed by alltransport corridors. "I assure you those goods travel under all Croatian and international laws, they haveall the permits, they go where they can go under international law."He dismissed reports that the shipments were for Syria asunfounded. "Notjust the Americans, but all our NATO partners, as well as countries outside the alliance, drive through Croatia, and this has happened before... Everything is done under the law and all the assumptions you can readabout are not true."Croatian and Bosnian chiefs of staff talk military cooperationZAGREB, Oct 4 (Hina) -The army chiefs of staff of Croatia and Bosnia and Herzegovina, General Mirko Sundov and Lieutenant-General Anto Jelec respectively,met in Sarajevo on Wednesday and announced the strengthening of military cooperation between the two countries.Sundov and Jelec headed their respective military delegations at a regular joint meeting to analyse current cooperation which was assessed asvery successful."This visit confirms that good cooperation and we wish to emphasise how important it is," General Sundov told reporters, adding that in existing conditions mutual support from neighbours was of the greatest possible significance.He recalled that the results of the cooperation were visible through various joint activities, particularly in their joint participation in peace missions like that in Afghanistan, where military police from Croatia and BiHcooperate closely.He added that Croatia is actively assisting Bosnian armed forces through education and training, including ***programmes*** offered by the Franjo Tudjman Military Academy in Zagreb."We remain open to cooperation in all those fields, particularly through the Adriatic Charter," Sundov said, underscoring that that initiative, which is developing with significant support from the USA, significantly helped Montenegro and Albania to join NATO.There is some dispute in Bosnia and Herzegovina whether it should become a member of NATO, as authorities in the Republika Srpska entity insist on military neutrality, but Sundov saidCroatia will continue to provide support to Bosnia and Herzegovina to achieve those standards required to draw closer to NATO.Bosnia's main objective - to activate MAPGeneral Jelec said that Bosnia and Herzegovina's main objective in the current circumstances was to activate the Membership Action ***Plan*** (MAP) for NATO, stressing that concrete steps in that regard could be expected bythe end of the year.Activating MAP depends on registering military facilities such as barracks, warehouses and so on in the state's name. However, that process is being hampered by authorities in the Serb entity whichinsistthat they belong to the entity and should be "leased" to the armed forces.Jelec thanked the Croatian army for the cooperation to date and that it was "substantial, concrete with a cleardirections for action." He saidthat cooperation would continue in the future and announced new joint military exercises in 2018.Bozinovic, Avramopoulos talk Croatia's Schengen entryZAGREB, Oct4(Hina) - Croatian Interior Minister Davor Bozinovic said on Wednesday he told European Migration, Home Affairs and Citizenship Commissioner Dimitris Avramopoulos that Croatia would do everything to be technically ready by the end of 2018 for entering the Schengen Area.The two officials met in Zagreb. "I confirmed to the commissioner that Croatia will do everything to meet the remaining requirements, to ensure the full application of the Schengen acquis communautaire and achieve technical readiness by the end of next year, thus justifying the adoption of the appropriate political decision," Bozinovic told reporters.He said they agreed it would be good ifa decision to that effect was adopted by the end of the termof the incumbent European Commission, which expires in May 2019. He said EC President Jean-Claude Juncker's support in his state of the EU address on September 13 and Avramopoulos's constant support were evidence of that.Bycontinuing the successful cooperation, we will keep working on the realisation of that ***strategic*** Croatian government as well asEU goal, Bozinovic said.He said he informed the commissioner of Croatia's efforts to continue implementing targeted checks on the border crossings with Slovenia and Hungary.After an agreement by the Croatian and Slovenian prime ministers, with Juncker's help, we introduced targeted checks this past summer which proved to be justified because the lines at the border crossings were not bigger than usual at that time of year, Bozinovic said, adding that Croatia informed the EC today that it was ready to keepthe targeted checks on the Slovenian border until January 15 so as to be ready for congested traffic during the Christmas and New Year holidays.The two officials also discussed migration. Bozinovic said Croatia was meeting the relocation and resettlement obligations it undertook in 2015.He said Croatia firmly believed that in dealing with migration, the European response must be based on solidarity and responsibility.As for the western Balkan migration route, he said the pressure was constantly dropping since the EU and Turkey had reached an agreement and that one was free to say the numberof migrants would not increase.Avramopoulos said Croatia was not just another European country but a key member and a very important partner when it came to migration, border control and security matters.Regarding migration, we have made bigprogress in the past couple of years at EU level, resulting in a significant drop in the number of arrivals, but we must not forget that Italy and Greece remain under pressure, which is why relocation must continue, he said.He said Croatia was achieving good results on the journey towards the Schengen Area, thanking the Croatian government forits cooperation.Croatia has done a very good job. We are working togetherwith Croatia so that the criteria are met as soon as possible. When Croatia has metthem, the European Council will decide. It's in our common interest that Croatia join Schengen as soon as possible, he added.Avramopoulos described as excellent the Croatia-Slovenia border cooperationsincethe new control system was installed. The new rules are being enforced smoothly and Croatia's access to the Schengen Information System on June 27 was key for that.He was also received by Prime Minister Andrej Plenkovic.FinMin without comment on alleged concealed debt of AgrokorZAGREB, Oct 4 (Hina) - Finance Minister Zdravko Maric on Wednesday declined to comment on media reports saying that the Agrokor food conglomerate had concealed a debt of three billion kuna in its balance sheets.Asked by the press if he had been aware of this debt, Maric said that he was not involved in current processes and activities relating to Agrokor and could not comment on the media reports or anything that had to do with the company's audited financial statements for 2016."As for the years that preceded that and especially the time when I was an Agrokor employee, as I have noted several times before, the preparation of financial statements was not my responsibility and I cannot comment on that," Maric said.Asked if, considering the fact that he had worked with Agrokor, he expected to be invited to testify in possible court proceedings in the Agrokor case, he said he would not speculate about further steps.Press reports said on Wednesday that the ongoing audit at Agrokor had found 3 billion kuna worth of invoices for the conglomerate's costs and liabilities between 2010 and 2015 which were not recorded in the financial statements and balance sheets, which made it possible for Agrokor to report a higher profit than it actually was. Media said that the Dutch-based Adria Group Holding benefited the most from it.Adria Group Holding holds 95% of Agrokor shares and is owned by the Agrokor Projekti company, which in turn is owned by Ivica Todoric, the founder of Agrokor.Later on Wednesday, Todoric denied media reports on concealed debts.Interior minister comments on Agrokor claims made by his predecessorZAGREB, Oct 4 (Hina) - Interior Minister Davor Bozinovic said on Wednesday he was afraid that some people do not understand what it isthat the police do, commenting on a statement by his predecessor Vlaho Orepic, who told the Globus weekly that Prime Minister Andrej Plenkovic did not want anyone from Agrokor to be arrested before local elections."Everyone should know, especially office holders, that the interior minister is not thechief of police," Bozinovic told the press after talking withEuropean Commissioner for Migration, Home Affairs and CitizenshipDimitris Avramopoulos.Bozinovic said that everything pertaining to the launching and conducting of investigationswas exclusively within the jurisdiction of the Police Directorate, while all activities pertaining to the Agrokor groupare coordinated by the Chief State Prosecutor's Office. Bozinovic said this cooperation was very good.Orepic told the latest issue of the Globus weekly that it had beensuggested to law enforcement agencies not to carry out arrests before elections. Asked who made those suggestions, Orepic said that Prime Minister Andrej Plenkovic felt the need to underscore he did not want to see anyone arrested before local elections.The Free Croatia non-parliamentary party on Wednesday pressed criminal charges against PM Plenkovicfollowing Orepic's interview with Globus.Cvitan: Agrokor commission of inquiry won't hinder prosecutors' workZAGREB, Oct 4 (Hina) - Chief State Prosecutor Dinko Cvitan said on Wednesday that the establishment of a parliamentary commission of inquiry for alleged murky dealings in the private Agrokor food and retail group would not obstruct the work of the prosecutorial authorities."I do not think that the future commission of inquiry, if it is going to be established, will hinder our work," Cvitan told reporters after a session of the parliamentary judiciary committee whom he informed of the DORH performance in 2016."The commission is expected to address some other aspects whereas we will deal with the facts in relation to the establishment of possible criminal accountability of participants in all those (suspicious) dealings."Cvitan said that he did not know what could be the findings of the audit reports for Agrokor's performance in 2016 and in the first nine months of this year, which are to be released on Thursday.The findings will be important for the assessment of the circumstances of the entire case, he added.An investigation is under way in this case, Cvitan said.This May, the government set aside an additional 5 million kuna to DORH for the further costs in connection with the investigation into the alleged irregularities in Agrokor.The parliamentary judiciary committee took note of Cvitan's report on the DORH performance in 2016 when the prosecutirial system employed a total of 1,731 workers.SDP chief insists on commission for AgrokorZAGREB, Oct4(Hina) - Social Democratic Party (SDP) leader Davor Bernardic on Wednesday called for forming a parliamentary commission of inquiry for the ailing Agrokor concern as soon as possible, warning that the entire country, including its pension system,was at risk because of Agrokor and that it was of the utmost importance to form the commission."The commission is in Croatia's interest andin the interest of every fifth worker in Croatia. Every job in every family may be jeopardised by Agrokor's debt. The entire country and its pension system are at risk because of Agrokor and that is why it's imperative that the commission be formed," he said.Unlike his party colleague Arsen Bauk, who has been involved in talks with the ruling HDZ party on the formation of the commission and who claims that four-fifths of the agreement on it have been reached, Bernardic says that by setting conditions for the commission "the HDZ is manoeuvring and hiding the truth" and that PM Andrej Plenkovic's government is hiding from problems.Asked to comment on Plenkovic's statement that Bernardic had responded to the Agrokor crisis by taking a selfie with a sour cabbage head sold in Agrokor's Konzum retailer, Bernardic said that he would always "choose cabbage over vulture funds, cabbage is good for treating anaemia," an allusion to Plenkovic's having been exempted from military service on account of anemia.Reporters also asked the SDP chief for a comment on the postponement of Serbian President Aleksandar Vucic's visit to Zagreb, to which he said that rather insulting comments had arrived from Serbia, which "should be condemned, but they came from irrelevant people in Serbia and the Serbian government"."We are responding to statements by ministers who lack any credibility in Serbia itself," Bernardic said, adding, "Ever since diplomats have been leading this country our relations with our neighbours have never been worse."Agrokor emergency administration to release audit reports ThursdayZAGREB, Oct 4 (Hina) - The Agrokor emergency administration will present the most important findings of audit reports on the performance of the debt-laden group for key individual companies within the group on Thursday, while a report for Agrokor d.d. and a consolidated financial report for the Agrokor Group will be released on Monday, Agrokor officials confirmed Wednesday.Agrokor officials announced a news conference for 1500 hrs Thursday when the emergency administration is expected to present the main findings of audit reports for key individual companies operating within the food concern, with the exception of Agrokor d.d.Audit reports for Agrokor d.d. as well as the revised consolidated financial report for the Agrokor Group will be presented to the concern's temporary creditorscouncil at noon on Monday, after which it will be released to the public, Agrokor officials said.The audit reports are being prepared by PricewaterhouseCoopers (PwC).The court-appointed emergency management said in May that the debt of the whole group might be even 40 billion kuna.In late April, Agrokor stated that having carried out preliminary checks in close cooperation with its consultants, the Group had established that mistakes could have occurred in the group's financial statements, and that it ***planned*** to appoint PricewaterhouseCoopers (PwC) as its auditor for 2016."The Group has established, in preliminary checks and in close cooperation with its consultants, that there could be mistakes in its (financial) statements. The checks are continuing. Accordingly, the Group asks that the parties involved do not rely on its financial statements from the past until the checks are completed and the situation is cleared up," read the statement, published on 27 April.The Agrokor Group reiterated at the time that it intended to name PricewaterhouseCoopers (PwC) the auditor of its financial statements in 2016."The appointment will results in the need to prolong the deadline for the publication of audited financial statements for 2016. The Group expects to make further announcements regarding the progress of processes that have been launched in the next 30 days," the ailing food and retail concern said then.(EUR 1 = HRK 7.5)Grabar-Kitarovic: No prerequisites for Vucic's visit for nowZAGREB, Oct4(Hina) - Croatian President Kolinda Grabar-Kitarovic has estimated that at the moment there are no prerequisitesfor Serbian President Aleksandar Vucic's visit to Croatia, ***planned*** to take placeby the end of the year, her office said in a press release on Wednesday.Vucic's arrival in Zagreb has been postponed "because the latest developments and the climate are not conducive to trust-building," the press release said, adding that the two presidents' offices agreed on thepostponement.Croatia-Serbia relations deteriorated recently after a monument was unveiled in Belgrade to former Yugoslav People's Armymajor Milan Tepic, who blew up an ammunitiondepot in Croatia in 1991, killing 11 Croatian defenders, and after Serbian Defence Minister Aleksandar Vulincalled Croatia's Homeland War and theSerbian military aggression against Croatia a civil war.The unveiling of the Tepic monument prompted the Croatian Foreign Ministry to deliver a strongly-worded protest note to Serbian Ambassador Mira Nikolic, while Vulin's statements were condemned by Croatian Prime Minister Andrej Plenkovic and Defence Minister Damir Krsticevic.President Grabar-Kitarovic said in today's press release she had stated a number of timesthere was no alternative to dialogue in relations with neighbours, including Serbia, and that the signing of the Subotica Declaration had created the prerequisites for resolving outstanding issues.In line with that, talks began on an official visit by Vucicto Croatia and he was invited with a viewto further normalisingrelations and building trust, the press release said.The main goal of the Serbian president's visit to Croatia, when it occurs, must be a positive step forward in dealing with outstanding issues and it must contribute to better relations between the two states, which do not have to be friends but have to cooperate for the sake of their future and the stability of Southeast Europe, the press release said.PM says not yet time for Serbian president's visit to CroatiaCroatian Prime Minister Andrej Plenkovic on Wednesday commented on the cancellation of Serbian PresidentVucic's visit to Croatia, tentatively scheduled to take place by the end of the year,saying that such sensitive visits should occur at an appropriate time."It seems that we should wait a little bit more for that to happen after the most recent statements," said Plenkovic in areference to Serbian Defence MinisterAleksandar Vulin's recent statement that the 1991-1995 war in Croatia was a civil war and to the ensuing protest notes the two countries had exchanged over that.Serbian president's office confirms visit to Zagreb postponedZAGREB, Oct4(Hina) - The visit by Serbian President Aleksandar Vucic to Croatia, which wasannounced for November, has been postponed, Vucic's office confirmed on Wednesday."The Serbian president will not be visiting Zagreb in the near future," the office told the Serbian newspaper Blic.The Croatian and Serbian media reported on Wednesday that Vucic's visit had been postponed indefinitely and that it would most probably not happen this year."The offices of Croatian President Kolinda Grabar-Kitarovic and President Vucic have been in touch but for now there is no information on when the Serbian president could pay an official visit (to Croatia)," the Belgrade-based Vecernje Novosti daily said.Even though the official reasons for the postponement of the visit were not given, it comes at a time when relations between the two countries have become strained again, notably due to an exchange of protest notes prompted by the unveiling in Belgrade of a monument to Yugoslav People's Army (JNA) Major Milan Tepic, who in 1991 blew up an arms depot near Bjelovar, and Serbian Defence Minister Aleksandar Vulin's statement that the 1991-95 war in Croatia was a civil war.Attending Vucic's inauguration in Belgrade in June this year, the Croatian president said that she believed relations between Zagreb and Belgrade had the potential to improve significantly in the future, noting that she considered the readiness of the new Serbian president to contribute to cooperation between the two countries as a preconditionfor that.Vucic, too, believes his visit to Zagreb requires calmer atmosphereVucic believes that he should visit Zagreb when the circumstances of his visit are calmer, the Belgrade electronic media said on Wednesday following reports that Vucic's ***planned*** meeting with Croatian President Kolinda Grabar-Kitarovic could be postponed."President Vucic believes and President Grabar-Kitarovic seems to concur, that it would be better if the visit took place in a different, calmer atmosphere," the Tanjug news agency quoted sources close to the Serbian president as saying.The Belgrade media said that the date of the visit had neither been determined nor confirmed, even though it had been speculated that the two heads of state could meet in Zagreb in November or by the end of the year at the latest.Meanwhile, Grabar-Kitarovic's office said that at the moment there were no prerequisites for a visit by the Serbian president "because the latest developments and the climate are not conducive to trust-building."The Belgrade media said that signals have been coming from Croatia lately "that the Croatian authorities did not takewellstatements by Serbian officials" that were "interpreted as adownplaying of the Serbian aggression on Croatia in the 1990s."Croatia-Serbia relations deteriorated recently after a monument was unveiled in Belgrade to former Yugoslav People's Army major Milan Tepic, who blew up an ammunition depot in Croatia in 1991, killing 11 Croatian soldiers, and after Serbian Defence Minister Vulin called Croatia's Homeland War and the Serbian military aggression against Croatia a civil war.Croatia recalls that it was exposed to a Great Serbian aggression in the 1991-95 war.Dacic: Postponement of Vucic's visit not good for good neighbourly relationsSerbian Foreign Minister Ivica Dacic on Wednesday again voiced opposition to the stance that Croatia had been a victim of a Great Serbian aggression, noting that the postponement of Serbian President Aleksandar Vucic's visit to Zagreb was not good because the wish for good neighbourly relations was not manifesting itself in political activities.Dacic noted at a reception in his ministrythat Vucic's visit would definitely not be of a ceremonial nature as there existed readiness to deal with outstanding issues between the two countries.Dacic wondered how Vucic could go to Zagreb and listen about a Great Serbian aggression without asking the Croatian president "where the 400,000 Serbs who lived in Croatia in 1991 are."He went on to say that Vucic's visiting Zagreb at a time when a law was being passed in Croatia in which local Serbs were being accused of a military aggression would be hypocritical.EC warns Croatia about plastic bags rules and aviation security regulationsZAGREB, Oct4(Hina) - Following its monthly package of infringement decisions, the European Commission on Wednesday sent to Croatia its detailed opinion over a directive on plastic bags and requested Croatia to fully implement EU legislation establishing common rules in the field of aviation security.The Commissionis urging Croatia and Romania to complete the enactment of EU waste legislation into their national laws (Plastic Bags Directive).In view of tackling resource waste and littering, member states had to adopt measures to reduce the consumption of lightweight plastic carrier bags as required by the Plastic Bags Directive by 27 November 2016.The Directive obliges member states to achieve this by putting a price on lightweight plastic carrier bags, and/or introducing national reduction targets. National governments can choose from among a list of measures to achieve the commonly agreed objectives. These include economic instruments, such as charges or levies.Another option is national reduction targets: member states must ensure that no more than 90 of these bags are consumed per person a year by the end of 2019. By the end of 2025, that number should be down to no more than 40 bags per person. Both options may be achieved either through compulsory measures or agreements with economic sectors.It is also possible to ban plastic bags provided those bans do not go beyond the limits established by the Directive in order to preserve free movement of goods within the European Single Market.The Commission verifies by way of priority whether the member states have fulfilled the obligation to transpose this Directive."Today, the Commission sends a reasoned opinion to Croatia and Romania for continued failure to notify the Commission of their measures. These member states now have two months to reply to this reasoned opinion. In the absence of a satisfactory response, the Commission may refer the member states to the Court of Justice of the EU.The Commission also requested Croatia to fully implement EU legislation establishing common rules in the field of aviation security.As per this Regulation, member states have to regularly update their national aviation security legislation. Such legislation defines organisational structures, responsibilities and mechanisms to monitor activities at national airports, vis-à-vis airlines and aviation security-related entities.However, Croatia is still to formally do so. This is a matter of administrative nature that is not linked to security shortcomings. The Croatian authorities now have two months to remedy the situation; otherwise, the Commission may decide to refer the matter to the Court of Justice of the EU.Parliament passes laws on housing loans, animal protectionZAGREB, Oct 4 (Hina) - The Croatian parliament enacted several bills on Wednesday, including those on housing loans and animal protection, but as expected it did not vote on an inquiry commission on the debt-laden Agrokor food conglomerate nor on Constitutional Court judges.The Housing Loan Act, which seeks to additionally protect consumers in taking housing loans, received the unanimous support of all 110 MPs attending. It requires banks to fully inform consumers of all loan costs and to present a detailed calculation of the effective interest rate, and it gives clients two weeks toback out of the contract without specifying reasons. The law also provides for changes to creditworthiness, and says that after the conclusion of the contract credit institutions must not impose any new fees nor increase the ones that existed at the time of conclusion of the contract.With 113 votes in favour and three abstentions, MPs also passed the Animal Protection Act, which bans inappropriate treatment of animals and requires that all animals held in shelters stay there until adoption.The government adopted the amendment by an independent MP demanding that towns and municipalities be allowed to order permanent sterilisation as a way of mitigating the problem of care for abandoned animals. Under the new law, every county will have to set up at least one shelter that will be able to house at least 50 animals.The Homeland War Veterans Bill will receive a second reading.As speculated, MPs did not vote on an inquiry commission on Agrokor nor on Constitutional Court judges. Parliament Speaker Gordan Jandrokovic said that the motions would be put to a vote on Friday provided that an agreement was reached.Pozega county prefect's violence against wife condemned, he is expected to resignZAGREB, Oct 4 (Hina) - The actions of Pozega-Slavonia County Prefect Alojzije Tomasevic, who beat his wife, which was why she requested medical treatment on Monday evening, havebeen met withthe strongest condemnation from all stakeholders on the Croatian political scene and the Croatian Democratic Union (HDZ), of whichTomasevic is a member, has in the meantime dissolved theHDZ branch inPozega-Slavonia County, expecting Tomasevic to resign as prefect.Prime Minister and HDZ leader Andrej Plenkovic said on Tuesday evening that if the information about domestic violence proved correct, Tomasevic had to step down.Plenkovic went on to say that aresignation was not only a political or procedural matter but also a matter of ethics. Tomasevic was elected by secret ballot indirect local elections a few months ago.Plenkovic said on Tuesday evening that the HDZ court of honour would also considerthe eviction of Tomasevic from the party membership.On Wednesday morning, Plenkovic said that Tomasevic's wife had written to the HDZ leadership on 30 May by e-mail about herhusband's violent behaviour, however, the HDZ secretariat had not warned Plenkovic about that e-mail."I am sorry. There are many letters, some of them anonymous and some hard to understand... Obviously, in thatmassof e-mails, the onesent by (Tomasevic's wife) was not recognised by my young aides as relevant," Plenkovic said.However, following the latest incident, the party reacted promptly, he added.Tomasevic's violent behaviour was strongly deplored by parliamentary parties, including the Social Democrats(SDP) and Bridge, whose officials insist on the prefect's prompt resignation. Nongovernmental organisations for women's rights have criticised Tomasevic's behaviour in the strongest terms.The head of the Pozega hospital told Hina on Tuesday evening that a woman accompanied by the police had been admitted totheemergency ward andtreated for a minor injury. The hospital reported domestic violence to the police that acted in line with that report.On Tuesday evening, local police in that eastern Croatian town confirmed Tomasevic's arrest butdeclined to reveal why he wasbrought to the police station.Tomasevic today issued a statement saying that there were many untruths in media reports about his case, admitting that there had been problems in his marriage but that the conflicts between him and his wife had been exclusively verbal.He said that he would continue performing his duties as the county head.Minister believes talks with public sector employees to be completed by Nov 1ZAGREB, Oct4(Hina) - Labour and Pension System Minister Marko Pavic said on Wednesday that talks with public sector workers' unions should start next week, expressing hope that talks with both government employees and public sector employees would be completed on time, by November 1.By November 1, a basic collective agreement is to be agreed with public sector unions as well as government employees' unions, after which negotiations will start on branch collective agreements, which are to be completed by December 1, said Pavic.Public sector unions have said that they will seek a 15.2% increase in wages during the negotiations with the government, which would only restore wages to their level in 2008."The ministry will discuss each of the unions' demands in a well-reasoned way just as the unions will consider our demands," said the minister.With regard to a pension supplement, the minister said that it referred to generations born in 1962 and after, who could retire earlyin 2019 (women) and 2022 (men)."This concerns only those covered by an accelerated pension ***plan*** and there aren't many of these workers, maybe a dozen this year, two dozennext year, but regardless of the small number, the government is responsible and is seeking a solution for them, too, as well as for all the others to come," Pavic said, adding that an integral solution would be adopted before the end of the year.He said the government did not want any rash or across-the-board solutions because the workers concerned are to receive pensions partly from the first pension pillar and partly from the second, which was introduced in2002 and had not been sufficiently capitalised, which was the reason for the introduction of the 27% supplement.Speaking about labour shortages, Pavic said that the biggest demand for workers was in the construction and tourism sectors.A long-term solution to that problem is to adjustthe education system to the needs of the labour market, he said."We are educating young people for non-existing professions and competencies that employers do not need," he said.Commenting on the next tourismseason, he said that employers in that sector were already seeking around 40,000 domestic workers and that they had already started employee training and retraining.Croatia's public debt drops to 81.9% of GDP in JuneZAGREB, Oct 4 (Hina) - Croatia's public debt was HRK 287.3 billion or 81.9% of GDP at the end of June 2017, down by HRK 1.8 billion from the end of 2016, according to data from the Croatian National Bank (HNB).The decrease is "the result of very favourable trends in budget statistics which recorded a slight surplus in the first half of the year," analysts atRaiffeisenbank Austria (RBA) said in a report on Wednesday.The public debt to GDP ratio decreased by 1.8 percentage points, partly thanks to continuing economic growth.However, compared to the second quarter of 2016, public debt increased by HRK 1.6 billion or 0.6%. RBA said that this reflected an increase in the domestic component of public debt, which reached HRK 183.6 billion by the end of June, rising by HRK 9.2 billion or 5.3% over the same time last year.The foreign component of foreign debt decreased by HRK 7.5 billion or 6.7% to HRK 104 billion.The share of the domestic component of public debt in total debt increased to 63.9% at the end of June 2017, compared to 61.1% at the same time last year."The increase in the domestic component of public debt was fuelled by high liquidity and comparably favourable borrowing conditions on the domestic market supported by an expansionary monetary policy," RBA said, adding that this resulted in reducing the country's external vulnerability to foreign market trends.It said that despite the relative improvements in the public debt situation, high debt servicing costs would continue to put pressure on public finance in the time ahead.RBA said that in the present circumstances of economic growth and substantial budget inflows, the general government deficit in 2017 might be lower than initially projected, lingering at about 1% of GDP. As a result, the country should see a decrease in the public debt to GDP ratio.Plenkovic: Trends in ***agriculture*** need to be turned aroundZAGREB, Oct 4 (Hina) - The current trend of decreasing ***agricultural*** production should be turned around, a faster distribution of national and European funding should be ensured and a "from field to table" policy should be promoted to ensure marketing of domestic products, Prime Minister Andrej Plenkovic said at a conference on ***agriculture***, organised by the Vecernji List newspaper and the Agrobiz website, in Zagreb on Wednesday.Plenkovic said that his government wanted to make family-run farms the core of the ***agriculture*** sector and use them to revitalise rural areas and for demographic renewal.He said that the government was working on three key ***agriculture*** bills - on prevention of unfair trade practice, ***agricultural*** land, and family farms.Among many challenges faced by farmers, he cited lack of farmland, natural disasters, decreased production in some of the branches of ***agriculture***, and low purchase prices.A decade of decreasing productionPlenkovic said that Croatia had all the prerequisites for ***agricultural*** production: an abundance of water, unpolluted soil and air, and hard-working people. "We have the knowledge, the will and the finance. So the key question is how to use billions of kuna in incentives to ensure an increase in production," he said, noting that Croatia had been experiencing a fall in ***agricultural*** production for an entire decade."We won't be satisfied until we turn that around," the PM said.Last year, Croatia sold HRK 10 billion worth of food and imported HRK 16 billion, and the last year to record a surplus was 1992, Plenkovic said, adding that farmers' income is also key for the turnaround.He said that HRK 3.3 billion had been paid in direct payments to farmers this year and another HRK 922 million would be paid in advance direct payments next month, 14 percent more than last year.Plenkovic said that he wanted to see domestic, self-sustaining farmers ***producing*** products that would be on a par with imports and accessible to consumers. "In that way we will ensure the sustainability of ***agriculture***, its competitiveness and development," he added.***Agriculture*** Minister Tomislav Tolusic said: "We want a self-sustaining, competitive and smart ***agriculture*** by 2027." He stressed the need to increase the area of irrigated farmland, put as much land as possible to ***agricultural*** use, increase field inspections of the use of incentives, and boost the production of ecological products.Tolusic also noted the importance of using EU rural development funds and the need to ensure basic public infrastructure in rural areas, improve access to the broadband Internet, and enable the development of non-***agricultural*** activities.The conference also discussed the importance of new technologies for ***agriculture*** and its competitiveness, and connecting family farms with the food industry and tourism.Croatian president visits ethnic Croat community in west RomaniaZAGREB, Oct 4 (Hina) - Croatian President Kolinda Grabar-Kitarovic wrapped up her state visit to Romania on Wednesday with a meeting with representative of the Croat community in Caras-Severin County, west Romania.During her three-day visit, Grabar-Kitarovic held talks with Romanian President Klaus Iohannis and other top state officials and Church dignitaries and attended a Croatian-Romanian business forum.Croats started settling in the territory of today's Romania in 14th century and today, the small community of Romanian Croats, which numbers slightly more than 5,000 people, is considered the oldest and linguistically and ethnographically the best preserved Croat minority.Croats in Caras gave the Croatian president a warm welcome and she praised their efforts to preserve their identity.Before visiting Caras, Grabar-Kitarovic attended the signing of a memorandum of understanding between the Croatian Science and Education Ministry and the West University of Timisoara on setting up an office for the Croatian language and literature.In 1991, the Romanian Constitution enabled members of the Croat minority the right to preserve, develop and explore their ethnic identity, the right to education in Croatian, the right to representation in the Romanian parliament, the right to the official use of the Croatian language in courts. There are seven Croatian kindergartens in Romania, five elementary schools (grade 1-4) and another three schools (grade 1-8), as well as one high school, attended by approximately 600 students.Vojvodina NGOs threatened for supporting Catalan referendumZAGREB, Oct 4 (Hina) - Sunday's referendum on Catalonia's independence has inspired several Vojvodina NGOs and activists to once again raise the issue of autonomy for this province in Serbia which has come across anger and threats from Serb nationalists.On Sunday, the League of Vojvodina Social Democrats (LSV)displayedCatalan flags outside its offices in several towns across the province in support of Catalan citizens seeking independence for that Spanish region.LSV leader Nenad Canakwent to Catalonia on Sunday and met with the region's parliament speaker. Vojvodina media reported that both sides were convinced that a referendum is one of the fundamental ways for citizens to express their democratic will.LSV and Canak himself were exposed to threats as a result, particularly by the war crimes indictee and leader of the Serb Radical Party (SRS), Vojislav Seselj.Seselj wrote on his Twitter account: "Things got 'tough' in Catalonia and Spanish police are beating them all. We should be doing the same to Canak before things get 'tough' in Vojvodina."The Vojvodina Party had ***planned*** to hold a march on Thursday, but police in the provincial capitalNovi Sad have estimated that the security of citizens could be jeopardised and the march has been cancelled.The Vojvodina Party, together with the Vojvodina Club, have organised a "Walk for Vojvodina" for three years to mark the events of October 1988 and the 'Yogurt Revolution" when former president Slobodan Milosevic quashed the province's autonomy. The partydemands that Vojvodina be given status of a republic in a federalised Serbia.The Vojvodina Club sharply condemned the violence by Spanish authorities and has criticised Serbian authorities for comparing Vojvodina with Catalonia and accusing them of advocating separatism."The Vojvodina Club is not a separatist organisation but it does want Vojvodina to have its own legislative, executive and judicial authorities within the framework of its constitutionally defined rights," the Club said in a press release.Russia delivers six MiG-29 aircraft to SerbiaZAGREB, Oct 5 (Hina) - Two Russian MiG-29 fighter jets, the last shipment of a six-jet deal, arrived in Belgrade on Wednesday, the Serbian Defence Ministry said in a press release.The planes were delivered two days ahead of schedule. Moscow provided the MiGs at no charge, but their assembly, repair, and refurbishing costs are expected to amount between 180 and 230 million euros.All six aircraft will be displayed in Belgrade during a Liberation Day parade, on October 20. Russian Defence Minister Sergei Shoigu is scheduled to attend. In other news:Economy minister Dalic attends meeting of Croatian-Russian commissionZAGREB, Oct4(Hina) - Croatian Economy Minister Martina Dalic took part in a meeting of the Croatian-Russian commission for economic and scientific cooperation in Moscow on Tuesday, the Economy Ministry reported on its website on Wednesday.Dalic, who co-chairs the commission, said that there was an excellent basis and enough room to further promoteeconomic relations and that the commission's meeting was a step in that direction.The meeting focused on bilateral trade and cooperation in the areas of energy, tourism, and science and technology. The two sides also discussed concrete interests in various areas, including pharmaceutical products, which account for about 50% of Croatia's exports, the shipbuilding industry and the IT sector, the ministry said.With regard to cooperation in the energy sector, special emphasis was placed on the issue of Slavonski Brod, a town in eastern Croatia bordering on Bosnia and Herzegovina and its northern town of Bosanski Brod, where a Russian-owned oil refinery has been causing air pollution which also affectsSlavonski Brod.Support was voiced for the signing of a protocol on cooperation between the Croatian Environmental Protection and Energy Ministry and the Republika Srpska Ministry of Industries, Energy and Mining on a project to convert the existing Slobodnica-Brod pipelineinto a gas pipeline to be used exclusively for supplying natural gas to the Brod Oil Refinery, the ministry said.AmCham holds fundraiser for mine removal projects in Zadar CountyZAGREB, Oct 5 (Hina) - A fund-raising dinner for mine removal projects in Croatia was held in Zagreb on Wednesday by the American Chamber of Commerce (AmCham) in Zagreb, and this year money was raised for mine removal projects in Zadar County.The funds raised will be used for de-mining activities in the area of Benkovac, said AmCham executive director Andrea Doko Jelusic, noting that the US Embassy in Zagreb was the sponsor of the event.AmCham Croatia has been organising similar events for 16 years.During that period, around HRK 9.2 million was raised and the money was used for clearing mines from an area of more than 950,000 square metres in seven counties, Doko Jelusic said, adding that the Wednesday fundraiser was expected to bring in around HRK 200,000.Doko Jelusic noted that mine removal projects were carried out in cooperation with the Croatian Mine Action Centre (HCR).Croatian Minister of the Interior Davor Bozinovic, who attended the event, said that a lot had been done in de-mining efforts in Croatia but that a "lot remains to be done."He said that Croatia was grateful to all who could contribute to helping the country get rid of mines left over from the 1991-95 war.Ex-ambassador to Beijing Ante Simonic - 1st Croat recipient of Chinese Friendship AwardZAGREB, Oct4(Hina) - Former Croatian Ambassador to China Ante Simonic is the first Croatian recipient of the Friendship Award, which is the People's Republic of China's highest award for foreign experts who have made outstanding contributions to the country's economic and social progress.The award was presented to Simonic at a ceremony in Beijing on Wednesday.The award is conferred as part of the celebrations for the National Day of the People's Republic of China (October 1). This year, the award was presented by Chinese Prime Minister Li Keqiang. The ceremony was also attended by PresidentXi Jinping and other top Chinese officials.Ante Simonic is a professor emeritus at the Medical School atthe University of Rijeka.He has published about 300 scientific and technical publications, some of which are cited in leading international journals and 7 books. He was a member of the Croatian parliament in the 1990s and Deputy Prime Minister for science, education, culture, social issues and sports.Simonic received the Chinese award for his contribution to education, medicine, culture, sports as well as for his humanitarian workand strengthening of ties between Croatia and China, the Chinese government said.The Friendship Award was first established in 1950s, when it was awarded to experts from the former Soviet Union and East European countries by the then premier Zhou Enlai and the foreign minister Chen Yi.The award was abolished with the Sino-Soviet split in the early 1960s. After the reopening of China, a new Friendship Award was reintroduced in 1991.Since then, the winners have been selected by the State Administration of Foreign Experts Affairs (SAFEA) under the State Council.Year-on-year industry employment slightly on riseZAGREB, Oct5(Hina) -The number of employees in Croatia's industrial sector in August 2017 increased by 0.3% year-on-year, while stagnating month-on-month, the national statistical office said on Thursday.Overall labour productivity in the sector in the January-August 2017 period rose by 1.9% on the year.The processing industry labour productivity rose by 2.7%, the mining industry saw a 0.1% increase while the sector supplying electricity, gas, steam and air-conditioning recorded an increase of 0.1%.34 Croatian companies sign Diversity CharterZAGREB, Oct4(Hina) - Representatives of 34 Croatian companies and organisations on Wednesday signed the Diversity Charter which obliges them to implement policies of diversity and non-discrimination, and a presentation of the document heard that Croatians most frequently faced discrimination because of their ethnic background and union membership.Croatia is the 19th European country to adopt the charter, it was said at the signing ceremony, organised by the Croatian Business Council for Sustainable Development.The signatories are expected to implement policies that respect diversity, promote the principle of diversity and to report on activities in that area.Among the signatories of the charter are some of Croatia's leading companies and organisations such asINA, Atlantic Grupa, HEP, AD Plastik, EricssonNikolaTesla, Coca ColaHrvatska, Hrvatski Telekom andTele 2, Koncara, Podravka, OTP Banka, Pliva, PrivrednaBankaZagreb and Splitska Banka.ZSE main indices continue to fallZAGREB, Oct4(Hina) - The main Zagreb Stock Exchange indices on Wednesday decreased for the fourth consecutive trading day, the Crobex by 0.22% to 1,801.34 points and the Crobex10 by 0.18% to 1,067.26 points.Regular turnover was a modest HRK 2.9 million, about HRK 5.9 million less than on Tuesday.No stock crossed the million kuna mark and only one turned over more than half a million, the Koestlin food companywhich generated HRK 597,850. It recorded the biggest increase, of 10%, to close at HRK 550 per share.(EUR 1 = HRK 7.%)THIS BULLETIN INCLUDES NEWS ITEMS RELEASED BY 0830 HRS THURSDAY. (Hina) ms Masthead Brief News Bulletin is published by the Croatian News Agency HINA Marulićev trg 1610 000 ZagrebCroatia web:[*www.hina.hr*](http://www.hina.hr) mail: [*hina@hina.hr*](mailto:hina@hina.hr) phone: (+385 1) 48 08 660; fax (+385 1) 48 08 822 Publisher: Branka Gabriela Valentić, DirectorEditor in Chief: Serđo Obratov Bulletin Editor: Marija Šestan

Croatian PM, German defence minister confirm good partner relations

Croatian Prime Minister Andrej Plenkovic on Wednesday met with German Defence Minister Ursula von der Leyen and said Germany was Croatia's number one partner in defence and security, Plenkovic's office said in a press release.

ZAGREB, Oct 4 (Hina) - Croatian Defence Minister Damir Krsticevic said on Wednesday that Croatia would have 12 multi-purpose combat aircraft by 2022, and that the key parameters for their selection would be their characteristics and performances, their price and an accompanying inter-state agreement and package on economic cooperation.

ZAGREB, Oct4(Hina) - Croatian Defence Minister DamirKrsticevic on Wednesday commented on media reports about the Pentagon's military shipments to the Middle East via Rijekaairport in Croatia, saying the US was "our key partner and ally and that it helped us a lot in the whole process of joining NATO and the EU."

ZAGREB, Oct 4 (Hina) -The army chiefs of staff of Croatia and Bosnia and Herzegovina, General Mirko Sundov and Lieutenant-General Anto Jelec respectively,met in Sarajevo on Wednesday and announced the strengthening of military cooperation between the two countries.

ZAGREB, Oct4(Hina) - Croatian Interior Minister Davor Bozinovic said on Wednesday he told European Migration, Home Affairs and Citizenship Commissioner Dimitris Avramopoulos that Croatia would do everything to be technically ready by the end of 2018 for entering the Schengen Area.

ZAGREB, Oct 4 (Hina) - Finance Minister Zdravko Maric on Wednesday declined to comment on media reports saying that the Agrokor food conglomerate had concealed a debt of three billion kuna in its balance sheets.

Later on Wednesday, Todoric denied media reports on concealed debts.

ZAGREB, Oct 4 (Hina) - Interior Minister Davor Bozinovic said on Wednesday he was afraid that some people do not understand what it isthat the police do, commenting on a statement by his predecessor Vlaho Orepic, who told the Globus weekly that Prime Minister Andrej Plenkovic did not want anyone from Agrokor to be arrested before local elections.

ZAGREB, Oct 4 (Hina) - Chief State Prosecutor Dinko Cvitan said on Wednesday that the establishment of a parliamentary commission of inquiry for alleged murky dealings in the private Agrokor food and retail group would not obstruct the work of the prosecutorial authorities.

ZAGREB, Oct4(Hina) - Social Democratic Party (SDP) leader Davor Bernardic on Wednesday called for forming a parliamentary commission of inquiry for the ailing Agrokor concern as soon as possible, warning that the entire country, including its pension system,was at risk because of Agrokor and that it was of the utmost importance to form the commission.

ZAGREB, Oct 4 (Hina) - The Agrokor emergency administration will present the most important findings of audit reports on the performance of the debt-laden group for key individual companies within the group on Thursday, while a report for Agrokor d.d. and a consolidated financial report for the Agrokor Group will be released on Monday, Agrokor officials confirmed Wednesday.

Agrokor officials announced a news conference for 1500 hrs Thursday when the emergency administration is expected to present the main findings of audit reports for key individual companies operating within the food concern, with the exception of Agrokor d.d.

Audit reports for Agrokor d.d. as well as the revised consolidated financial report for the Agrokor Group will be presented to the concern's temporary creditorscouncil at noon on Monday, after which it will be released to the public, Agrokor officials said.

The audit reports are being prepared by PricewaterhouseCoopers (PwC).

The court-appointed emergency management said in May that the debt of the whole group might be even 40 billion kuna.

In late April, Agrokor stated that having carried out preliminary checks in close cooperation with its consultants, the Group had established that mistakes could have occurred in the group's financial statements, and that it ***planned*** to appoint PricewaterhouseCoopers (PwC) as its auditor for 2016.

"The Group has established, in preliminary checks and in close cooperation with its consultants, that there could be mistakes in its (financial) statements. The checks are continuing. Accordingly, the Group asks that the parties involved do not rely on its financial statements from the past until the checks are completed and the situation is cleared up," read the statement, published on 27 April.

The Agrokor Group reiterated at the time that it intended to name PricewaterhouseCoopers (PwC) the auditor of its financial statements in 2016.

"The appointment will results in the need to prolong the deadline for the publication of audited financial statements for 2016. The Group expects to make further announcements regarding the progress of processes that have been launched in the next 30 days," the ailing food and retail concern said then.

(EUR 1 = HRK 7.5)

ZAGREB, Oct4(Hina) - Croatian President Kolinda Grabar-Kitarovic has estimated that at the moment there are no prerequisitesfor Serbian President Aleksandar Vucic's visit to Croatia, ***planned*** to take placeby the end of the year, her office said in a press release on Wednesday.

ZAGREB, Oct4(Hina) - The visit by Serbian President Aleksandar Vucic to Croatia, which wasannounced for November, has been postponed, Vucic's office confirmed on Wednesday.

Vucic, too, believes his visit to Zagreb requires calmer atmosphere

Vucic believes that he should visit Zagreb when the circumstances of his visit are calmer, the Belgrade electronic media said on Wednesday following reports that Vucic's ***planned*** meeting with Croatian President Kolinda Grabar-Kitarovic could be postponed.

Serbian Foreign Minister Ivica Dacic on Wednesday again voiced opposition to the stance that Croatia had been a victim of a Great Serbian aggression, noting that the postponement of Serbian President Aleksandar Vucic's visit to Zagreb was not good because the wish for good neighbourly relations was not manifesting itself in political activities.

Dacic noted at a reception in his ministrythat Vucic's visit would definitely not be of a ceremonial nature as there existed readiness to deal with outstanding issues between the two countries.

Dacic wondered how Vucic could go to Zagreb and listen about a Great Serbian aggression without asking the Croatian president "where the 400,000 Serbs who lived in Croatia in 1991 are."

He went on to say that Vucic's visiting Zagreb at a time when a law was being passed in Croatia in which local Serbs were being accused of a military aggression would be hypocritical.

ZAGREB, Oct4(Hina) - Following its monthly package of infringement decisions, the European Commission on Wednesday sent to Croatia its detailed opinion over a directive on plastic bags and requested Croatia to fully implement EU legislation establishing common rules in the field of aviation security.

ZAGREB, Oct 4 (Hina) - The Croatian parliament enacted several bills on Wednesday, including those on housing loans and animal protection, but as expected it did not vote on an inquiry commission on the debt-laden Agrokor food conglomerate nor on Constitutional Court judges.

ZAGREB, Oct 4 (Hina) - The actions of Pozega-Slavonia County Prefect Alojzije Tomasevic, who beat his wife, which was why she requested medical treatment on Monday evening, havebeen met withthe strongest condemnation from all stakeholders on the Croatian political scene and the Croatian Democratic Union (HDZ), of whichTomasevic is a member, has in the meantime dissolved theHDZ branch inPozega-Slavonia County, expecting Tomasevic to resign as prefect.

ZAGREB, Oct4(Hina) - Labour and Pension System Minister Marko Pavic said on Wednesday that talks with public sector workers' unions should start next week, expressing hope that talks with both government employees and public sector employees would be completed on time, by November 1.

ZAGREB, Oct 4 (Hina) - Croatia's public debt was HRK 287.3 billion or 81.9% of GDP at the end of June 2017, down by HRK 1.8 billion from the end of 2016, according to data from the Croatian National Bank (HNB).

ZAGREB, Oct 4 (Hina) - The current trend of decreasing ***agricultural*** production should be turned around, a faster distribution of national and European funding should be ensured and a "from field to table" policy should be promoted to ensure marketing of domestic products, Prime Minister Andrej Plenkovic said at a conference on ***agriculture***, organised by the Vecernji List newspaper and the Agrobiz website, in Zagreb on Wednesday.

ZAGREB, Oct 4 (Hina) - Croatian President Kolinda Grabar-Kitarovic wrapped up her state visit to Romania on Wednesday with a meeting with representative of the Croat community in Caras-Severin County, west Romania.

During her three-day visit, Grabar-Kitarovic held talks with Romanian President Klaus Iohannis and other top state officials and Church dignitaries and attended a Croatian-Romanian business forum.

Croats started settling in the territory of today's Romania in 14th century and today, the small community of Romanian Croats, which numbers slightly more than 5,000 people, is considered the oldest and linguistically and ethnographically the best preserved Croat minority.

Croats in Caras gave the Croatian president a warm welcome and she praised their efforts to preserve their identity.

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ZAGREB, Oct 4 (Hina) - Sunday's referendum on Catalonia's independence has inspired several Vojvodina NGOs and activists to once again raise the issue of autonomy for this province in Serbia which has come across anger and threats from Serb nationalists.

ZAGREB, Oct4(Hina) - Croatian Economy Minister Martina Dalic took part in a meeting of the Croatian-Russian commission for economic and scientific cooperation in Moscow on Tuesday, the Economy Ministry reported on its website on Wednesday.

ZAGREB, Oct 5 (Hina) - A fund-raising dinner for mine removal projects in Croatia was held in Zagreb on Wednesday by the American Chamber of Commerce (AmCham) in Zagreb, and this year money was raised for mine removal projects in Zadar County.

The funds raised will be used for de-mining activities in the area of Benkovac, said AmCham executive director Andrea Doko Jelusic, noting that the US Embassy in Zagreb was the sponsor of the event.

AmCham Croatia has been organising similar events for 16 years.

During that period, around HRK 9.2 million was raised and the money was used for clearing mines from an area of more than 950,000 square metres in seven counties, Doko Jelusic said, adding that the Wednesday fundraiser was expected to bring in around HRK 200,000.

Doko Jelusic noted that mine removal projects were carried out in cooperation with the Croatian Mine Action Centre (HCR).

Croatian Minister of the Interior Davor Bozinovic, who attended the event, said that a lot had been done in de-mining efforts in Croatia but that a "lot remains to be done."

He said that Croatia was grateful to all who could contribute to helping the country get rid of mines left over from the 1991-95 war.

ZAGREB, Oct4(Hina) - Former Croatian Ambassador to China Ante Simonic is the first Croatian recipient of the Friendship Award, which is the People's Republic of China's highest award for foreign experts who have made outstanding contributions to the country's economic and social progress.

ZAGREB, Oct5(Hina) -The number of employees in Croatia's industrial sector in August 2017 increased by 0.3% year-on-year, while stagnating month-on-month, the national statistical office said on Thursday.

Overall labour productivity in the sector in the January-August 2017 period rose by 1.9% on the year.

The processing industry labour productivity rose by 2.7%, the mining industry saw a 0.1% increase while the sector supplying electricity, gas, steam and air-conditioning recorded an increase of 0.1%.

ZAGREB, Oct4(Hina) - Representatives of 34 Croatian companies and organisations on Wednesday signed the Diversity Charter which obliges them to implement policies of diversity and non-discrimination, and a presentation of the document heard that Croatians most frequently faced discrimination because of their ethnic background and union membership.

ZAGREB, Oct4(Hina) - The main Zagreb Stock Exchange indices on Wednesday decreased for the fourth consecutive trading day, the Crobex by 0.22% to 1,801.34 points and the Crobex10 by 0.18% to 1,067.26 points.

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Zagreb, 15 February 2018 (Hina) - Juncker praises Croatia, says it's already ready to chair EUZAGREB, Feb 14 (Hina) - European Commission President Jean-Claude Juncker on Wednesday commended Croatia as a model European Union member state, saying he felt the Croatian government was ready as early as tomorrow to take over the presidency over the Council of the EU, which it will doin the first half of 2020.Croatian Prime Minister Andrej Plenkovic and his two deputies Marija Pejcinovic Buric and Martina Dalic attended a working lunch with all commissioners in Brussels.After that, Plenkovic held talks with Juncker, discussing preparations for and priorities of Croatia's Council of the EU presidency, Croatia's views on Europe's future, the strategy for the Western Balkans, and the EU's economic and financial matters.Juncker said Croatia was not a new country for him and that he had followed it at every stage of its EU journey.Since it has been a member of the EU, Croatia has been acting appropriately as all the results it has achieved show that it takes its European commitments seriously. Among those commitments, one should mention the internal success regarding the budget policy, in which it is a model for others, he said.The preparations for Croatia's presidency have already begun. Long preparations are necessary for that, but I feel the Croatian government is prepared in the best way possible and that it could start the presidency as early as 11am tomorrow, Juncker said, adding that there were no major differences between Croatia and the Commission regarding the EU.Plenkovic said today's talks were very substantial and that he presented Croatia's positions on topics that were relevant to it.

He underlined the importance of implementing the national reform ***plan*** and Croatia's ambition to join the Schengen and euro areas."They are our two ***strategic*** goals so that Croatia can be part of what we call the EU inner circle. That's our clear policy and ambition, and we have the Commission's support for that."He said Croatia wanted to be successful in absorbing cohesion funds and that the most evident and biggest project in that would be the construction of the Peljesac Bridge. "That's extremely important for Croatian citizens and it's good that president Juncker underlined that in his speech in the European Parliament last week."Speaking about the EU enlargement strategy for Southeast Europe, which the Commission presented last week, Plenkovic said Croatia "will show solidarity, be ready to give support and always cherish the principle of individual merits and criteria for each state."He said he wanted the negotiations on a financial framework for the period after 2020 to be completed before Croatia's EU presidency "so that we can then concentrate on growth, economic ties, internal and external security, and enlargement, of course."Juncker: EC wants to help resolve Croatia-Slovenia border rowZAGREB, Feb 14 (Hina) - European Commission President Jean-Claude Juncker said in Brussels on Wednesday that the Commission was not saying who was right in the Croatian-Slovenian border dispute, while Croatian Prime Minister Andrej Plenkovic said it was not realistic to expect the implementation of the arbitration ruling.We are not saying Slovenia is right or Croatia is right. The Commission is here to help. We want to help resolve this and I think we will be able to do so, Juncker told a press conference after meeting with Plenkovic, who had attended a working lunch with European commissioners.Juncker recalled that he had said in the European Parliament last week that border issues in the Balkans would have to be resolved before membership aspirants joined the EU.It is a very complicated issue which people in Western Europe do not understand, nor did they evertry to understand this region, and not even the people who live there understand it, Juncker said.Plenkovic said that Croatia had withdrawn from the arbitration process in 2015 for well known reasons and that its move had received the unanimous support of the Croatian Parliament.Plenkovic said it was not realistic to expect of Croatia to accept the arbitration ruling. "What is realistic is for us to reach an agreement that would be acceptable both to Croatia and Slovenia," he added.Plenkovic said that Croatia had presented certain ideas to Slovenia and that the Croatian proposal was an excellent basis for an agreement."At the same time, we don't think taking unilateral steps is good and the worst thing is when the existing problem is affectingour citizens. I sincerely regret that and think that this should not have happened, and here I mean fines that were sent to fishermen. We did this to protect our national interests, but we do not feel comfortable in this situation. This time again, with the support of President Juncker, we invitemy Slovenian counterpart Miro Cerar to sit down with our teams and try to find a solution that will be good both for Croatia and for Slovenia. I think both countries have important issues, and there are a lot of relevant and important items on the European agenda on which we have a common position," Plenkovic said.Plenkovic: Truth is needed to resolve problems of the past with SerbiaZAGREB, Feb 14 (Hina) - Prime Minister Andrej Plenkovic said in Brussels on Wednesday that there are two levels of relations between Croatia and Serbia, on the one hand, current and future relations, and on the other, those concerning the past and that needs to be resolved with the truth so that it can be possible to turn toward reconciliation, cooperation and co-existence within the framework of the EU."When it comes to Serbia, it is well-known that two levels of relations exist, some are current and future while others are related to the past," Plenkovic told a press conference after meeting with European Commission President Jean-Claude Juncker and European commissioners.Asked to comment on Serbian President Aleksandar Vucic's visit to Zagreb, Plenkovic said that in principle, he wants to resolve all issues, help all neighbours on their EU journey and build good-neighbourly relations.Juncker on the other hand said that that was an interesting visit, announcing that he would visit the six Southeast European countries aspiring for EU membership this month and then he would be able to say a little more. Generally speaking, I am glad when countries in the region strengthen their mutual relations, he said.Plenkovic said that in regard to Serbia "all the cards have been laid out on the table." "We have found a method on how to talk about them, including war crimes prosecution, protection of the minorities, the war missing, borders, and issues related to war reparations," he said.Plenkovic underscored that this did not have anything to do with the European Commission's strategy for the Western Balkans. "That is not essential, that is something that Croatia is dealing with because it considers that those issues need to be resolved. Only with the truth and resolving those processes that are still with us because they have not been fully resolved for the past 20 or more years, can we head toward reconciliation, toward cooperation and co-existence within the framework of the EU," he said.Asked to comment on Vucic's statement on a moratorium on negative statements against Croatia, Plenkovic said that he did not hear that. "You may have noticed that as the leader of the Croatian Democratic Union (HDZ) and prime minister, neither during campaigning nor at any moment or during my regular work have I ever headed down the road of raising tensions or making any inappropriate statements. On the contrary, our policy, regardless of bilateral relations, is that all minorities and particularly the Serb minority, feel good in Croatia and that they are well integrated in society. They are part of the parliamentary majority in Croatia," Plenkovic said and added that he wants the same position for the Croat minority in Serbia.Asked whether there were any issues for which Croatia could block Serbia's accession negotiations, Plenkovic said that Croatia wants to resolve outstanding issues with its neighbours regardless of whether they are in the EU or outside it."As far as the negotiations are concerned, we want each state to meet the criteria that have been set and regulated by the EU legal acquis," Plenkovic said.He added that there are certain mechanisms to resolve residual issues from the time of the former Yugoslavia - from bilateral talks to international judicial bodies and arbitration.Juncker said that counties in the Western Balkans have to resolve their mutual problems before they enter the EU.It is better to resolve problems before membership. In Europe it is necessary to always be patient. We felt the consequences of the war between Germany and Luxembourg for 45 years and that's even after they became members of the Union. That is a painful and always difficult process. I would like all countries not to create problems in the EU but to resolve those problems before that and we will help them if needed, Juncker said.Plenkovic tells Politico Croatia wants to be in EU inner circleZAGREB, Feb14(Hina) - Croatian Prime Minister Andrej Plenkovic said in an interview with the European online news portal Politico on Wednesday that Croatia wanted to make it to the narrow circle of EU member states and play a bigger role in forming the European future.As the youngest EU member, Croatia wants to join the inner European Unioncircle, Plenkovic told Politico.The PMalso stressed that he wanted to strengthen Croatia's European orientation within the country.I want to position Croatia as a country which in the first years of its membership is profiting from the cohesion policy and which, at the same time is strengthening the European orientation within the country, Plenkovic said.He underscored that Croatia's two most important ***strategic*** objectives were entering the Schengen Zone and the euro area.Entering Schengen is within arm's reach and we can do that by the time we take over the EU presidency in the first half of 2020. The other objective, entering the euro area, is somewhat further away, but I believe it will be reached in the next election period in Croatia, between 2020 and 2024, Plenkovic said.Asked if he ***planned*** to run in that period, Plenkovic answered in the positive.Clearly, this is my agenda, Plenkovic said.Croatian defence minister meets US, UK, Montenegrin, Polish counterpartsZAGREB, Feb 14 (Hina) - Croatian Defence Minister Damir Krsticevic held talks with his US, UK, Montenegrin and Polish counterparts in Brussels on Wednesday about bilateral defence cooperation and the modernisation and equipping of the armed forces, the Defence Ministry said in a press release.The talks were held on the fringes of a NATO summit.Krsticevic and US Secretary of Defence James Mattis talked about bilateral cooperation and Croatia's contribution to international peace efforts, notably within NATO, with Mattis praising the Croatian army and thanking Croatia for its contribution, the press release said.In talks with UK Secretary of State for Defence Gavin Williamson, Krsticevic said he was pleased with the cooperation between the two countries' armed forces after the two defence ministries signed a memorandum of understanding last year.The two officials talked about the upcoming arrival in Croatia of British naval ships, the Royal Marines and Typhoon fighter jets, and agreed to meet soon.Krsticevic and Montenegrin Defence Minister Predrag Boskovic agreed to enhance the cooperation between the two countries' armed forces, underlining the importance of the joint training of troops for NATO missions. Krsticevic expressed willingness to share the experience of Croatian troops in NATO's Enhanced Forward Presence combat groups in Poland and Lithuania.Krsticevic and Polish Defence Minister Mariusz Blaszczak said bilateral cooperation was excellent and that it could be expanded, announcing that their ministries would sign a memorandum of understanding in the next few months. Krsticevic said NATO's Enhanced Forward Presence was important for the training of Croatian troops and that his ministry ***planned*** for it to continue.Krsticevic said Croatian military products could be of interest to Poland and invited Blaszczak to attend the SSDA military equipment exhibition in Croatia in 2019.Parliament speaker says political stability key for economic growth, developmentZAGREB, Feb 14(Hina) - Political stability is the main prerequisite for Croatia'seconomic growth and development and was therefore a priority in the government's first year in office, Parliament Speaker Gordan Jandrokovic said on Wednesday at this year's first business lunch of theAmerican Chamber of Commerce in Croatia.He recalled that in 2016, due to political instability, there was an overall standstill and a social crisis, adding that the incumbent ruling coalition was "slimand heterogeneous, so it should be guarded.""Without a firm parliamentary majority, Croatia has problems in everyday functioning," Jandrokovic said, adding that Croatia was not a traditional democracy lasting decades but a very young one.He said the current world situation was very complex, in turmoil, withSoutheast Europe not yet stabilised, while Croatia hadfaced with the crash of the Agrokor conglomerate and the situation in neighbouring countries."The world is no longer predictable. But even in such circumstances, the 14 months of this government show that Croatia is going in a better direction and achievingbetter and better results.In 2017, we achieved economic growth of about 3%, growth in industrial production, investments, exports, and also recorded growth of employment, salaries and socialoutlays."He said the European Commission had forecast that Croatia's economy would grow 2.8% in 2018 and 2.7% in 2019, while the government's forecasts were about 3%.He said 2017 also sawthe lowest unemployment to date, 12.4%. "For the first time since we gained independence, the state budget ended the year with a surplus. At the beginning of the term in office, the public debt was 85% of GDP and now it's 78% of GDP."Jandrokovic said last year's tourist season was successful with 18.5 million arrivals, up 13% on the year. "Tourism revenues went up 10%."Speaking of the tax reform, he said it was launched to make doing business easier and the tax system stable and stimulating after being subject to numerous changes which led to instability and weak investment. "After a tax relief of about HRK 2.5 billion in 2017, the forecast for 2018 is that the tax relief forcitizens and businesses will amount to about HRK 1.2 billion."Speaking of the 2018 budget, Jandrokovic said it had a development and a social solidarity dimension.As for the challenges Croatia would have to respond to, he mentioned the restructuring of the heavily indebted Agrokor food and retail group, structural reforms and infrastructure projects. "Regarding Agrokor, the worst consequences for the economy have been prevented," he said, adding that a settlement was expected to be reached to preserve the group but in a different form.He said structural reforms were aimed at reducing macroeconomic imbalances. "A healthcare reform package is under way, reforms of education and public administration are ahead of us, and a pension system reform is also necessary."Speaking of major infrastructure projects, Jandrokovic mentioned the Peljesac Bridge and an LNG terminal on the island of Krk, for which he said Croatia had strong US support.He said the main ***strategic*** goals were introducing the euro and entering the Schengen Area. "With that, we would round off this European story and equate Croatia's status with the other EU member states."This year theAmerican Chamber of Commerce in Croatia is marking its 20th anniversary. It is the biggest international business association in the country.FinMin says plenty of room to improve financial literacyZAGREB, Feb14(Hina) - Finance Minister Zdravko Maric said on Wednesday that Croatia was above the global average in financial literacy but that there was a lot of room for progress given that more than half of citizens could not be defined as financially literate.Maric said the steps forward were visible as the government had raised awareness, through fiscal and budgetary polices, of the importance of balancing revenues and expenditures, adding that similar principles could be applied to the corporate system and every individual.He was speaking at a forum at which the "Finances for Everyone" project and a survey conducted as part of it were presented.Maric said financial literacy should be used not only to reduce negative risks, such as the global financial crisis or loans pegged to the Swiss franc, but also to increase positive risks by educating citizens to better manage their finances.He said there was no general approach to informing citizens about the second pension pillar, pension savings and contributions, and thatmore than 90% of young people starting work did not choose a pension ***plan*** but had it randomly selected. "This only shows that here too the level of financial literacy and information is quite low."A survey by the Hanfa regulator and the central bank shows that 44% of Croatian citizens are financially literate, which is above the global average, but also that 56%, regardless of their illiteracy, make financial decisions and use financial services on a daily basis.The survey also shows that the youngest and the oldest are the least financially literate.Croatian minister proposes setting up special EU fund for tourismZAGREB, Feb14, 2018 (Hina) - Croatian Tourism Minister Gari Cappelli proposed at the Tourism and Economic Growth conference in Sofia, Bulgaria, the establishment of a special EU fund for tourism and task force within EU institutions, the Croatian Tourism Ministry said in a press release on Wednesday.The conference, organised as part of the Bulgarian presidency of the European Union, was held on 12 and 13 February, bringing together tourism ministers and their associates from all 28 EU member states.Cappelli said tourism was one of the fastest growing economic sectors in the EU with a huge impact on growth, society, development and employment, which is why itit deserves a better position within EU institutions.According to the press release, the Croatian government initiative presented by Cappelli was supported by a large number of EU member states, notably European Tourism CommissionerElzbieta Bienkowska and UNWTO secretary generalZurab Pololikashvili.The initiative will soon be presented to European Parliament President Antonio Tajani and European Commission President Jean-Claude Juncker.Divjak: Legislative framework has to define plagiarismZAGREB, Feb 14 (Hina) - Considering that the Ethics Committee in Science and Higher Education concludedthat quotesin the doctoral thesis by Constitutional Court president MiroslavSeparovic were "at the very least improper," Minister of Science and EducationBlazenka Divjak on Wednesday told reporters that the legislative framework is an obstacle tothings being calledwhat they are and that Croatia has to clearly define what plagiarism means.Addressing a press conference in the Croatian People's Party (HNS) headquarters, where shepresented an online platform for public and transparent monitoring of the process of education reform, Minister Divjak said she would do everything so that the new law on science and higher education clearly defines theCommittee's position.She said she was sorry that the Constitutional Court had disputed the legislative framework, but addedthat she was certain that the parliament would adopt a law that would not be able to question decisions by the Committee.In April last year, the Constitutional Court abolished the option of the Committee decidingon individual cases of violation of the Ethics Code and concluded that those opinions could only be made by universities and faculties.Divjak said that she had not seen the documents relating to this specific case and that it was not up to her to decide on that matter. However, she said that the ministry advocates a policy of zero tolerance of any dishonourable activities. She did not say whether the president of the Constitutional Court should step down."The thing that we need to advance in Croatia is standardising this topic, that is, what plagiarism and thelegislative framework mean. A lot of problems have emerged recently because our legislative framework is unclear in that regard. That is one of the elements we will improve in the bill on science and higher education," she said.Workers inform minister of situation in Croatia AirlinesZAGREB, Feb 14 (Hina) - A delegation of CroatiaAirlines employees on Wednesday informed the Minister of the Sea, Transport and Infrastructure, Oleg Butkovic, of an ananalysis of the company's current situation and possible solutions to problems that have emerged, and the minister reacted positively and further cooperation was agreed, said Ivan Simundic of the Croatian Union of Transport Pilots (HSPP).The situation in the company is concerninglypoor and steps in a positive direction aren't visible, but we hope that the meeting will help us take the right direction, Simundic said after meeting with the minister.Simundic claimed that the company's management is currently the biggest problem because, he said, it is continuing with the 25 year-old tradition of business management model that was current in the 1990s and it is still being implemented today even though the airline industryis one that is changing the most and one year in that industry is like five or ten in other industries. What was unimaginable five years ago today is possible and alliances that were once firm are being terminated today and new ones made, he added.The Croatian market has grown by 40% in the past five years. Croatia Airlines has retained its share and after its restructure, which began in 2012, we have seen the start of 2018 in a significantly worse position in all indicators and segments with the exception of slightly better seat occupancy, Simundic warned."The minister informed usthat the selection procedure for president and members of the management board has been annulled," Simundic saidand added that new job vacancies for those positionswould be advertised next week.Croatia spends 23 euros on ecological products per capitaZAGREB, Feb 14 (Hina) - Croatia spends 23 euros on ecological products per capitawhereas the EU average is 47 euros, and asthe EU and global markets for ecological products are continuing to grow, Croatian ***producers*** also have an opportunity for growth, the Croatian Chamber of Commerce (HGK) saidat the opening of the BioFach fair in Nuremberg, Germany.BioFach is a leading global fair for ecological products, and more than 3,000 exhibitors from about 90 countries will present their products and services from 14 to 17 February.For the past ten years, the HGK has organised a joint exhibition of Croatian companies at the fair and has co-financed 50% of their costs of attending and exhibiting there. This year 11 Croatian companies are presenting their products, ranging from food products to various fertilisers.BioFach is an opportunity to present Croatian products and form new partnerships with distributors and ***producers*** from other EU countries, the HGK said in a press release. It is estimated that more than 50,000 specialised buyers from around the world will see Croatia's products, it added."Compared to the common, single EU market, Croatia is a small ***agricultural*** country and it needs to turn to ***producing*** products with a greater added value and to formingassociations," HGK vice-presidentIvan Skoric said at the opening of the fair.He believes that there is plenty of room for domestic ecological ***producers***, who primarily have to satisfy the growing domestic market, including tourism consumption."There is also a big opportunity in exports and when we combine the quality of ecological products and local and traditional features of domestic products, success is guaranteed," Skoric believes.He added that more and more land isbeing cultivated with ecological products, which is encouraging. More than 6% of Croatia's area is cultivated with ecological products, which puts Croatia at the EU average. The value of the EU market for ecological products is estimated at 24 billion euros or 75 billion euros on the global scale, the HGK said.There are more than 3,500 domestic ***producers*** and processors in a community of 350,000 in the EU who supply the EU market of 500 million consumers with ecological products."As far as Croatia is concerned, estimates indicate a value of about 100 million euros a year in the retail of ecological products, which is a little more than 2% of total food retail," Skoric said.HNB Council: Favourable trends in public finance continueZAGREB, Feb 14 (Hina) - The last quarter of 2017 saw continued growth of economic activity in Croatia, albeit at a slower rate than earlier in the year, the Croatian National Bank (HNB) said in a statement on Wednesday after a meeting of its Council.The HNB Council discussed recent monetary and economic trends and financial stability and heard reports on the situation in the banking system and indicators of its operation for the first nine months of 2017.Economic activity continued to grow in the last quarter of 2017, but at a slower rate than earlier in the year. At the same time, the labour market recorded a further drop in unemployment and a prominent quarterly increase of the employment rate.In December 2017, compared with November 2017, consumer prices fell by 0.3%, mostly because of seasonal decreases in clothing and footwear prices, while annual inflation was 1.2%.The HNB recalled that in December 2017 and January 2018 it had purchased foreign currency from commercial banks to ease pressure on the appreciation of the kuna, further increasing the already high kuna liquidity of domestic banks.In such circumstances interest rates on bank loans have continued to decrease gradually. In December, corporate and household lending slightly accelerated their annual growth, while central government borrowing from credit institutions considerably decreased after the repayment of road companies' loans. The net foreign debt of domestic sectors increased in October and November 2017 following a sharp decline during the summer months.Available fiscal data for the second half of 2017 indicate that favourable trends in public finance continued, the general government balance improved and the general government debt to GDP ratio was reduced, the statement said.Vrdoljak: Talks with Vucic should have focused on tradeZAGREB, Feb 14 (Hina) - Ivan Vrdoljak, leader of the Croatian People's Party (HNS), a junior partner in the ruling coalition, said on Wednesday it was good that the presidents of Croatia and Serbia had met, but regretted that their talks had not been dominated by topics concerning Serbia's Euro-Atlantic integration and trade with Serbia."I thinkwe should always talk with our neighbours and it is good that we talk with Serbia," Vrdoljak told the press at a presentation of an online education reform monitoring platform.He said that Serbia should help Croatia in shedding light on the fate of people missing from the 1991-1995 war and on other war-related issue, while Croatia should help Serbia on issues concerning its EU integration, border demarcation and absorption of EU funds."Let's help them have a better future, but at the same time we should clear up unresolved issues from the not so distant past," Vrdoljak said.Considering the fact that a lot of Croatian companies were operating in Serbia, Vrdoljak said that Croatian President Kolinda Grabar-Kitarovic and her Serbian counterpart Aleksandar Vucic should have focused on how to improve trade between the two countries.Asked if he regarded Vucic as a European politician, Vrdoljak said that Serbia should follow the European path and "if its president is indeed pro-European, it will follow the European path and Croatia will help it."Asked how to trust a politician who insists that he never spoke of a Greater Serbia despite footage from Glina that proved otherwise, Vrdoljak said that this was not a question for him and that it seemed like a provocation."I think this question should be addressed to citizens of Serbia, while we should respect elected institutions," he said, adding that he would not allow anyone to disrespect the Croatian president because that would be disrespecting a Croatian institution.Commenting on developments surrounding the indebted Agrokor food conglomerate, Vrdoljak said that his party's position had been clear for the past eight months - the focus should be on reaching a settlement in order to preserve jobs, production and economic stability.Reporters were also interested in hearing his view on the INA oil and gas company in light of a recent exchange of opinions between the US and Russian ambassadors via Croatian media. "Everyone has an interest here, including the ambassadors, and our focus should be on Croatian interests. ... INA is a ***strategic*** national company and we should not be preoccupied too much with comments from other countries or powers but should look after our own interests," Vrdoljak concluded.HND condemns Vucic's disrespectful treatment of reportersZAGREB, Feb14(Hina) - The Croatian Journalists' Association (HND) on Wednesday deplored the visiting Serbian President Aleksandar Vucic's disrespectfulrefusal to answer questions from the press about his speech in the Croatian town of Glina in 1995 when it was under the occupation of Serb rebel forces, and the HND says that Vucic's behaviour amounts to pressure on reporters, which is unacceptable in a democracy.During his tour of the town of Dvor na Union Tuesday, Vucic accused a reporter of the N1 commercial broadcaster of making up things, and Vucic also considered questions about his war-mongering speech as insults against him, the HND recalled.Vucic claimed that the reporter Elvir Mesanovic insinuated that Vucic mentioned a Greater Serbia in his speech in Glina in 1995, after which thereporter reminded Vucic that there was proof that he had used that term.The HND says that Vucic, who keeps commenting in a disrespectful and insolent manner on journalists in his country when they do their job and ask him questions, acted in the same way during his visit to Croatia.The association says that being a head of state, Vucic is obliged to answer questions from the press and that he has no right to call reporters' questions "insults, harangue, and fabrications" and at the same time speak untruths.Any politician who behaves in that way exerts pressure on reporters and media, which is unacceptable in any decent society, the HND said.The HND also criticised an unofficial request from the Office of Croatian President Kolinda Grabar-Kitarovic forwarded to Croatian reporters not to ask Vucic questions in connection with his speech in Glina.Two media outlets -- RTL and N1 -- have confirmed that they have received such suggestion.The HND said that the purpose ofthe questions forwarded to Vucic about his speech in Glina was to make him face his political past.Disrespect for and imposition of restrictions on the journalistic profession clashwith efforts to bring about truth and develop the relations between the two countries, the HND says.Serbian PM says additional funds ensured for ethnic minorities' mediaZAGREB, Feb 15 (Hina) - In 2018 Serbia will provide additional funds for its ethnic minorities' needs to be informed in their own language, the Serbian government said in a statement after a session of the Ethnic Minorities Council chaired by Prime Minister Ana Brnabic.The money will be provided from the budget fund for ethnic minorities, which was increased in relation to the previous year and now amounts to around EUR 182,000."The money allocated for this purpose was very modest until now and I'm proud that after 15 years we have activated that fund and increased it," said Brnadic.She said that her government would make additional effort to increase funds for the promotion of the status and rights of ethnic minorities and that it expected a lot more projects and ***programmes*** promoting minority communities' values.The Serbian PM also said that this year elections would be held for minority national councils.Covic: Bosnia can catch up with Serbia, Montenegro on EU journeyZAGREB, Feb14(Hina) - Bosnian Presidency Chairman Dragan Covic said on Wednesday that Bosnia and Herzegovina (BiH)could catch up with its neighbours Serbia and Montenegro on the European Union journey, dismissing media claims that BiH was in a less favourable position in last week'sEU enlargement strategy for the Western Balkans."The strategy clearly tells us that we can catch up with everyone and that it's up to us. It motivates us to adopt decisions and to finally finishthe work on the questionnaire from by the European Commission," Covic told reporters in Vitez.He said the BiH authorities could not expect any progress on the European journey until they came up with results. "I see in the strategy a very good place for BiH, if we will do anything. Serbia is doing the work, Montenegro is doing the work. We'll have to start too."Today, after months of disputes between Bosniaks and Serbs on a number of questions, the Council of Ministersfinally formulated the answers to the EC questionnaire. Covic said the fact that BiH had missed the previous deadlines was embarrassing and that it was the best reflection of BiH's administration and "playing politics."Asked if progress in amendments to election legislation would be made by the end of the month, when Commission President Jean-Claude Juncker is due to visit BiH, Covic said that, at the very least, one would know if there was political will for that.Arming of Serb entity police heightens tensions in Bosnia and HerzegovinaZAGREB, Feb 14 (Hina) - Bosnian Serb leader Milorad Dodik has managed to stir up a new political crisis in Bosnia and Herzegovina by his ***plan*** to buy a large contingent of weaponry for the police in Bosnia and Herzegovina's Serb entity and by his decision to order a cut in the salary of the entity's Vice President Ramiz Salkic who represents the Bosniak electorate, over his criticism of the arms purchase."We are buying 2,500 rifles. We have nothing to conceal," Dodik said on Wednesday after media outlets broke the news about his intention to arm the local police forces.The media have reported that the government in Republika Srpska had ordered the automatic rifles from the Crvena Zastavafactory in Kragujevac, Serbia. The local interior ministry is setting up a police brigade that will be trained by Russian instructors.The police chief in the Croat-Bosniak Federation entity, Dragan Lukac, has said that the Serb entity adopted a new law on the fight against terrorism and violent extremism and is using it as a pretext to establish a special heavily-armed police brigade.Montenegrin, Kosovo PMs say their countries have friendly relationsZAGREB, Feb 15 (Hina) - Montenegro and Kosovo have friendly relations that should be promoted by developing economic cooperation, notably in the fields of infrastructure, tourism and ***agriculture***, the two countries' prime ministers, Dusko Markovic of Montenegro and Ramush Haradinaj of Kosovo said at talks in Pristina on Wednesday.Haradinaj proposed at the meeting amendment of the two countries' border agreement, which was signed in Vienna in August 2015, and which, despite recommendations by the EU and the United States, the Kosovo parliament has still not ratified."Prime Minister Markovic reiterated Montenegro's position that it considers the matter closed and added that his country was willing to help Kosovo solve that issue by ratifying the agreement," the Montenegrin government said in a statement.The talks underlined the importance of completing the process of the constitutional recognition of the Montenegrin minority in Kosovo and the implementation of a strategy for its social integration and promotion.The Montenegrin PM expressed full support for Kosovo's bid to join European and Euroatlantic associations.Markovic said that he believed the outstanding issues in relations with Kosovo would be settled in a satisfactory way.In other news:Industrial production up in EU, down in Croatia y-o-yZAGREB, Feb 15 (Hina) - Seasonally adjusted industrial production in December 2017 compared with November 2017 rose by 0.4% in the euro area (EA19) and by 0.3% in the EU28, while Croatia led the group of countries experiencing the biggest fall in annual industrial production, according to estimates from Eurostat, the statistical office of the European Union.In November 2017, industrial production rose by 1.3% in the euro area and by 1.2% in the EU28.In December 2017 compared with December 2016, industrial production increased by 5.2% in the euro area and by 4.8% in the EU28.The average industrial production for the year 2017, compared with 2016, rose by 3.0% in the euro area and by 3.3% in the EU28.The industrial production in Croatia in December 2017 compared with November 2017 rose by 1.6%.Among Member States for which data are available, the highest increases in industrial production were registered in Romania (+3.8%), Ireland (+3.0%) and Slovenia (+2.7%), and the largest decreases in Slovakia (-2.7%), Lithuania (-2.6%) and the Czech Republic (-1.5%).In the EU28, the increase of 0.3% is due to production of durable consumer goods rising by 2.6%, intermediate goods by 1.3% and non-durable consumer goods by 0.6%, while production of capital goods fell by 0.5% and energy by 0.3%.The increase of 0.4% in industrial production in the euro area in December 2017, compared with November 2017, is due to production of durable consumer goods rising by 2.7%, intermediate goods by 1.4%, energy by 1.3% and non-durable consumer goods by 0.7%, while production of capital goods fell by 1.1%.In the EU28, the increase of 4.8% is due to production of capital goods rising by 7.7%, durable consumer goods by 6.7%, intermediate goods by 6.0% and non-durable consumer goods by 2.5%, while production of energy fell by 0.1%.Among Member States for which data are available, the highest increases in industrial production were registered in Romania (+13.5%), Slovenia (+12.2%) and Sweden (+8.5%), and the largest decreases in Croatia (-2.5%), Luxembourg (-2.3%) and Denmark (-2.2%).The industrial production in Croatia in December 2017 was down 2.5% from the same month of 2016, according to Eurostat.The increase of 5.2% in industrial production in the euro area in December 2017, compared with December 2016, is due to production of capital goods rising by 7.6%, durable consumer goods by 7.4%, intermediate goods by 6.6%, non-durable consumer goods by 3.1% and energy by 0.6%, according to Eurostat.Vipnet posts 2.6% higher revenues in 2017ZAGREB, Feb 14 (Hina) - The Vipnet telecommunications company earned EUR 434.9 million in revenues in 2017, 2.6% more than in 2016, while its earnings before interest, taxes, depreciation, and amortisation (EBITDA) grew 9.6% to EUR 108 million.The company, whose results were published on Wednesday as part of a financial statement for its parent company Telekom Austria Group, said the results were owing to positive developments in its commercial business and stronger investments in new technologies.Vipnet said that last year it had invested EUR 84.7million in Croatia, 4.6% more than in 2015.870 family farms owe HRK 434.3 millionZAGREB, Feb 15 (Hina) - A total of 870 family farms had their bank accounts blocked at the end of 2017, and their total debt amounted to HRK 434.3 million, which is 95.2% more than in mid-2011, show data from the Financial Agency (FINA).At the end of June 2011, there were 830 family farms with blocked bank accounts and their debt totalled HRK 222.5 million.The number of family farms with blocked bank accounts was thus up 4.8% from mid-2011 while their total debt rose 95.2%.According to FINA, at the end of 2017, 8,230 family farms had one or more bank accounts. Of that number, 870 physical entities had their bank accounts blocked.Family farms from Osijek-Baranja County had the highest share in the total debt, of 20.6% or HRK 89.4 million.ZSE main indices fall, Tehnika stock plungesZAGREB, Feb14(Hina) - The main Zagreb Stock Exchange (ZSE) indices dropped on Wednesday, the Crobex by 0.69% to 1,851.09 points and the Crobex10 by 0.72% to 1,071.71 points.Regular turnover was HRK 5.04 million and the most traded stock was the preferred share of the Adristourism and insurance group, turning over HRK 1.3 million. It closed at HRK 430 per share, down 1.83%.The second highest turnover was generated by the Tehnika construction company, amounting to HRK 739,600. It closed at HRK 117 per share, a plunge of 30.36%, the biggest fall today, after reporting that it closed 2017 with aloss of HRK 141.8 million, sayingthe negative business result was mainly due to a write-off of claims from the companies in the heavily indebted Agrokor group. In 2016, Tehnika posted a net profit of HRK 926 million.(EUR 1 = HRK 7.4)THIS BULLETIN INCLUDES ITEMS RELEASED BY 0830 HOURS THURSDAY. (Hina) vm Masthead Brief News Bulletin is published by the Croatian News Agency HINA Marulićev trg 1610 000 ZagrebCroatia web:[*www.hina.hr*](http://www.hina.hr) mail: [*hina@hina.hr*](mailto:hina@hina.hr) phone: (+385 1) 48 08 660; fax (+385 1) 48 08 822 Publisher: Branka Gabriela Valentić, DirectorEditor in Chief: Serđo Obratov Bulletin Editor: Marija Šestan

ZAGREB, Feb 14 (Hina) - European Commission President Jean-Claude Juncker on Wednesday commended Croatia as a model European Union member state, saying he felt the Croatian government was ready as early as tomorrow to take over the presidency over the Council of the EU, which it will doin the first half of 2020.

Croatian Prime Minister Andrej Plenkovic and his two deputies Marija Pejcinovic Buric and Martina Dalic attended a working lunch with all commissioners in Brussels.

After that, Plenkovic held talks with Juncker, discussing preparations for and priorities of Croatia's Council of the EU presidency, Croatia's views on Europe's future, the strategy for the Western Balkans, and the EU's economic and financial matters.

Juncker said Croatia was not a new country for him and that he had followed it at every stage of its EU journey.

Since it has been a member of the EU, Croatia has been acting appropriately as all the results it has achieved show that it takes its European commitments seriously. Among those commitments, one should mention the internal success regarding the budget policy, in which it is a model for others, he said.

The preparations for Croatia's presidency have already begun. Long preparations are necessary for that, but I feel the Croatian government is prepared in the best way possible and that it could start the presidency as early as 11am tomorrow, Juncker said, adding that there were no major differences between Croatia and the Commission regarding the EU.

Plenkovic said today's talks were very substantial and that he presented Croatia's positions on topics that were relevant to it. He underlined the importance of implementing the national reform ***plan*** and Croatia's ambition to join the Schengen and euro areas.

"They are our two ***strategic*** goals so that Croatia can be part of what we call the EU inner circle. That's our clear policy and ambition, and we have the Commission's support for that."

He said Croatia wanted to be successful in absorbing cohesion funds and that the most evident and biggest project in that would be the construction of the Peljesac Bridge. "That's extremely important for Croatian citizens and it's good that president Juncker underlined that in his speech in the European Parliament last week."

Speaking about the EU enlargement strategy for Southeast Europe, which the Commission presented last week, Plenkovic said Croatia "will show solidarity, be ready to give support and always cherish the principle of individual merits and criteria for each state."

He said he wanted the negotiations on a financial framework for the period after 2020 to be completed before Croatia's EU presidency "so that we can then concentrate on growth, economic ties, internal and external security, and enlargement, of course."

ZAGREB, Feb 14 (Hina) - European Commission President Jean-Claude Juncker said in Brussels on Wednesday that the Commission was not saying who was right in the Croatian-Slovenian border dispute, while Croatian Prime Minister Andrej Plenkovic said it was not realistic to expect the implementation of the arbitration ruling.

ZAGREB, Feb14(Hina) - Croatian Prime Minister Andrej Plenkovic said in an interview with the European online news portal Politico on Wednesday that Croatia wanted to make it to the narrow circle of EU member states and play a bigger role in forming the European future.

ZAGREB, Feb 14(Hina) - Political stability is the main prerequisite for Croatia'seconomic growth and development and was therefore a priority in the government's first year in office, Parliament Speaker Gordan Jandrokovic said on Wednesday at this year's first business lunch of theAmerican Chamber of Commerce in Croatia.

ZAGREB, Feb14(Hina) - Finance Minister Zdravko Maric said on Wednesday that Croatia was above the global average in financial literacy but that there was a lot of room for progress given that more than half of citizens could not be defined as financially literate.

ZAGREB, Feb14, 2018 (Hina) - Croatian Tourism Minister Gari Cappelli proposed at the Tourism and Economic Growth conference in Sofia, Bulgaria, the establishment of a special EU fund for tourism and task force within EU institutions, the Croatian Tourism Ministry said in a press release on Wednesday.

ZAGREB, Feb 14 (Hina) - Considering that the Ethics Committee in Science and Higher Education concludedthat quotesin the doctoral thesis by Constitutional Court president MiroslavSeparovic were "at the very least improper," Minister of Science and EducationBlazenka Divjak on Wednesday told reporters that the legislative framework is an obstacle tothings being calledwhat they are and that Croatia has to clearly define what plagiarism means.

ZAGREB, Feb 14 (Hina) - A delegation of CroatiaAirlines employees on Wednesday informed the Minister of the Sea, Transport and Infrastructure, Oleg Butkovic, of an ananalysis of the company's current situation and possible solutions to problems that have emerged, and the minister reacted positively and further cooperation was agreed, said Ivan Simundic of the Croatian Union of Transport Pilots (HSPP).

ZAGREB, Feb 14 (Hina) - Croatia spends 23 euros on ecological products per capitawhereas the EU average is 47 euros, and asthe EU and global markets for ecological products are continuing to grow, Croatian ***producers*** also have an opportunity for growth, the Croatian Chamber of Commerce (HGK) saidat the opening of the BioFach fair in Nuremberg, Germany.

ZAGREB, Feb 14 (Hina) - Ivan Vrdoljak, leader of the Croatian People's Party (HNS), a junior partner in the ruling coalition, said on Wednesday it was good that the presidents of Croatia and Serbia had met, but regretted that their talks had not been dominated by topics concerning Serbia's Euro-Atlantic integration and trade with Serbia.

ZAGREB, Feb14(Hina) - The Croatian Journalists' Association (HND) on Wednesday deplored the visiting Serbian President Aleksandar Vucic's disrespectfulrefusal to answer questions from the press about his speech in the Croatian town of Glina in 1995 when it was under the occupation of Serb rebel forces, and the HND says that Vucic's behaviour amounts to pressure on reporters, which is unacceptable in a democracy.

ZAGREB, Feb14(Hina) - Bosnian Presidency Chairman Dragan Covic said on Wednesday that Bosnia and Herzegovina (BiH)could catch up with its neighbours Serbia and Montenegro on the European Union journey, dismissing media claims that BiH was in a less favourable position in last week'sEU enlargement strategy for the Western Balkans.

ZAGREB, Feb 14 (Hina) - Bosnian Serb leader Milorad Dodik has managed to stir up a new political crisis in Bosnia and Herzegovina by his ***plan*** to buy a large contingent of weaponry for the police in Bosnia and Herzegovina's Serb entity and by his decision to order a cut in the salary of the entity's Vice President Ramiz Salkic who represents the Bosniak electorate, over his criticism of the arms purchase.

ZAGREB, Feb 15 (Hina) - Seasonally adjusted industrial production in December 2017 compared with November 2017 rose by 0.4% in the euro area (EA19) and by 0.3% in the EU28, while Croatia led the group of countries experiencing the biggest fall in annual industrial production, according to estimates from Eurostat, the statistical office of the European Union.

In November 2017, industrial production rose by 1.3% in the euro area and by 1.2% in the EU28.

In December 2017 compared with December 2016, industrial production increased by 5.2% in the euro area and by 4.8% in the EU28.

The average industrial production for the year 2017, compared with 2016, rose by 3.0% in the euro area and by 3.3% in the EU28.

The industrial production in Croatia in December 2017 compared with November 2017 rose by 1.6%.

Among Member States for which data are available, the highest increases in industrial production were registered in Romania (+3.8%), Ireland (+3.0%) and Slovenia (+2.7%), and the largest decreases in Slovakia (-2.7%), Lithuania (-2.6%) and the Czech Republic (-1.5%).

In the EU28, the increase of 0.3% is due to production of durable consumer goods rising by 2.6%, intermediate goods by 1.3% and non-durable consumer goods by 0.6%, while production of capital goods fell by 0.5% and energy by 0.3%.

The increase of 0.4% in industrial production in the euro area in December 2017, compared with November 2017, is due to production of durable consumer goods rising by 2.7%, intermediate goods by 1.4%, energy by 1.3% and non-durable consumer goods by 0.7%, while production of capital goods fell by 1.1%.

In the EU28, the increase of 4.8% is due to production of capital goods rising by 7.7%, durable consumer goods by 6.7%, intermediate goods by 6.0% and non-durable consumer goods by 2.5%, while production of energy fell by 0.1%.

Among Member States for which data are available, the highest increases in industrial production were registered in Romania (+13.5%), Slovenia (+12.2%) and Sweden (+8.5%), and the largest decreases in Croatia (-2.5%), Luxembourg (-2.3%) and Denmark (-2.2%).

The industrial production in Croatia in December 2017 was down 2.5% from the same month of 2016, according to Eurostat.

The increase of 5.2% in industrial production in the euro area in December 2017, compared with December 2016, is due to production of capital goods rising by 7.6%, durable consumer goods by 7.4%, intermediate goods by 6.6%, non-durable consumer goods by 3.1% and energy by 0.6%, according to Eurostat.

ZAGREB, Feb 14 (Hina) - The Vipnet telecommunications company earned EUR 434.9 million in revenues in 2017, 2.6% more than in 2016, while its earnings before interest, taxes, depreciation, and amortisation (EBITDA) grew 9.6% to EUR 108 million.

ZAGREB, Feb14(Hina) - The main Zagreb Stock Exchange (ZSE) indices dropped on Wednesday, the Crobex by 0.69% to 1,851.09 points and the Crobex10 by 0.72% to 1,071.71 points.

**Load-Date:** February 15, 2018

**End of Document**



[***P8\_TA(2016)0109 Small-scale coastal fishing in regions dependent on fishing European Parliament resolution of 12 April 2016 on innovation and diversification of small-scale coastal fishing in fisheries-dependent regions (2015/2090(INI))***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5RP3-61X1-F0YC-N293-00000-00&context=1516831)

Impact News Service

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**Body**

Brussels: Official Journal of the European Union has issued the following notice:

P8\_TA(2016)0109

Small-scale coastal fishing in regions dependent on fishing

European Parliament resolution of 12 April 2016 on innovation and diversification of small-scale coastal fishing in fisheries-dependent regions (2015/2090(INI))

(2018/C 058/09)

The European Parliament,

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| ? | having regard to Regulation (EU) No 1380/2013 of the European Parliament and of the Council of 11 December 2013 on the Common Fisheries Policy, amending Council Regulations (EC) No 1954/2003 and (EC) No 1224/2009 and repealing Council Regulations (EC) No 2371/2002 and (EC) No 639/2004 and Council Decision 2004/585/EC, |

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| ? | having regard to Regulation (EU) No 508/2014 of the European Parliament and of the Council of 15 May 2014 on the European Maritime and Fisheries Fund and repealing Council Regulations (EC) No 2328/2003, (EC) No 861/2006, (EC) No 1198/2006 and (EC) No 791/2007 and Regulation (EU) No 1255/2011 of the European Parliament and of the Council, |

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| ? | having regard to Article 349 of the Treaty on the Functioning of the European Union (TFEU) on measures during the adoption of which it is necessary to take into account the special characteristics and constraints of the outermost regions, |

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| ? | having regard to its resolution of 22 November 2012 on small-scale coastal fishing, artisanal fishing and the reform of the common fisheries policy (1), |

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| ? | having regard to its resolution of 23 October 2013 on marine knowledge 2020: seabed mapping for promoting sustainable fisheries (2), |

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| ? | having regard to the Commission communication of 13 May 2014 entitled ?Innovation in the Blue Economy: realising the potential of our seas and oceans for jobs and growth? (COM(2014)0254), |

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| ? | having regard to the Commission communication of 6 October 2010 entitled ?Europe 2020 Flagship Initiative: Innovation Union? (COM(2010)0546), |

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| ? | having regard to Regulation (EU) No 1291/2013 of the European Parliament and of the Council of 11 December 2013 establishing Horizon 2020 ? the Framework ***Programme*** for Research and Innovation (2014-2020) and repealing Decision No 1982/2006/EC, |

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| ? | having regard to the opinion of the European Economic and Social Committee, delivered on 15 October 2014, on the communication entitled ?Innovation in the Blue Economy: realising the potential of our seas and oceans for jobs and growth? (2015/C 012/15), |

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| ? | having regard to the opinion of the Committee of the Regions, delivered on 21 January 2015, on the communication entitled ?Innovation in the Blue Economy: realising the potential of our seas and oceans for jobs and growth? (2015/C 019/05), |

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| ? | having regard to the Commission communication of 13 September 2012 entitled ?Blue Growth ? opportunities for marine and maritime sustainable growth? (COM(2012)0494), |

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| ? | having regard to the Commission communication of 3 March 2010 entitled ?Europe 2020 ? A strategy for smart, sustainable and inclusive growth? (COM(2010)2020), |

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| ? | having regard to its resolution of 8 September 2015 on untapping the potential of research and innovation in the blue economy to create jobs and growth (3), |

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| ? | having regard to the Commission communication of 13 May 2013 entitled ?Action ***Plan*** for a Maritime Strategy in the Atlantic area: delivering smart, sustainable and inclusive growth? (COM(2013)0279), |

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| ? | having regard to the Commission Green Paper of 29 August 2012 entitled ?Marine Knowledge 2020: from seabed mapping to ocean forecasting? (COM(2012)0473), |

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| ? | having regard to its resolution of 2 July 2013 on Blue Growth: enhancing sustainable growth in the EU?s marine, maritime transport and tourism sectors (4), |

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| ? | having regard to the Commission communication of 20 February 2014 entitled ?A European Strategy for more Growth and Jobs in Coastal and Maritime Tourism? (COM(2014)0086), |

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| ? | having regard to Rule 52 of its Rules of Procedure, |

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| ? | having regard to the report of the Committee on Fisheries (A8-0044/2016), |

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| A. | whereas coastal fishing accounts for 80 % of the European fleet and, together with shellfishing, guarantees a high level of employment in coastal areas, islands and the outermost regions, and generally represents a socially and environmentally sustainable form of fishing that has considerable potential; whereas its influence on the social heritage and cultural characteristics of coastal and island areas is exceptional and diverse; |

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| B. | whereas most coastal and island fishing constitutes a traditional form of commercial fishing, i.e a way of life and the principal fishing source of livelihood and of direct and indirect job creation, particularly in areas which depend on coastal fishing and which require special measures and support to facilitate growth and development; |

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| C. | whereas coastal fishing varies to a great degree between individual Member States and also between different coastline regions within a single Member State, in terms of its basic definition and characteristics, a situation that will need to be rectified and harmonised in the common fisheries policy (CFP) in the future, and whereas significant differences exist between the Member States in terms of geography, climate, ecosystems and socio-economic factors; |

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| D. | whereas there are differences in the characteristics of coastal fishing in the various seas within the European Union, such as in the Adriatic Sea and the Mediterranean Sea as a whole, which differ from those in the open seas of the Atlantic Ocean, including along the coast of French Guiana and in the Indian Ocean basin; |

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| E. | whereas Regulation (EU) No 508/2014 of the European Parliament and of the Council of 15 May 2014 on the European Maritime and Fisheries Fund (EMFF) defines small-scale coastal fishing as fishing carried out by vessels of less than 12 metres and not using towed fishing gear, and whereas this is the only definition of coastal fishing in EU legislation; |

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| F. | whereas the reformed CFP has regionalisation as one of its cornerstones in recognition of the fact that, given the huge diversity of Europe's fisheries, centralised management is not appropriate; whereas given the very nature of coastal and island fishing, regionalisation and a non-centralised approach is of particular importance in this sector and the communities it serves; |

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| G. | whereas operations financed by the EMFF may benefit from an increase by 30 points in aid intensity where they concern small-scale coastal fisheries; |

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| H. | whereas Regulation (EU) No 508/2014 of the European Parliament and of the Council of 15 May 2014 on the EMFF states that in Member States where over 1 000 vessels can be considered to be small-scale coastal fishing vessels, an action ***plan*** must be drawn up for the development, competitiveness and sustainability of small-scale coastal fishing; |

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| I. | whereas coastal fishing should be managed pursuant to Regulation (EU) No 1380/2013, taking into account the diversity of the fleets? fishing gears, geographical and climate-based constraints, techniques and fish stocks in individual Member States and in every individual fishing zone, thereby contributing to the conservation of local traditions and fishing-related activities; |

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| J. | whereas given that each fishing area has its own specific characteristics, the exchange of information and of good practices between the different areas may help to considerably improve the impact of fishing activities on the environment and marine ecosystems and also enable better interaction between all of the human and economic activities taking place in and around coastal areas; |

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| K. | whereas the revenues of small-scale fishing have been decreasing substantially, as a result of the significant increase in operating costs, in particular owing to fuel costs, and owing to the reduction in the value of fish at first sale, often imposing an increase in fishing effort; |

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| L. | whereas the management of various stocks of several prime target species has in many regions placed serious restrictions on fishing and on small fishing communities; |

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| M. | whereas mainly traditional fishing gears and techniques, such as almadraba fishing traps, which by virtue of their specific characteristics define the identity and way of life of coastal regions, are used in coastal fishing, and there is a vital need to preserve their use and protect them as an element of cultural, historical and traditional heritage; |

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| N. | whereas non-industrial fishing contributes to the viability of coastal and island communities in terms of controlling increasing depopulation, the fight against ageing in the fisheries sector and unemployment; whereas development and innovation may play a fundamental role in job creation in these communities; whereas, in addition, non-industrial fishing makes use, in certain zones, of ancient fishing gears and techniques which are more environmentally friendly and which have less of an impact on the status of endangered stocks; |

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| O. | whereas non-industrial, coastal and traditional fishing is environmentally friendly and forms the basic economic building block for maintenance, development and employment in coastal and island communities; |

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| P. | whereas, in accordance with the Mediterranean Regulation, the classification of towed gears also includes trawl nets and seine nets, even though other classifications ? such as that of the Food and ***Agriculture*** Organisation ? consider seine nets to be a separate group of fishing gears; whereas provisions relating to towed trawl nets should not be applied to traditional coastal seine nets, which are used to catch species that are not endangered; |

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| Q. | whereas despite talk of innovating and diversifying the fisheries sector, account must be taken of the fact that a huge fishing community is extremely dependent on traditional and ancient forms of fishing; |

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| R. | whereas the new CFP acknowledges the importance of fishing-dependent coastal and island regions, and whereas the role to be played by Member States in ensuring an adequate standard of living for those who depend on fishing activities, contributing to the attainment of such a standard in the context of coastal fishing, and promoting sustainable coastal fishing and the diversification of activities in fisheries and income for those living in these coastal areas, while taking into account its cultural socio-economic reality and environmental factors, should also emphasise the importance of training and health and safety at sea for fishermen; in line with the special protection conferred by Article 174 TFEU; |

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| S. | whereas the new Regulation on the Common Fisheries Policy gives preferential access to small-scale, coastal and traditional fishermen within a zone extending for 12 nautical miles, i.e in the most sensitive part of the EU?s waters, and whereas the Commission's evaluation of the old Regulation on the Common Fisheries Policy found that the 12-mile zones were one of the few successes of the old management regime, which was subject to many conflicts in relation to the use of space and resources with other overlapping human activities on the coastline; |

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| T. | whereas Article 349 TFEU states that, when adopting measures ? especially measures relating to the fisheries sector ? the special characteristics and constraints of the outermost regions must be taken into account, with emphasis on their geographical isolation, remote location and oceanic conditions, in an often highly specific regional context where self-reliance is needed in terms of food production; |

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| U. | whereas it should be noted that, because of the particular geographical characteristics of the outermost regions and their extreme remoteness from Europe, coastal fishing is integral to the economic development of these regions; |

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| V. | whereas coastal fishing in the outermost regions also faces competition from vessels sailing under non-EU flags that use the same fishing areas and target the same species to sell on the same markets, in addition to competition from non-EU imports which are subject to completely different operating costs and regulatory, sanitary and environmental constraints; whereas, in this context, any efforts to aid endogenous development and self-reliance in terms of food production would come to nothing unless supported by specific EU policies in these regions; |

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| W. | whereas, in the outermost regions, marine aquaculture also contributes, alongside coastal fishing, to economic development and the supply of fresh ***produce*** to the local area; |

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| X. | whereas the majority of coastal regions, especially those in southern European countries and island regions, are facing a significant economic decline, which is resulting in depopulation and the exodus of their inhabitants, who seek opportunities in areas offering better prospects for employment and education; |

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| Y. | whereas the European crisis has demonstrated the need for Europe to diversify its economic activities, and the importance of analysing new models of innovation and knowledge which may create new employment at local level. |

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| Z. | whereas some coastal fishing regions are located close to economically developed regions and tourist destinations but are nonetheless unable to achieve adequate economic growth; whereas the pressure to use the sea?s resources is already growing in such regions, and the fisheries sector is being marginalised in favour of tourism, even though the two sectors are compatible and complementary; |

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| AA. | whereas logbooks often represent an administrative burden for small coastal fishing businesses and greater flexibility would be desirable; |

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| AB. | whereas this pressure on coastal areas from the tourism sector is principally caused by certain specific activities, such as uncontrolled recreational fishing, which in some areas are putting a strain on the sea?s resources and affecting business opportunities for those who live in traditional fishing areas; |

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| AC. | whereas the founding of Fisheries Local Action Groups (FLAGs) in areas which rely on fishing is vital, as such groups are recognised as a useful instrument that provides opportunities and possibilities for the diversification of activities in fisheries, which ultimately leads to the general development of coastal and island regions and to social cohesion in these regions, and there is therefore a need to further increase economic resources to enable these groups to form and to act in the relevant areas; |

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| AD. | whereas female shellfish gatherers remain invisible and women are under-represented in general in the fisheries sector; |

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| AE. | whereas women working in the maritime sector as net-makers, provisioners, unloaders and packers remain invisible as a group; |

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| AF. | whereas the economic crisis is also making itself felt in the fisheries sector, especially for those population groups that have been most affected by the unemployment situation such as young people and women, and therefore diversification and innovation are necessary in order to increase employment, to take advantage of new possibilities such as blue and green development, and to prevent and counteract the marginalisation of fisheries in developing and peripheral regions; whereas special attention should be taken on professional training; |

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| AG. | whereas diversification in coastal and island regions may be carried out through activities related to the marketing and promotion of fish products, gastronomy, tourism, cultural, historical and traditional heritage, the environment and green growth; |

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| AH. | whereas the concept of the blue economy is developing and may give a strong boost to growth and economic development, as well as the creation of employment, in particular in coastal and island countries and regions and in the outermost regions; |

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| AI. | whereas the coastal and island communities have a fundamental interest in the materialisation of the concept of the blue economy; |

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| AJ. | whereas the EU?s ?Innovation Union? initiative acknowledged and identified shortcomings that restrict and prevent the development of research and innovation, such as inadequate investment in science, the lack of adequate data on seas and oceans, insufficient funding and a lack of cooperation between the private and public sectors; |

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| AK. | whereas the development of the blue economy would contribute to economic growth overall ? and particularly in coastal, island and outermost regions ? and it is precisely the regions that depend on fisheries that have a key role to play in the development of innovations and that should be involved at every phase of the development of the blue economy; |

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| AL. | whereas in the fisheries sector, in the same way as in other sectors, the environment and the economy go hand in hand; whereas the development of the blue economy should therefore focus on social economy and on sustainable and environmentally friendly projects and activities aimed at introducing developing coastal activities and preserving the maritime environment and biodiversity as a whole, with specific support for environmentally friendly artisanal fishing activities which encourage biodiversity; whereas these projects and activities must also be sustainable from the social and economic point of view so as to ensure that non-industrial fishing remains viable; |

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| AM. | whereas the blue economy may also contribute to developing safety aboard fishing vessels and improve fishermen?s working conditions and day-to-day wellbeing; |

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| AN. | whereas environmental and selectivity targets apply equally across the board, but it will be problematic for small vessels to meet the landing obligation for discards; |

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| AO. | whereas anthropogenic influences, i.e human activities, in coastal regions have been underestimated in the context of environmental protection issues; whereas the cumulative effects of various activities on coastal regions have not been adequately recognised or assessed; whereas activities that take place in some areas, such as maritime transport, tourism, uncontrolled and exhaustive recreational fishing in some areas, the sale of species obtained through this activity, poaching, urban and industrial waste water from the mainland, etc., particularly affect the fisheries sector; |

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| AP. | whereas knowledge of the marine environment, specifically of the state of the marine ecosystem, is vital for assessing the impact of various activities on the environment, as is the laying down of suitable protection measures and monitoring ***programmes*** with the goal of promoting the recovery of fish stocks, the sustainable use of resources and the development of innovations; whereas data on the marine environment are inadequate and inadequately systematised; |

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| AQ. | whereas in certain regions illegal fishing poses a real threat to the continued existence of non-industrial coastal fishing as well as jeopardising the preservation of fishery resources and biodiversity; |

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| AR. | whereas the Integrated Maritime Policy aims to respond to the new challenges faced by the seas, industry and fishermen throughout Europe, from protection of the environment to coastal development, by way of aquaculture, nautical tourism or other economic activities related to blue growth; |

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|  | 1. | Calls on the Commission to adapt the definition of coastal, small-scale coastal and traditional fishing in line with the socio-economic characteristics and specificities of the different regions, rather than solely according to the dimensions and power of fishing vessels, since the current EU regulations are not satisfactory; proposes to make use of regionalisation in order to adapt the definition of coastal fishing on a case-by-case basis in line with the specificities of each fishery; proposes to take into account a number of indicative criteria such as the size of the vessels, the fishing gears used, the selectivity of fishing techniques, the lengths of the fishing trips and whether the owner of the vessel is on board, the traditional formulas of entrepreneurship and the property and business structures traditionally operating in these areas, the involvement of the extractive sector in the activities of processing and sales, the true nature and scale of the extractive activities and other factors linked to traditional activities, the support from businesses or the influence on local communities; |

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|  | 2. | Calls on the Commission to consider the possibility of small-scale coastal fishing in island communities which traditionally depend on fishing for their own livelihood, and are engaged in fishing activities throughout the year; |

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|  | 3. | Calls on the Commission and the Member States to gradually increase the quotas allocated to non-industrial fisheries, in order to boost this socially and ecologically sustainable form of fishing; |

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|  | 4. | Calls on the Commission to support innovative projects and legal provisions that facilitate the development of the coastal, island and outermost regions, taking account of the diversity of socio-economic activities, as a means to drive the positive externalities of non-industrial fishing, in terms of both social and economic cohesion and environmental protection by means of new types of support within the context of existing European funding; emphasises that priority should be given to projects that focus on sustainable job creation and retention, the increasing involvement of the extractive sector in processing and sales, the promotion of entrepreneurship formulas linked to social economy, the promotion of short market chains, the introduction of new technologies in the promotion and sale of fishing goods and services, innovation in the development of new goods and services, and maintaining and protecting traditional roles; |

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|  | 5. | Considers that the revision of the framework of technical measures must take into account the specificities of coastal fishing and allow for certain derogations, provided these are justified, in the context of regionalisation; |

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|  | 6. | Calls on the Commission to coordinate an investigation at European level to ascertain the impact of recreational coastal fishing on traditional fishing activities and also to define the parameters that are required in order to reduce recreational coastal fishing in some areas; calls for increased monitoring of this activity to prevent any interference between the extractive sector and these practices that are already a cause for concern in outermost regions with important tourism sectors; |

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|  | 7. | Calls on the Member States to give priority to small-scale coastal fishing when granting EMFF funding and to streamline procedures for operators of those types of fisheries; |

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|  | 8. | Urges the authorities involved in promoting these activities to ensure that all local stakeholders, entrepreneurs? associations, fishing and oceanography research institutes, universities, centres for technology and local and regional institutions participate in the innovation processes, in order to help the projects to introduce comprehensive measures, to improve their financing prospects and to provide them with sufficient support to meet the conditions specified in the European Fisheries Fund; |

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|  | 9. | Calls on the Commission to be accountable to the Parliament in respect of the action ***plans*** for the development, competitiveness and sustainability of small-scale coastal fishing drawn up by the Member States for the purposes of the EMFF; |

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|  | 10. | Calls on the Commission to implement the necessary measures to support the various groups of women in the maritime sector so as to encourage their participation and ensure they are represented in all areas, both in decision-making roles and fishing activities; |

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|  | 11. | Calls on the Commission to introduce specific measures to recognise and improve working conditions for women working as net-makers, provisioners, unloaders and packers; |

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|  | 12. | Calls on the Commission, in close coordination with the Member States, to strengthen the role of the European Fisheries Areas Network (FARNET), which provides significant assistance to FLAGs; |

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|  | 13. | Calls on the Commission to promote and drive the founding and the work of FLAGs by increasing economic resources, since these groups are providing continued support and advice directly to the fisheries sector and thus promoting a socially inclusive sustainable development model in fishing areas, inspiring young people and women to become involved in new business projects and contributing to innovation infrastructure refurbishment, economic investment and diversification, and local management ***plans*** by the fisheries themselves; calls on the Commission to strengthen the role and functions of competent authorities in developing new innovative activities and to work in close coordination with the various sector operators; |

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|  | 14. | Calls on the Commission to help strengthen the role of fisheries communities in local development and the governance of local fisheries resources and maritime activities; |

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|  | 15. | Calls on the Commission to consider the particular role of women in the economy in coastal areas and to act consistently with this, as is already done in the ***agricultural*** industry; calls for an acknowledgement of the amount in terms of GDP that is contributed by women in auxiliary roles and of the particular relevance of their contribution in households in which gender-based division of work traditionally meant that extraction was solely a male activity; calls for professional recognition at all levels of traditional female roles in the sector and for the setting up of dedicated ***programmes*** aimed at supporting entrepreneurship by women in these areas; |

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|  | 16. | Calls on the Commission to promote and support investment in the diversification of the fisheries sector through the development of complementary activities and the versatility of careers in fisheries, including investments in vessels, safety equipment, training, environmental services in the fisheries sector activities, and cultural and educational activities, with particular emphasis on protecting the environment and promoting sustainable growth; stresses that the key objective must be to fund activities that are socially, environmentally and economically viable and capable of creating employment, particularly for young people and women; stresses that marine aquaculture is compatible and complementary with coastal fishing in the outermost regions, and calls on the Commission to support the development of farming and varietal-selection techniques in the warm waters of tropical or subtropical areas; calls on the Commission to highlight the role played by women in non-industrial coastal fishing and all associated activities; |

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|  | 17. | Calls on the Commission to boost the creation and development of fishing tourism, with the aim of applying a differentiated business strategy that is appropriate to the potential of this segment and able to meet its needs more effectively, working towards a new form of tourism in which the key concerns are for quality, flexibility, innovation and preserving the historic and cultural heritage of fishing areas as well as the environment and health, among other aspects; calls on the Commission also to promote and support investment in fisheries in the area of tourism, in order to create differentiated tourism capacities by promoting gastronomy connected with non-industrial fish products, angling tourism activities, underwater and diving tourism, etc., thereby sustainably capitalising on fishing heritage and the recognisability of a specific fishing region; |

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|  | 18. | Highlights the growing importance of nautical sporting activities in the strengthening of local communities, particularly out of season, through new underwater, diving or other nautical sports such as surfing or bodyboarding. |

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|  | 19. | Calls on the Commission, in the interests of boosting the creation and development of fishing tourism, to actively promote and support investment in the diversification of fisheries in the area of culture and art as part of traditional heritage (handicrafts, music and dance) and to support investment in the promotion of tradition, history and fishing heritage in general (fishing gears, techniques, historical documents, etc.) by opening museums and organising exhibitions that relate closely to coastal fishing; |

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|  | 20. | Calls on the Commission to look into the possibility of allowing mixed use of vessels intended for extractive activities so that, while still retaining this purpose, they may also accommodate other kinds of activities linked with the recreational and tourism sector, such as nautical information days or activities related to processing, learning or gastronomy, etc., in line with the system that operates in the rural sector involving farm schools or agrotourism; |

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|  | 21. | Calls on the Commission, and the Member States via their governing agencies, to ensure that small-scale coastal fisheries receive their fair share of EMFF funding, particularly given the administrative constraints imposed on them; |

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|  | 22. | Calls on the Commission to create measures which encourage and promote mobility between professions related to the sea. |

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|  | 23. | Calls for the results of research and projects financed from the public budget to be made publicly available under certain conditions, for more effective disclosure of and access to existing data on seas and oceans to be ensured, and for the current administrative barriers hindering growth and the development of innovation to be removed; |

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|  | 24. | Urges the Commission to improve the regulations by introducing mechanisms to oversee the fair allocation of quotas to small-scale fishing with regard to shared species; |

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|  | 25. | Emphasises that the main product of fishing is the fish itself and that it is vital to strengthen the various means of using fish, including canning and the use of fish by-products; calls on the Commission to actively promote and support investment in the diversification of fisheries in terms of the marketing and processing of local fish products and to boost the development of local distribution channels, the promotion of these products through the creation of local distinctive signs and/or trademarks for fresh products and by supporting the creation of local business projects aimed at carrying out these activities; stresses that promoting innovation in this manner must in particular include the development of labels and seals guaranteeing the quality of local fish products; |

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|  | 26. | Calls for greater flexibility with regard to logbooks for vessels of less than 12 metres, in particular in terms of the requirement that documents must be sent within 48 hours, as this represents a considerable administrative burden; proposes in this context to allow vessels that sell all of their fish at auction to be exempted from this obligation, which would enable the required information to be obtained without imposing an unnecessary administrative burden; |

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|  | 27. | Encourages the establishment of marine protected areas, which will promote sustainable fisheries resources and facilitate the control of and fight against IUU (illegal, unreported and unregulated) fishing; stresses the need for the EU to provide adequate guidance, coordination and support to Member States in this respect; |

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|  | 28. | Calls for firm support for the work of women since they play an essential role in non-industrial fishing; stresses in particular the key tasks performed by women in the processing chain and their fundamental role in shellfishing; |

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|  | 29. | Notes that coastal fishing in the outermost regions is eligible for a compensation scheme recognised under the EMFF because of the significant additional costs it incurs; calls on the Commission to expand this scheme with the addition of a specific mechanism for the outermost regions that is similar to the POSEI scheme in the ***agricultural*** sector; |

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|  | 30. | Calls on the Commission to support the introduction of fresh ***produce*** obtained through non-industrial fishing, shellfishing and small-scale, sustainable, extensive aquaculture to public eating establishments (educational institutions, hospitals, restaurants, etc.); |

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|  | 31. | Stresses that the outermost regions have specific characteristics as a result of their remoteness and insular nature; emphasises that these specific characteristics incur additional costs for coastal fishing in these regions and that these additional costs should be compensated in full as part of the EMFF; |

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|  | 32. | Stresses that coastal fishing fleets in the outermost regions often consist of ageing vessels, which causes issues in terms of on-board safety; calls on the Commission to propose a revision of Regulation (EU) No 508/2014 of the European Parliament and of the Council of 15 May 2014 on the EMFF with a view to authorising aid for the renewal of small-scale coastal fishing vessels in the outermost regions, providing this does not increase capacity; |

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|  | 33. | Calls on the Commission and the Member States to provide access to marine and ecological data with a view to promoting transparency, innovation and development, and to guarantee access to all interested parties to scientific information developed with the support of public cofinancing; |

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|  | 34. | Stresses that the oceans and areas along and near to the coasts have a potential that remains largely unexplored in terms of development, employment, energy autonomy, innovation and sustainable development; considers that the EU?s recognition of this potential and of the role played by these areas would make these coastal, island and outermost regions more attractive and boost their development; |

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|  | 35. | Expresses concern at the application of the Horizon 2020 ***programme*** to the blue economy area, since it is the main ***programme*** for research and the development of innovation at European level; supports the creation of a blue economy Knowledge and Innovation Community (KIC) within Horizon 2020 which contributes to strengthening activities in coastal regions though transnational public-private partnerships; |

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|  | 36. | Supports the use of funds intended for innovation and blue growth to fund basic research, R&D, training, the setting up of companies, environmental protection and the launch of innovative products and processes on the market; |

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|  | 37. | Calls on the Commission to provide support as part of initiatives for the direct management of project financing, in which emphasis is placed on coastal fisheries and the development of coastal regions; |

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|  | 38. | Stresses the importance of environmental protection instruments, such as Environmental Impact Assessments for individual projects and ***Strategic*** Environmental Assessments for strategies, ***plans*** and ***programmes***, which contribute to sustainable fisheries; |

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|  | 39. | Stresses the importance of the Integrated Maritime Policy for the future of fishing-dependent regions and understands that there must be an increasing commitment to the strategy of blue growth. The aim is to provide long-term support for sustainable growth in all marine and maritime sectors, acknowledging the importance of seas and oceans as the powerhouses which generate employment and create employment in the coastal regions; |

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|  | 40. | Stresses that coastal and island regions, as well as the outermost regions, are the main actors in the development of innovation and that they must be involved at every stage of the development of the blue economy; |

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|  | 41. | Stresses the importance of the EMFF, which has a particular focus on diversification and innovation in the fisheries sector, with a view to supporting fisheries which are socio-economically and environmentally sustainable, innovative, competitive, effective and knowledge based; supports the need to strengthen funding for Axis 4 of the European Fisheries Fund with a view to supporting the members of fishing communities and improving their living standards by developing new activities; calls on the Commission to validate the regional versions of the EMFF as soon as possible; |

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|  | 42. | Stresses the importance of strengthening the relationship between local communities and universities/technology centres which will contribute decisively to the creation of new business incubators which enable the generation of new business ideas in the maritime sector; |

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|  | 43. | Calls on the Commission to actively promote projects which offer support for the strengthening of innovation and technological development, the objective of which is the development or introduction of new products, equipment, techniques, as well as new or improved systems for management and organisation; calls on the Commission to promote and encourage the exchange of information and the sharing of good practices between the different fishing areas so as to foster the development of innovative and sustainable fishing methods; considers it essential in this regard to incorporate modules for the training of entrepreneurs and for diversification in professional nautical and fishing schools; |

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|  | 44. | Calls on the Commission to encourage the creation of new, innovative businesses in fishing-dependent regions, providing an incentive for entrepreneurship and the creation of start-ups with a good possibility of success in the maritime sector, which will contribute to the diversification of the activity of traditional coastal fishing, create employment and attract or maintain the population; |

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|  | 45. | Calls on the Commission to use a selective approach when developing legislative proposals on the use of fishing gears and techniques so as to take into account the actual impact that these gears and techniques have on non-industrial fishing resources in each of the relevant areas; calls on the Commission to ensure that any legislative initiatives are subject to a thorough prior impact assessment taking account of the specific factors that apply in each fishing area; feels that a non-selective approach to the use of fishing gears and techniques is having a serious impact on the viability of already marginalised coastal and island communities, causing further depopulation and hindering development and innovation; feels that positive discrimination should be applied to artisanal coastal fishing; believes that this approach, as with the case of the proposal to ban driftnets, suggests that the Commission is still adjusting to the decentralised reformed CFP which the co-legislators chose to adopt; reminds the Commission of its duty to operate within the framework of regionalisation as set out in the new CFP Regulation; |

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|  | 46. | Notes that coastal marine ecosystems are sensible and urges Member-States and the Commission to evaluate the environmental impact of any activities that could affect the sustainability of fish stocks, such as maritime transport, waste, transport, aquifer pollution, drilling activities or the construction of new tourist facilities along the coast, in accordance with the precautionary principle; |

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|  | 47. | Advises the Commission to give the highest importance to the socio-economic relevance of artisanal coastal fishing and small-scale fishing within the EU, the adoption of alternative methods of defining the segments of the fleet, and the importance of the diversification of the activity in strongly fishing-dependent coastal regions; notes the relevance of gathering a body of scientific information which facilitates better management of artisanal fisheries, in order to make them sustainable from a biological, social, economic and environmental point of view; |

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|  | 48. | Calls on the Commission to speed up the process of transposition of the social partners' agreement on implementation of the Work in Fishing Convention, 2007 of the International Labour Organisation into an appropriate EU legislative instrument; |

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|  | 49. | Calls on the Commission, in accordance with the expert classification of fishing gears set out in the Mediterranean Regulation, to take into account the differences between trawl nets and seine nets in order to give the best provisions towards the more sustainable use of each kind, taking into account the most recent scientific advice; |

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|  | 50. | Calls on the Commission to ensure that a review of the assessment of the status of fish stocks relevant to coastal fisheries is carried out, and stresses the need for an analysis of small-scale fishing?s impact on fish stocks, not forgetting more substantial techniques such as tuna fishing given that the species fished in coastal fisheries are extremely valuable in socio-economic terms, even though they only account for a small proportion of total catches but are, nevertheless, very significant for the survival of those fishermen who rely on them for their daily earning; |

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|  | 51. | Expresses concern at the loss of traditional fishing techniques and skills due to unfavourable regulations that affect coastal communities; |

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|  | 52. | Calls on the Commission to amend the provision on the technical specifications for fishing nets, such as the minimal mesh size, the height of the net, the distance from the coast and depth at which nets may be used in order to ensure a more balanced harvesting of fish stocks and to preserve biodiversity; |

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|  | 53. | Calls on the Commission to amend the provisions of the existing regulation that prescribe the required distance from the coast and the depth at which fishing gears may be used to take account of the geographical specificities of border areas of Member States; |

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|  | 54. | Stresses the need for an amendment to the Regulation concerning management measures for the sustainable exploitation of fishery resources in the Mediterranean Sea, also known as the ?Mediterranean Regulation?, which was adopted in 2006 and which lays down rules on the technical characteristics of fishing gears and their uses; feels that this regulation must be brought into line with the new CFP, while keeping in mind that the basin is managed jointly with non-EU countries, in particular the objective of maximum sustainable yield; |

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|  | 55. | Stresses the need for effective coordination between the Member States to ensure that fishermen are given timely and comprehensive information on the implementation of existing regulations and any amendments to them; |

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|  | 56. | Calls on the Commission to promote projects, in the context of cohesion policy, that will make a contribution to protecting coastal and island areas as traditional, cultural and historical fishing and maritime heritage areas; |

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|  | 57. | Calls on the Commission and the Member States to use European funds to subsidise the sustainability certification of almadraba traps, in order to promote the recognition and contribution of this fishing method; |

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|  | 58. | Instructs its President to forward this resolution to the Council and the Commission. |

(1)  OJ C 419, 16.12.2015, p. 167.

(2)  Texts adopted, P7\_TA(2013)0438.

(3)  Texts adopted, P8\_TA(2015)0291.

(4)  OJ C 75, 26.2.2016, p. 24.

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HINA Digest

26 October 2017

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**Body**

Zagreb, 26 October 2017 (Hina) - PM, minister call for faster, better, more modern justice systemZAGREB, Oct25(Hina) - The legaland justice systemsmust keep on upgrading in line with the requirements of the times, it was said at the "Faster, Better, More Modern Justice System" conferencein Zagreb on Wednesday, organised on the occasion ofEuropean Day of Justice.The event was opened by Prime Minister Andrej Plenkovic, who said the justice systemshould be faster, better and more modern, and that this was the direction the government,the Justice Ministry and everyone in the system wanted to take. The judicial reform is one of the longest as well ascrucial for economic growth and the perception of Croatia as investment-friendly, he added.He said the work of judicial bodies was "a key political, economic and legal issue," adding that many reforms had been undertaken, "but it's a lasting process and we need additional effort to achieve the highest European standards."Plenkovicsaid those reforms resulted in fewer courts as well aspending cases, which dropped from over 1.6 million in 2004 to a little over 470,000. "But we are aware the situation still isn't satisfactory," he said, adding that proceedings took too long, breachingcitizens' right to a trial within a reasonable time as well asimpactingthe economy and investments.He underlined the importance of an independent justice system.

"The executive authority must not get into specific proceedings. Those are principles our government understands and respects. We haven't forgotten the separation of powers and we deeply believe in it," he said, but added that judges'independence did not rule out responsibility for their decisions.The prime minister said citizens must be an important element of the reform efforts as the speed of the resolution of disputes was often vital. "Confidence in the justice system is low and it's a perception we must change together."Justice Minister Drazen Bosnjakovic said the perception of the justice system in public was very poor, primarily because of "some decisions which cast a shadow on everything good that gets done," voicing confidence that the actual state of affairs was markedly better than the public perception.He underlined the importance of technologically upgrading the justice system, and announced amendments to the law on courts and the merging of magistrates' and municipal courts. "We want to modernise processes in land registries...accelerate the appointment of judges and increase the responsibility of all working in the system," he said.Red notice issued for arrest of Agrokor's owner Ivica TodoricZAGREB, Oct25(Hina) - Croatia's judicial authorities have issued a Red Notice for the arrest of Ivica Todoric, the founder and owner of the heavily indebted Agrokor food and retail group, wanted in Croatia for murky dealings which pushed Agrokor in financial distress.According to unofficial reports, a Red Notice has replaced a Blue Notice for the apprehension of Todoric who is beyond the reach of Croatia's authorities.A Blue Notice refers tocollecting additional information about a person’s identity, location or activities in relation to a crime, whereas a Red Notice is about seeking the location and arrest of wanted persons with a view to extradition or similar lawful action.On Monday, the Zagreb County Prosecutor's Office issued a European Arrest Warrant for Ivica Todoric.Ivica Todoric, his sons Ivan and Ante, and 12 former Agrokor executives and auditors are under investigation for making 1.142 billion kuna (EUR 152 million) in illegal gains.The Zagreb County Prosecutor's Office issued a warrant for the arrest of Ivica Todoric on Saturday, after which Todoric said in his blog that he would return to Croatia as soon as he gathered relevant evidence to oppose "a joint criminal enterprise" by political elites and their helpers.Last week, investigating judge Zoran Luburic requested investigative detention only for Ivica Todoric, allowing the other suspects to defend themselves while at liberty. The request was upheld by a Zagreb County Court panel of judges on Monday.Todoric continues with blog attacks on PM Plenkovic, even after Red NoticeZAGREB, Oct 25 (Hina) - Ivica Todoric, the founder and owner of the heavily indebted Agrokor food and retail group for whose arrest Croatia's judicial authorities have issued a Red Notice, wrote another blog post on Wednesday evening, attacking Croatian Prime Minister Andrej Plenkovic and saying that "there is no transparency on Agrokor's website regarding the activities of the emergency administration."In another blog attack on PM Plenkovic, Ivica Todoric claims that "the website does not have information on roll up loan" and "criminal favouring vulture Knighthead Fund to which your transparent Ramljak gave privileged information before you appointed him emergency administrator."Minister says no problem in extradition cases with Great Britain and Switzerland so farZAGREB, Oct 25 (Hina) - Justice Minister Drazen Bosnjakovic said on Wednesday that so far, Croatia has not hadany bad experience in extradition matters with Great Britain and Switzerland, the two countries where Ivica Todoric, the founder and owner of the debt-laden food conglomerate Agrokor, is supposedly staying.Answering reporters' questions, the minister said that in the past several years, Croatia had eight extradition requests with Great Britain. "Six of those eight requests were from us towards them, five of which have been resolved successfully and one was rejected... We extradited two people to Great Britain and there were no particular problems," Bosnjakovic said.He said he did not know where Todoric was staying, adding that his ministry was not handling this case.Asked about a Red Interpol Notice, Bosnjakovic said the final decision would be made by the General Secretariat headquartered in Lyon."Any further course of action will depend on whether there will be a Red or a Blue Notice," the justice minister said.PM: Too early to know how Agrokor will function in futureZAGREB, Oct25(Hina) - Prime Minister Andrej Plenkovic on Wednesday said that it was too early to speak about how Agrokor will function in the future and whether individual companies within the conglomerate would be sold or whether it would remain asa complete whole.TheJutarnji List daily on Wednesday wrote that the developmentsaround the conglomerate werequickly unwinding and that it would not be "carved up," while Plenkovic said that the idea behind the emergency administration was to overhaulAgrokor's business and finances and to reach settlements with creditors."It is important that a complete solution is found. It is in the government's and state's interest and of all stakeholders that jobs are retained and that companies within the Agrokor conglomerate are functioning. These are the two fundamental objectives. Naturally, the option of whether the company will function as a whole or in separate companies in the future is yet to be seen in the weeks and months to come when we see how the final settlement will look like. At the moment, it is too early to predictthat stance," he said.He reiterated that pursuant to the law the Agrokor inquiry commission ceases to exist as soon as a particular issue becomes the subject of a judicial proceeding and added that the government and Croatian Democratic Union (HDZ) were open to the idea of a "debate in parliamentary committees, wherever that is necessary."With reference of demands by the Opposition that the emergency administration presents what it has been doing in Agrokor in parliament, Plenkovic said that that information was publicly available and anyone can read it.He claimed that there are no indications of where Ivica Todoric might be.President talks Agrokor, bullet-proof cars, conflict of interestZAGREB, Oct25(Hina) - President Kolinda Grabar-Kitarovicon Wednesday commented on aEuropean Arrest Warrant issued forIvica Todoric, founder of the debt-laden Agrokor conglomerate,saying the justice system should do its job."It's on Mr. Todoric's conscience to decide how to proceed," the president told reporters in Dubrovnik, adding that the most important thing concerning the parliamentary inquiry commission for Agrokor was transparency so that citizens did not get the impression that something was being concealed."Since legal proceedings have been launched...the law limits the commission's work somewhat. The most important thing is transparency. In the end, the law (on inquiry commissions) can be amended. The actions of the justice system arekey as it decides on someone's guilt...It would be good to continue investigating other acts which aren't the subject of... the indictments that have been filed. That's in everyone's interest and I hope the discussion between the parties in parliament will continue in that tone."The president went on to say that her office had not requested the purchase of the bullet-proof carsordered by the Interior Ministry and that she was satisfied with her current transportation."I mostly ridein a van as it's the most practical, ithas the most room and allows me to sit down with my associates. I believe the Interior Ministry had its reasons for ordering the vehicles because Croatia is visited by foreign statesmen and requests for bullet-proof vehicles are frequent," she said, adding that there were situations where such vehicles might be necessary.The president also commented on announcements that the Conflict of Interest Commission might reopen the case of an alleged birthday party thrown for her by controversial football mogul Zdravko Mamic.She said there was no conflict of interest and that Commission chair Dalija Oreskovic "should start tackling the problem of conflict of interest in the state in general and not wage a personal war against me."President relocates her office to DubrovnikZAGREB, Oct 25 (Hina) - Croatian President Kolinda Grabar-Kitarovic on Wednesday began her five-day stay in Dubrovnik-Neretva County, and the official ceremony marking the temporary relocation of the Office of the President of the Republic to Dubrovnik was held on Wednesday morning with the raising of the presidential flag in front of the County's headquarters "Ranjina Palace" in Dubrovnik.After the ceremony, the President said she hoped thatshe would get an insight into the state of affairs in the county, adding that she has come to help encourage the resolution of open issues that make the development of the southernmost area of Croatia more difficult.In her speech, the president underscored the role of Dubrovnik in the past, notably during the 1991-1995 Homeland Defence War."For centuries, Dubrovnik has been an area of democracy, culture, spirituality, economic success and diplomatic flair. We all admire those accomplishments of theDubrovnik Republic that was always ahead of its times. Therefore the coat of arms of Dubrovnik is incorporated in the crown of Croatia's coat of arms, as a memento of that outstanding historical role," Grabar-Kitarovic said, commending local inhabitants for their patriotic behaviour during the Homeland Defence War.On the first day of her stay in Dubrovnik County, the President will visit the municipalities of Zupa Dubrovacka and Konavle as well as the promontory of Ostro on the Prevlaka Peninsula.On Thursday, the President will discuss the Peljesac bridge project with local officials and experts and talk with the county's wine ***producers*** in Orebic. Later the President will visit the island of Korcula.On Friday the President will visit the islands of Lastovo, Mljet and Sipan.Saturday is reserved for a meeting with mandarin orange growers in the River Neretva valley and the President will travel to Slano, Opuzen,Metkovic and Ploce where she will meet with the port's management.On the last day of her office in that county, the president will attend ceremonies commemorating the 25th anniversary of the liberation of the southern Croatian coast and the lifting of the siege of Dubrovnik during the 1990s war.The CroatianPresident has relocated her office from Zagreb to other areas of the country ten times since the start of her five-year presidential term in mid-February 2015.Grabar-Kitarovic: Peljesac bridge will be important development projectZAGREB, Oct 25 (Hina) - President Kolinda Grabar-Kitarovic said in Dubrovnik on Wednesday, after temporarily relocating her office there, that it was necessary for Dubrovnik to establish closer transport links with Zagreb and other cities in the country, citing the importance of modernising the city's airport and building the Peljesac bridge."Not only will the Peljesac bridge connect state territory and bring Dubrovnik closer to the rest of Croatia, it will also connect the territory of the European Union and willbe an important development project for the population of Peljesac and neighbouring islands," the president said.The Peljesac bridge will bypass a short section of the coast where Bosnia and Herzegovina has access to the Adriatic Sea and which cuts off the Dubrovnik area from the rest of Croatia.Grabar-Kitarovic also emphasised the need for fast and cheap ferry services as a condition for the revitalisation and sustainable development of the islands. "Education, water supply and investment are essential for keeping young people on the islands," she added.The president said she would like to see more investment in other sectors of the economy apart from tourism, citing small shipbuilding, ***agriculture***, winemaking, fishing and other maritime activities.The state-owned road construction and maintenance company Hrvatske Ceste said on Wednesday that a contractor for the Peljesac bridge would be selected by the end of this month.Three bids have been received for the first phase of the bridge construction: a joint bid by the Italian construction company Astaldi and Turkey's IC Ictas, a bid by the German company Strabag and one by the China Road and Bridge Corporation. Their bids exceeded the estimated cost of construction of 1.8 billion kuna (240 million euros).Tomasevic: Lex Sheriff reduces powers of local legislatures to zeroZAGREB, Oct 25 (Hina) - Tomislav Tomasevic, a vocal critic of the long-standing mayorship of Milan Bandic in Zagreb and one of the leaders of the leftist opposition councillors in the Zagreb City Council, has warned that draft amendments to local self-government legislation would reduce the powers of local government to such an extent that local councils could be abolished because they will have no roles any more.All opposition councillors supported the inclusion of this motion on the agenda of the Council session on Thursday, Tomasevic told Hina on Wednesday, adding that it was vitalthat the most important body of local self-government in Croatia should give its opinion on theproposedamendments to the Local and Regional Self-Government Act. The bill, dubbed Lex Sheriff, is seenby the media and the Opposition as an attempt to reinforce the position of local power-wielders who have been mayors for years.The Opposition finds it disputable that it would not be possible any more to relieve mayors of their duties when local councils refuse to vote in budgets put forward by the mayors.On the other hand,Public Administration Minister Lovro Kuscevic insists that the purpose of the draft amendments isto ensure a more efficient functioning of local and regional self-government bodies and improve relations between municipal councils and mayors.Kuscevic defends the changes explaining that the amended legislation will prevent the blackmailing of mayors and county heads by local councils when they do not want to adopt budgets as proposed by mayors.In the same vein, proponents of the changes believethat the possibility of local councils to be dissolvedin the event of non-adoption of budgets will force local lawmakersto cooperate with mayors to ensure a budget that will be the result of a compromise.However, the Opposition claims that the proposed changes are a short-term solution aimed at cementing the coalition of the Croatian Democratic Union (HDZ), the ruling party at the government level, and Mayor Bandic.GLAS finds amendments to law on local gov't counter-constitutionalZAGREB, Oct25(Hina) - The vice president of the GLAS opposition party, Goran Beus Richembergh, said on Wednesday the bill of amendments to the law on local and regional self-government was counter-constitutional.The constitution defines citizens' right to local self-government and says they exercise it via elected representatives in representative bodies, but nowhere does it say that they exercise that right via mayors and municipal or county heads, he said.Any disempowering of a representative body is counter-constitutional, he said when commenting on the proposed changes and added thatall powers are concentrated in the hands of the executive authority, as a result of which many city councils, for example,don't discuss city companies' business reports or electcity companies' supervisory boards.As another result of disempowering,representatives bodies will not be be able todiscuss the responsibility of local heads in the last year of their terms, he said.Instead of reforming and downsizing the local and regional self-government system andanswering key questions, such as what their powers will be, ifCroatia needs 21 counties, how to reduce administration and improve the quality of service, we have another attempt to concentrate power in the hands of about 500 people in the country, Beus Richemberghsaid, adding that there was no mechanism to dismiss Pozega-Slavonia County head Alojz Tomasevic, suspected of domestic violence.GLAS president Anka Mrak Taritas said the bill was not a step forward but a step into the abyss when it came to local democracy and citizen participation in decision-making, as councillors would only raise their hands as someone instructed.Domestic Policy Committee endorses interior minister's 2016 reportZAGREB, Oct 25 (Hina) - The parliamentary Domestic Policy and National Security Committee on Wednesday unanimously endorsed a report by the interior minister on police performance in 2016.The number of crimes is generally decreasing and crime trends are declining, state secretary Zarko Katic said presenting the report, adding that although foreigners as well as Croatian citizens sawCroatia as a safe country, it was necessary to keep on working on improvements.A total of 85,620 crimes were committed in 2016, down 9.9% on the year,the crime rate was 2,037 crimes per 100,000 inhabitants, and63.5% of all cases were solved, up 2.4% from 2015.In 2016, 905 corruption crimes were reported, up 19.2% on the year, including 72.5% for abuse of office. There were 181 perpetrators of corruption, a drop of 40.1% on the year, while the material damage was estimated at HRK 130.6 million, down from HRK 244.9 million in 2015.Katic said there were 32,757 traffic accidents in 2016, up 0.6% on the year, with 307 fatalities, down 11.8% from 2015.Twenty-five persons were killed in fires, up 4.2% annually.Furthermore, 163,057,988 passengers crossed the border in 2016 andMacelj was the busiest border crossing with 13,000 passengers.Last year 658,000 migrants entered Croatia and police processed 496 for illegal entry. The illegal migrants were mainly from Afghanistan, Syria, Iraq and Iran.As for misdemeanours,91,255 were committed in 2016, of which 22.2% related to breaches of the peace.Katic said police used force in 3,507 cases in 2016 and it was used illegally in only one. There were 108 assaults on police officers, down on the year, and the Interior Ministry received 2,311 citizen complaints about its employees, down 7%, and only 71were founded.Croatia had 20,433 police officers as of 31 December 2016, while the ministry's staff numbered 25,297, 357 less than in 2015.Serb Committee for Solidarity supports council for dealing with the pastZAGREB, Oct25(Hina) - The leader of the Serb Committee for Solidarity (SOS), Zeljko Bajalica, said in Sibenik on Wednesday that this nongovernmental association for human rights fully supported the establishment ofCroatia's Councilfor Dealing with the Past."It is time for people to be freed of their delusions and cease defending indefensible theses," Bajalica said.Praising the initiative for establishing the above-mentioned council, Bajalica said that "the Council will offer a competent opinion so that the Croatian government can take a stance on undemocratic regimes, including the Independent State of Croatia(NDH) in the period of the Fascist and Nazi system. Besides,one should speak about what happened during the Communist era in Croatia."The activist described 2017 as a turbulent year in terms of human rights' violations.A global negative trend of human rights' violations has not bypassed Croatia. However, all that is notto such an extent that would give any reasons fpr Serbs to say that they are concerned, Bajalica told a news conference in Sibenik.He said that thethe Serb Committee for Solidarity would like to make a contribution to the democratisation of Croatia."We accept our responsibility and having in mind all that has happened in Croatia in connection with the Serbs, we in the NGOs with the Serb prefixwant to do all we can to send out tolerant and well thought-outmessages so that people can realise that we experience Croatia as our homeland and that we respect the Croat people above all, with whom we have been living here for the centuries," he said.Project combatingxenophobia, racism against refugees presentedZAGREB, Oct25(Hina) - Croatia'sJesuit Refugee Service (JRS) on Wednesday presented a project tocombatxenophobia and racism against refugees which it has been implementing over the past two years together with eight other JRS offices in Europe,promotingthe best practices of local initiatives which are building communities and bringing locals and refugees closer.The "I get you" project comprises local initiatives which include refugees in their work, supporting them in integration and changing the local communities' perception and potential prejudices, said Kristina Samardzic of Croatia's JRS.The project was launched in early 2016 when the European Union began changing its restrictive asylum policies and treatment of migrants and refugees, she said, adding that 670,000 migrants passed through Croatia that year.Fourteen initiatives meeting the requirements have been mapped in Croatia, including Taste of Home, Welcome, Zagreb 401, BicPop, and Gender Task Force - Sustainable Growth Initiative.JRS director Tvrtko Barun said there was no integration system in Croatia andcalled on thestate system to cooperate with civil society "because civil organisations have quality projects and recognise refugees' needs, whereas the system doesn't have that knowledge."He said NGOs could do the job better and cheaper than the state, adding that this was an opportunity to use European funds to help refugees integrate withand become a quality part of society."I get you" is being implemented in Italy, France, Germany, Belgium, Spain, Portugal, Malta, Romania and Croatia. JRS offices have mapped 315 local initiatives working with refugees on a daily basis to help them integrate with locals.Conference on integration of people with Down syndrome held in ZagrebZAGREB, Oct 25 (Hina) - There are about 1,700 people with Down syndrome in Croatia, half of them are up to 19 years old, but only 20 percent are included in the regular education system, a conference on the integration of children and young people with Down syndrome was told in Zagreb on Wednesday.The conference was organised by the Croatian Down Syndrome Association to mark 10 years since the integration of children and young people with Down syndrome into the Croatian education system."A lot has been done in the last 10 years to integrate these children, but there is still a lot of room left for action to bring Croatia closer to good practice in Western European countries, such as Italy, where 20 percent of people with Down syndrome are employed," the head of the Association, Dinka Vukovic, said in her opening remarks.The conference was attended by Prime Minister Andrej Plenkovic, Minister for Demography, Family, Youth and Social Policy Nada Murganic, guests from Slovenia and Bosnia and Herzegovina, associations, parents and children with Down syndrome."In Croatia, everyone must have access to education under equal terms and we will adapt the system to that," Plenkovic said, adding that his government would develop a legislative framework and ensure financial resources for equality in society and education.This year, personal assistants have been ensured for 1,488 beneficiaries, and 483 children with Down syndrome are included in the regular education system under individual ***programmes***, while others attend special education ***programmes***."This is where we can make further progress. We want to work together with parents, and the political readiness for this on the part of the government is clear," the prime minister said, adding thatthe Social Welfare Act would be amended to ensure that employees with disabilities could exercise a right to a personal disability allowance.Agreements inked for development of Slavonian river port and fairwayZAGREB, Oct 25 (Hina) - Minister of the Sea, Transport and InfrastructureOleg Butkovic, Innovation and Networks Executive Agency (INEA) Director Dirk Beckers and the director of the Slavonski Brod Port Authority, Marijan Juric, on Wednesday signed agreements for co-financing projects valued at about HRK 110 million that relateto the upgrade of the river port infrastructureand a feasibility study on the revitalisation of traffic along the Sava River.The agreements were signed as part of the National Forum of stakeholders of the FAIRway Danube project. This relates to two projects that will be co-financed from the Connecting Europe Facility (CEF), which was approved in June.The projects involve the upgrading of the Slavonski Brod river port infrastructure,anenvironmental impact study and relevant project documentation for the Sava River aimed at revitalising river traffic along the Sava."River traffic provides competitive prices, great freight capacity and a high level of security. The signing of these agreements will enable the revitalisation of one section of the Sava route, from Jaruga to Novigrad, as well as creating conditions for opening the fairway to develop the Slavonski Brod port," Minister Butkovic said.Together withthe Coordinator of the Rhine-Danube Core Network Corridor, Karla Peijs, Minister Butkovic christened a new shipin the Vukovar winter port. The ship will serve for the hydraulic recording of fairway and is valued at more than HRK 500,000. It isalso financed throughthe Fairway project.According toPeijs, the agreements and the christeningof the new shipare good news for Croatia and the Rhine-Danube corridor.This shows the dedication the European Union has toward the Danube and Sava rivers. Not only are we supporting Croatia in its endeavours for continuous, reliable and safe internal river traffic, but all the countries along the Danube too, Peijs said.The first forum of the FAIRway Danube project was held in Vukovar last year. The FAIRway Danube project will assist in increasing knowledge about critical sections of the Danube and provide information for ***planning*** optimalDanube fairway routing.FAIRway Danube involves 6 countries: Austria, Slovakia, Hungary, Croatia, Bulgaria and Romania under the aegis of the European Commission's INEA. It is financed with CEF funds amounting to 23 million euros. Croatia's portion of the project amounts to 2.2 million euros.Croatia among Europe's leading tourism countries, forum hearsZAGREB, Oct25(Hina) - Over the past three years Croatia has been among the leading countries in terms of touristarrivals and has hadthe most dynamic growth rates alongside Spain and Portugal, the Croatian Tourism Forum, held as part of Croatian Tourism Days, heard on Wednesday.The forum was organised by the Croatian Chamber of Commerce (HGK) in Mali Losinj on Losinj island."This yearbrought big increases in arrivals and nights. We expect bigger revenues than last year but it's even more important that the season lasted longer than before, whichis a big step forward. Not everything was ideal, there are problems and we will talk about them (here), and we are making better preparationsfor next year and will try to correct what was wrong this year,"Tourism Minister Gari Cappelli said.National Tourist Board director Kristjan Stanicic said the biggest challenge for Croatian tourism next year would be repeating this year's results and retaining its positionon the international market.HGK vice president Josip Zaher underlined the importance of tourism for GDP and investments.Bosnia federation authorities and Agrokor continuing cooperationZAGREB, Oct 25 (Hina) -Prime Minister of the Federation of Bosnia and Herzegovina entity, Fadil Novalic, on Wednesday confirmed that he was in constant communication with Agrokor's emergency administratiorAnte Ramljak,and that he had informed Ramljakof a decision adopted last week by the government which introduces the possibility of special supervision of systemic companies.Novalic met with Ramljak in Sarajevo on Wednesday morning and later told a press conference that the meeting was convened to inform Ramljak of the government's decision.Ramljak requested an explanation of the objectives of the regulation and its scope."The talks were of a technical nature. We informed them of that and they informed us of the situation in Agrokor," Novalic said.The talks also dealt with the possible consequences of court rulings in proceedings instituted by Sberbank in an attempt to recover its receivables from Agrokor.One such proceeding concerns the Kiseljak mineral water company and an enforcement procedure against Jamnica over shares in the Sarajevo-based Kiseljak company.Novalic said that Ramljak reassured him that the ruling wasn't lawful and that Jamnica had filed an appeal against the ruling.He added that executive authorities in Bosnia and Herzegovina do not intend to meddle in the court's decisions and will wait for the entire proceedings to be final.U.S. official's remarks that Serbia cannot sit on two chairs stir heated debateZAGREB, Oct25 (Hina) - The remarks by a U.S. senior official who said Belgrade needs to choose between Russia and the West if it wants to join the European Union, have prompted a reaction by the Russian Foreign Ministry which said the United States should not interfere in cooperation between Serbia and Russia.U.S. Deputy Assistant Secretary for European and Eurasian Affairs Hoyt Brian Yee said in Belgrade on Monday that countries wanting to join the EU "must very clearly demonstrate this desire.""You cannot sit on two chairs at the same time, especially if they are that far apart,"he said during the Serbian Economic Summit."Countries must choose which path to follow; regardless of how difficult it would be, the country has to make its ***strategic*** choices which must be part of official policy,"Yee said."It is clear from Russia's actions that it wants to have disjointed Balkans, not strong and united," Yee said.He also criticised the idea of granting diplomatic status and immunity to employees of the Russian-Serbian Humanitarian Center in Nis.SerbianDefence MinisterAleksandar Vulin, known for his pro-Russian stance, on Tuesday criticized Yee's remarks, saying that they represent "the greatest pressure against Serbia yet.""This is not a statement made by a friend or a person respecting Serbia, our policy and respecting our right to decide independently," Vulin said, adding that Serbia will choose its course regardless of what the big powers want.In the meantime, the Russian Foreign Ministry criticized Yee's comments and warned the U.S. against "trying to enforce its hostile ideological stereotypes on others, undermining the foundation for international stability and cooperation in the Balkans and in Europe as a whole."The ministry noted in a statement that many EU nations engage in mutually beneficial cooperation with Russia."No one should prevent Serbia from taking a similar approach proceeding from its national interests,"the ministry said.The U.S. Ambassador to Serbia, Kyle Scott said on Wednesday that the the Yee's talks with Serbian President Aleksandar Vucic were open and positive, adding that Yee did not cross the line with hisremarks about "two chairs," given that this did not ruleout good relations with Russia, but only underline that Belgrade must be committed to the EU 100 percent.Yee was on a visit to Kosovo on Wednesday and the Belgrade media carried his message from Pristina that the United States would continue to support Kosovo and that European prospects of Kosovo and the entire region was a priority of his country.Islamic community in Bosnia accuses Serb patriarch of reviving 'Great Serbia' ideologyZAGREB, Oct 25 (Hina) - The Islamic community in Bosnia and Herzegovina said on Wednesday that the head of the Serb Orthodox Church (SPC), Patriarch Irinej, was attempting to revive the idea of "Great Serbia"and warnedthat this was dangerous and unacceptable."Patriarch Irinej's last public appearance in which among other things, he said that 'Serbia exists wherever Serbs live,' raised concern and bitterness among Muslims in Bosnia and Herzegovina and the region," read a statement issued by the Islamic leadership in Bosnia and Herzegovina.It underscores that nationalist rhetoric, victimisation of its own people without any readiness to take responsibility for the crimes committed in the 1990s and, in particular, thegenocide on which today's Republika Srpska (RS) entity was founded,donot contribute to the process of facing the past orbuilding trust.Attending a book fair in Belgraderecently Patriarch Irinej said that "Wherever Serbs live that is Serbia, whether that be in Serbia, Bosnia and Herzegovina, Vojvodina, Montenegro or other places," adding that he considers "behaviour by Roman Catholic brothers, to be tragic," who, as he said, caused the greatest calamities for the Serbs and yet never showed any remorse."Once again, we have seen that the idea of 'Great Serbia,' which caused calamity for millions of people in these regions, was created, nurtured and implemented among part of the priesthood and Serb nationalist elite. That idea is concerning and is being revived againtoday through statements such as these and through various political and social initiatives," the Islamic community's press release said.The Islamic community in Bosnia and Herzegovina hopes that Orthodox priests and believers in the country will not support the statements made by Irinej which undermine Bosnia and Herzegovina's sovereignty and causerifts among the peoples.Thousands rally in Sarajevo over low pensionsZAGREB, Oct25(Hina) - Thousands of pensioners gathered in front of the Federation government building in downtown Sarajevo on Wednesday protesting against their poor pensions and calling on changes to the law that regulates their status.The protest rally was organised by the Alliance of Pensioners' Associations in the Federation of Bosnia and Herzegovina and dozens of buses with protesters arrived atthe rally where they were met by a large number of police officers.An estimated 15,000 disgruntled pensioners joined the rally."We want out of this poor country," "Put an end to injustice," are just some of the messages pensioners wrote on banners.They demanded talks with government officials and a delegation was finally received by the Federation's Prime Minister Fadil Novalic and Labour Minister Vesko Drljaca.There are currently 410,000 pensioners who live in the Federation of Bosnia and Herzegovina entity with only 512,000 employed people from whose salaries contributions are paid in the pension fund.NGOs estimate that as much as 63% of pensioners receive a pension of barely 160 euro per month, which they consider to be demeaning.In addition to amendments to legislation, the pensioners demand an increase in pension allowances on par to the cost of living and insist on a 10% rise for all those who retired prior to 1998.TV interview with Bakir Izetbegovic's wife cancelled allegedly due to pressureZAGREB, Oct 26 (Hina) - Bosnian public broadcaster BHT on Wednesday cancelled an interview with the wife of the state Presidency's Bosniak member, Bakir Izetbegovic, the controversial director of the Sarajevo University Hospital, Sebija Izetbegovic, which some media said was due to pressure on BHT.BHT did not issue an official explanation for the cancellation, but the taped interview, scheduled for Wednesday evening, was taken off the listings during the day. The cancellation was confirmed by BHT director Mario Vrankic: "The interview won't be aired, that's all I can say."The media said Sebija Izetbegovic herself stopped the broadcast, unhappy with comments on and the contents of the show which was to have featured the interview. The public reacted in very strong terms to previews of the show which included her statement that she was only "cleaning house" in the hospital and her comments on doctors leaving en masse."Where have the doctors gone? Two kilometres from the University Hospital. They haven't gone anywhere, they are just in a different state of aggregation," she said, eliciting thousands of comments on social networks.In other news:PM Plenkovic, Bishop Komarica talk position of Bosnian CroatsZAGREB, Oct 25 (Hina) - Croatian Prime Minister Andrej Plenkovic on Wednesday received Banja Luka Bishop Franjo Komarica to talk about the position of Croats in Bosnia and Herzegovina, notably in the Bosnian Serb entity of Republika Srpska, the Croatian government's office said in a press release.According to the statement, the two officials stressed that Croatia was providing for Croats in Republika Srpska through numerous projects.It was also underscored that in the past two years, the funds allocated as support to Croats in Republika Srpska had been increased by 100 percent.Plenkovic stressed that he advocated the equality of all three constituent peoples in Bosnia -- Croats, Bosniaks and Serbs-- as the main condition for Bosnia's stability.Over 700 products from 8 countries presented at SASO fairZAGREB, Oct25(Hina) - The 21st edition of the international fair of civil construction, wood and metal industry, energy, electrical engineering, telecommunications and craft and small entrepreneurship called SASO started in the southern Croatian coastal city of Split on Wednesday.During the four-day fair, visitors will be able to see over 700 products from eight countries, attend workshops and round table debates.Opening the event, Croatian Construction and Physical ***Planning*** Minister Predrag Stromar said that adjusting cadastral mapsand land registries and speeding up the issuance of building permitswere among the most important ***plans*** in his sector.According to him, HRK 2.3 billion in grants has been secured from EU funds for energy renewal projects, which in the end will result in EUR 5 billion in overall investments.The minister also talked about government subsidisedmortgages which enabled more than 2,000 families to buy homes under more favourable conditions.Stromar also underlined the importance of education, saying that only a quality education system adjusted to the 21st century technologies could be the foundation of economic development.The minister said the realisation of these objectives required a stable government.Construction work up slightly in AugustZAGREB, Oct 25 (Hina) - The volume of construction work in Croatia increased by 0.9% in August 2017 compared with August 2016, but decreased by 0.5% compared with July 2017, figures released by the National Bureau of Statistics (DZS) show.In August 2017, compared with August 2016, the volume of construction work on buildings rose by 5.7%, while the volume of construction work on other structures fell by 3.3%.In the first eight months of 2017, compared with the same period of 2016, construction activity increased by 1.9%. Work on buildings increased by 6%, while work on other structures dropped by 2.1%.The number of building permits issued in the period from January to August 2017 increased by 26.5% over the same period in 2016, which led analysts at the Croatian Chamber of Commerce (HGK) to conclude that construction activity would continue to pick up pace in the time ahead.ZSE main indices downZAGREB, Oct25(Hina) - The Zagreb Stock Exchange (ZSE) indices decreased on Wednesday, the Crobex by 0.29% to 1,883.42 points and the Crobex10 by 0.2% to 1,108.32 points, while regular turnover was HRK 9.55 million, 440,000 more than on Tuesday.The most traded stock was the HT telecom, turning over HRK 1.5 million. It closed at HRK 174.30 per share, down 1.86%.Only one more stock crossed the million kuna mark, the Arena Hospitality Group, turning over HRK 1.17 million. It closed at HRK 465 per share, down 1.48%.(EUR 1 = HRK 7.5)THIS BULLETIN INCLUDES ITEMS RELEASED BY 0830 HRS THURSDAY. (Hina) its Masthead Brief News Bulletin is published by the Croatian News Agency HINA Marulićev trg 1610 000 ZagrebCroatia web:[*www.hina.hr*](http://www.hina.hr) mail: [*hina@hina.hr*](mailto:hina@hina.hr) phone: (+385 1) 48 08 660; fax (+385 1) 48 08 822 Publisher: Branka Gabriela Valentić, DirectorEditor in Chief: Serđo Obratov Bulletin Editor: Marija Šestan

ZAGREB, Oct25(Hina) - Croatia's judicial authorities have issued a Red Notice for the arrest of Ivica Todoric, the founder and owner of the heavily indebted Agrokor food and retail group, wanted in Croatia for murky dealings which pushed Agrokor in financial distress.

ZAGREB, Oct 25 (Hina) - Justice Minister Drazen Bosnjakovic said on Wednesday that so far, Croatia has not hadany bad experience in extradition matters with Great Britain and Switzerland, the two countries where Ivica Todoric, the founder and owner of the debt-laden food conglomerate Agrokor, is supposedly staying.

ZAGREB, Oct25(Hina) - Prime Minister Andrej Plenkovic on Wednesday said that it was too early to speak about how Agrokor will function in the future and whether individual companies within the conglomerate would be sold or whether it would remain asa complete whole.

ZAGREB, Oct25(Hina) - President Kolinda Grabar-Kitarovicon Wednesday commented on aEuropean Arrest Warrant issued forIvica Todoric, founder of the debt-laden Agrokor conglomerate,saying the justice system should do its job.

ZAGREB, Oct 25 (Hina) - Croatian President Kolinda Grabar-Kitarovic on Wednesday began her five-day stay in Dubrovnik-Neretva County, and the official ceremony marking the temporary relocation of the Office of the President of the Republic to Dubrovnik was held on Wednesday morning with the raising of the presidential flag in front of the County's headquarters "Ranjina Palace" in Dubrovnik.

ZAGREB, Oct 25 (Hina) - President Kolinda Grabar-Kitarovic said in Dubrovnik on Wednesday, after temporarily relocating her office there, that it was necessary for Dubrovnik to establish closer transport links with Zagreb and other cities in the country, citing the importance of modernising the city's airport and building the Peljesac bridge.

ZAGREB, Oct 25 (Hina) - Tomislav Tomasevic, a vocal critic of the long-standing mayorship of Milan Bandic in Zagreb and one of the leaders of the leftist opposition councillors in the Zagreb City Council, has warned that draft amendments to local self-government legislation would reduce the powers of local government to such an extent that local councils could be abolished because they will have no roles any more.

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ZAGREB, Oct 25 (Hina) - There are about 1,700 people with Down syndrome in Croatia, half of them are up to 19 years old, but only 20 percent are included in the regular education system, a conference on the integration of children and young people with Down syndrome was told in Zagreb on Wednesday.

ZAGREB, Oct 25 (Hina) - Minister of the Sea, Transport and InfrastructureOleg Butkovic, Innovation and Networks Executive Agency (INEA) Director Dirk Beckers and the director of the Slavonski Brod Port Authority, Marijan Juric, on Wednesday signed agreements for co-financing projects valued at about HRK 110 million that relateto the upgrade of the river port infrastructureand a feasibility study on the revitalisation of traffic along the Sava River.

ZAGREB, Oct25(Hina) - Over the past three years Croatia has been among the leading countries in terms of touristarrivals and has hadthe most dynamic growth rates alongside Spain and Portugal, the Croatian Tourism Forum, held as part of Croatian Tourism Days, heard on Wednesday.

ZAGREB, Oct 25 (Hina) -Prime Minister of the Federation of Bosnia and Herzegovina entity, Fadil Novalic, on Wednesday confirmed that he was in constant communication with Agrokor's emergency administratiorAnte Ramljak,and that he had informed Ramljakof a decision adopted last week by the government which introduces the possibility of special supervision of systemic companies.

ZAGREB, Oct25 (Hina) - The remarks by a U.S. senior official who said Belgrade needs to choose between Russia and the West if it wants to join the European Union, have prompted a reaction by the Russian Foreign Ministry which said the United States should not interfere in cooperation between Serbia and Russia.

ZAGREB, Oct 25 (Hina) - The Islamic community in Bosnia and Herzegovina said on Wednesday that the head of the Serb Orthodox Church (SPC), Patriarch Irinej, was attempting to revive the idea of "Great Serbia"and warnedthat this was dangerous and unacceptable.

ZAGREB, Oct25(Hina) - Thousands of pensioners gathered in front of the Federation government building in downtown Sarajevo on Wednesday protesting against their poor pensions and calling on changes to the law that regulates their status.

ZAGREB, Oct 25 (Hina) - Croatian Prime Minister Andrej Plenkovic on Wednesday received Banja Luka Bishop Franjo Komarica to talk about the position of Croats in Bosnia and Herzegovina, notably in the Bosnian Serb entity of Republika Srpska, the Croatian government's office said in a press release.

According to the statement, the two officials stressed that Croatia was providing for Croats in Republika Srpska through numerous projects.

It was also underscored that in the past two years, the funds allocated as support to Croats in Republika Srpska had been increased by 100 percent.

Plenkovic stressed that he advocated the equality of all three constituent peoples in Bosnia -- Croats, Bosniaks and Serbs-- as the main condition for Bosnia's stability.

ZAGREB, Oct25(Hina) - The 21st edition of the international fair of civil construction, wood and metal industry, energy, electrical engineering, telecommunications and craft and small entrepreneurship called SASO started in the southern Croatian coastal city of Split on Wednesday.

ZAGREB, Oct 25 (Hina) - The volume of construction work in Croatia increased by 0.9% in August 2017 compared with August 2016, but decreased by 0.5% compared with July 2017, figures released by the National Bureau of Statistics (DZS) show.

ZAGREB, Oct25(Hina) - The Zagreb Stock Exchange (ZSE) indices decreased on Wednesday, the Crobex by 0.29% to 1,883.42 points and the Crobex10 by 0.2% to 1,108.32 points, while regular turnover was HRK 9.55 million, 440,000 more than on Tuesday.

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HINA Digest

9 October 2017

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**Length:** 4246 words

**Body**

Zagreb, 09 October 2017 (Hina) - Croatia observing Independence DayZAGREB, Oct8(Hina) - Prime Minister Andrej Plenkovic on Sunday led the state leadership in honouring those killed for the country by laying wreaths at Zagreb's Mirogoj cemetery on the occasion of Independence Day, saying October 8 was a reminder to continueworking on strengthening the social system by respecting universal values, the rule of law and economic freedoms for the benefit of all citizens of the free Croatia.Today, 26 years after the Croatian parliament declared independence at a secret session, we are gathered to once again show respect for the then state leadership as well as all Croatian defenders who gave their lives for Croatia's freedom, Plenkovic told reporters after the wreath-laying.The decision of 8 October 1991was the operationalisation of decisions adopted on 25 June 1991, and even the Brijuni moratorium, after the Yugoslav army (JNA), by targeting the government building, tried to wipe out Croatia's state leadership, and at that moment there were no more dilemmas, he said.October 8, 1991 paved the way forinternational recognition, the establishment of diplomatic relations with numerous countries, and at that time, at the height of the Serbian and Great Serbia aggression against Croatia, in which the JNAplayed a huge part, Croatia was going through its toughest days, Plenkovic said."The international recognition on 15 January 1992 paved the way forfreedom, democracy, independence and the realisation of all those ambitions that generations of Croats had.

That's why we mustcontinueto work so that our society functions well, so that we respect universal values, strengthen the rule of law, strengthen economic freedoms, and so that all our citizens feel good in the free Croatia."Asked to comment on the opposition's accusations that it was not invited to parliament to an Independence Day ceremony, Plenkovic said the ceremony, including Open Day in parliament and a change of the honour guard outside, was open to the public, including the opposition.Parliament Speaker Gordan Jandrokovic saidthat by attempting to kill Croatia's state leadership on 7 October 1991, a day before Croatia declared its independence and severed all state ties with the former Yugoslavia, JNA aircraft "showed the criminal character of that regime, showed the collusion between the JNA and the Slobodan Milosevic regime, showed what they were willing to do to prevent Croatia's independence.""Therefore the comments coming from Belgrade recently about a civil war, about shared guilt, are simply unacceptable to us. We believethe Homeland War, and this is a historical fact, was liberating, legal and legitimate. We are grateful to (Croatia's first) President Tudjman, to Croatian defenders, for the fact that we haveour own state," Jandrokovic said after the wreath-laying.Asked about the fact that the opposition was not invited to the observance of Independence Day, he said that duringFriday's sitting in parliament he invited his colleagues to join in the observance of the holiday, first at Mirogoj and then in parliament.Independence Day marked in St. Mark's SquareZAGREB, Oct8(Hina) - Independence Day, observed in memory of 8 October 1991, when the first Croatian parliament adopted the historic decision on Croatia's independence, was marked on St. Mark's Square on Sunday, with numerous citizens and tourists attending, including Parliament Speaker Gordan Jandrokovic, Prime Minister Andrej Plenkovic, MPs and ministers.The ceremony included a changeof the honourguardand music.Speaking to the press afterwards, the president's adviser on constitutional matters, Vladimir Seks, said Independence Day marked one of the most significant dates in Croatian history, when parliament adopted decisions whereby Croatia irreversibly embarked towards state sovereignty and independence, a date that "crowned the political struggle of the Croatian people."On that 8 October 1991 session, Seksread out parliament's decision on independence. He said today that in itsconclusions on that day, parliament established that Serbia and the Yugoslav army (JNA) had carried out an armed aggression against Croatia.He said Croatia was created on the foundations ofthe Croatian people's and defenders' victory in thejust, defensive and liberating Homeland War. He said it was not a civil war,that Croatia was the victim of military aggression by Serbia, and thatspecial respect should be paid to all Croatian defenders.Defence Minister Damir Krsticevic also thanked the defenders for the fact that Croatian citizens today lived in peace and freedom. He said the focus now should be on the economy and on exploiting Croatia's potential so that people could live well from their work. "I believe in such a Croatia."War Veterans Minister Tomo Medved also thanked defenders for their sacrifice in the creation of the state, underlining the synergy of politics, the people and the defenders during the defence of the country."New challenges lie ahead and we are ready. This is a government of stability which has very clear goals and which will carry out its ***programme***," he added.PM says border issues should be solved through dialogueZAGREB, Oct8 (Hina) - Prime Minister Andrej Plenkovic reiterated on Sunday Croatia's willingness to resolve outstanding border issues through dialogue, in the spirit of good neighbourly relations."For us there is only good will, in the spirit of good neighbourly relations, in the European spirit, to solve outstanding border issues with Slovenia through dialogue, to explain to our friends in Bosnia and Herzegovina that the Peljesac bridge... can be (built) nowhere else but on Croatian territory," he told citizens during Open Day in parliament.Parliament holds an Open Day on May 30, Parliament Day, and October 8, Independence Day. This is the first time that Plenkovic attended, giving citizens an opportunity to ask him questions, which were mainly about foreign affairs.He dismissed a woman's fear that Croatia was being blocked in everything, from joining the Schengen Area to building the Peljesac bridge.There are no blockades, in the truesense of the word, at the moment, and the only thing you heard was the expression of disagreement with our ambition to enter the OECD, Plenkovicsaid.He confirmed that Croatia had several outstanding issues with its neighbours, saying most dated before 8 October 1991 and that all were more or less "residual issues" stemming from the break-up of the former Yugoslavia and unfinishedprocesses.Croatia's border policy has been clear throughout that time -the borders of the former republics as of25 June 1991 were the borders of the independent states created after that, Plenkovic said, adding that it remained to determine the borders and that Croatia relied on cadastral boundaries for that.Everyone in the government and parliament as well as the president know very well what national interests are, what state territory is, and how attentivelyand responsiblywe are handlingthose processes, he said.FM: Croatia intends to build stable relations with RussiaZAGREB, Oct8(Hina) - Foreign Minister Marija Pejcinovic Buric said on Sunday Croatia intended to continue to build stable relations with Russia and confirmed that President Kolinda Grabar-Kitarovic would visit Russia.Responding to a citizen during Open Day in parliamentwho asked why Croatia did not have a better policy towards Russia, Pejcinovic Buric said Croatia would continue to build stable relations and develop those it could, notably inthe economy and culture.She said preparations were under way for the president's visit to Russia later this month.With all countries, notably big and important ones like Russia, we intend to nurture relations that are useful for both sides, Pejcinovic Buric said.Responding to questions from citizens, Prime Minister Andrej Plenkovic said Croatia had achieved all of its ***strategic*** goals such as freedom, democracy andindependence, and that now it wanted to meet by the first half of 2019 the criteria for joining the Schengen Area and then the euro area.As for Croatia's neighbours that wantto join the European Union and NATO, he said, "We want (them) to do so based on their own achievements and the criteria, and Croatia will continue to help them in that."Asked what the government intended to do for the development of the Slavonia region and to stop emigration, Plenkovic said demographic revival was a key economic and development issue. He said the government launched Project Slavonia to use national, EU, private and local government funds to create conditions that would make young people want to stay in Slavonia.Labour Minister Tomislav Coric said pensions would be somewhat higher next year.PM says gov't didn't nationalise AgrokorZAGREB, Oct8(Hina) - Prime Minister Andrej Plenkovic on Sunday dismissed Sberbank's claims that the Croatian government had nationalisedAgrokor and should therefore repay its debt to the Russian bank, saying that in the case of the indebted food and retail group, a law was in force that enabled an emergency administration for a limited period of time.Sberbank has been one of the permanent, fully informed members of the temporary creditors councilfrom day one, Plenkovic told reporters."Their representatives took part in talks both with the former (Agrokor) management andthe government as well as withinthe coordinating body of the different banks that are the key creditors. They have all the information and I thinktheir lawyers understand very well what the purpose of the emergency administration has been."Hedismissedthe nationalisation argument, saying "nationalisation is something else" and that the law on emergency administration in systemic companies provided for such administration for a limited time.He said Sberbank was one of the major Agrokorcreditors and that it had the opportunity and the time "to say what it wants in this process and to participate in it.""I believe they have a legitimate interest to protect their money. However... when they gave that money, they didn't ask... either me or the government. They are a commercial bank which, I believe, with the proper due diligence, adopted decisions on suchbig loansand now they are one of the stakeholders in the process of restructuring and settlement," Plenkovic said.HDZ might form Agrokor inquiry commission without SDP, says JandrokovicZAGREB, Oct8(Hina) - Parliament Speaker Gordan Jandrokovic said on Sunday the establishment of a commission of inquiry for the indebted Agrokor group was a government priority and that if the opposition SDP continued to obstruct parliament's work, the ruling HDZ might form the commission alone."We don't want to carry the burden of false accusations from the SDP that we are avoiding something and that we are afraid of forming the commission," Jandrokovictold reporters, adding thatif necessary, the HDZ would disprove those accusations by forming the commission by itself."It will be as we decide. We are the majority, we have the responsibility. We are not interested in their little games," he said, adding that the SDP, "with its dysfunctionality and internal rows, is holding the entire parliament hostage, the entire Croatian public and all Croatian citizens."He said parliament would first appoint the remaining Constitutional Court judges and then formthe Agrokor inquiry commission and choose its members, "in line with the proposals of all the political parties which will participate in the commission's work."He said the HDZ could not agree to the SDP's insistence to first form the commission and then appoint the judges, adding that the SDP was divided and giving different signals and information."I expect us to sit down, to agree, to take into account that the appointment of the... judges is extremely important for the stability of the state," he said, adding that the HDZ was willing to appoint the inquiry commission.Jandrokovic was responding to questions from the press at Mirogoj cemetery after wreaths were laid on the occasion of Independence Day. Prime Minister Andrej Plenkovic was also there and reporters asked him to comment on the fact that Finance Minister Zdravko Maric last December exempted himself from decisionsconcerning Agrokor due to conflict of interest but met with its founder Ivica Todoric three months later.Plenkovic said numerous talks were held in January, February, March and April until the adoption and application of the law on emergency administration in systemic companies, "all in the interest of the common goodand of preservingtheCroatian economy, our financial system and of preventing negative effects on the economy, on employees, on the tourism season.""All the steps we took were in the function of that. If talks are held, it doesn't mean that decisions are made," he added.Todoric: Agrokor's audited financial statements inconsistent, partialZAGREB, Oct8(Hina) - Agrokor founder Ivica Todoric on Saturday commented on the food and retail group's audited financial statements for 2016, which the group's emergency administration presented on Thursday, saying the presentationwas inconsistent and showed data partially."That refers both to the audited data and to a string of spins in the media which, naturally, serve to pressurethe stakeholders," Todoric wrote on his blog.According to him,the presentation showed that the bulk of the loss provisions "referto internal relations" and that the write-offs that were presented were "mostly unacceptable and some even illegal." He said the presentation showed"the numbers were fixedwith a precise goal."Todoric said the emergency administration's financial statementsconfirmed the business strategy Agrokor hadat the end of 2016 as a ***plan*** for the group's development in the years ahead.He saidthe takeover of Slovenian retailer Mercator created "the conditions for the operational and financial restructuring of Agrokor that began in early 2015. In the meantime, the food industry was fully prepared for an IPO, we have valid documentation for preparing and beginning the process and trading on the London Stock Exchange which was to have begun in May 2017. Furthermore, the ***agriculture*** division was fully operationally prepared and valid documentation was drawn up for beginning the preparation of an IPO expected in 2018."Todoric said "retail was in the full swingof operational restructuring which would have finished by summer 2018, after which those companies too would have become fully competitive."At the end of his post, he urged readers to conclude "what the goal of the emergency administration is and howit wants to achieve it."An audit report has shown that Agrokor's retail division had a HRK 2.2 billion net loss in 2016,including HRK 1.9 billion in the Konzum chain, the government-appointed emergency administratorAnte Ramljaksaid on Thursday, presenting the results of the group's companies.The Konzum and Tisak companies were audited in the retail division, whose losses in 2015 and 2016 totalled HRK 2.5 billion, Ramljak said.In the ***agricultural*** division, comprising Belje, PIK Vinkovci and Vupik, the net loss in 2016 amounted to HRK 300 million, while in the food division, comprising Ledo, Jamnica, Zvijezda and PIK Vrbovec, the net loss totalled HRK 700 million.For 2015 and 2016, the ***agricultural*** division's net loss totalled HRK 200 million, while the food division's net loss was HRK 1.4 billion.The audit report shows that loss provisions made up 50% of the claims within the Agrokor group in 2016.PricewaterhosuseCoopers (PwC) audited 27 of the group's companies in Croatia, three in Serbia and three in Bosnia and Herzegovina, covering 99% of the group's revenues and 98% of its profits in 2016.(EUR 1 = HRK 7.5)Croatia's gymnast world champion in Men’s Horizontal BarZAGREB, Oct 9 (Hina) - Croatia's Tin Srbic won the world title in the Men’s Horizontal Bar at the 47th Artistic Gymnastics World Championships 2017 in Montreal on Sunday.This is the first gold medal for Croatia at gymnastics world championships. The first medal for Croatia at gymnastics world championships was bagged by Marijo Moznik in 2014, also in the men's horizontal bar.In Montreal the silver in this discipline went to Epke Zonderland, the Netherlands, and the bronze to his fellow countryman, Bart Deurloo.Prime Minister Andrej Plenkovic congratulated Srbic on this great success.Andrija Stampar Teaching Institute of Public Health observes 90th anniversaryZAGREB, Oct 8 (Hina) - The Andrija Stampar Teaching Institute of Public Health has marked the 90th anniversary of its establishment and Prime Minister Andrej Plenkovic, attending an expert conference organised to observe the anniversary, has congratulated the institute on its achievements."The Institute activities include public health, epidemiology, health ecology, microbiology, school medicine, prevention of addiction, and mental health care. The Institute is a teaching unit of the School of Medicine, University of Zagreb and School of Medicine, Josip Juraj Strossmayer University from Osijek," according to information published on the web site of that institution.The institute was set up at an initiative of a group of scholars 90 years ago and is now named after Andrija Stampar, a distinguished scholar in the field of social medicine, who was the founder of that institution.Gender inequality pronounced in housekeeping in CroatiaZAGREB, Oct 8(Hina) - Women and men are still treated unequallyin their involvement in household chores, includingcleaning, cooking, home maintenance, shopping and doing thelaundry, all of which adversely affects women's professional careers in Croatia, according to the findings of a study on gender divisions and working time, presented in Zagreb recently.The findings of the survey,conducted in February and March among 600 employed women who have lived with their partners more than a year, show that inequalities in the distribution of paid work and caring between men and women remain remarkably resilient.Household chores such as doing the laundry, cooking and cleaning are mainly performed by women, said sociology professor Ksenija Klasnic."In Croatia, in 90% of couples, it is women who do the ironingand women clean their homes and do the laundry," she said.On the other hand, men usually participateonly in errands such asroutine maintenanceand keeping gardens and cars clean.Care about pets and shopping are equally distributed among both sexes.In addition, women have a mere 26 hours a week for their leisure activities, whereas as many as 50 hours per week are free time for men in couples.Ukrainian cultural and educational societymarks 25th anniversaryZAGREB, Oct8(Hina) - The 25th anniversary of the Ukrainian cultural and educational society Karpati was marked in Lipovljani on Saturday with the unveiling of a bust of Ukrainian poetTaras Shevchenko and the launch of a book on the society's 25-year nurturing of the Ukrainian language, cultural heritage and customs.The bust was unveiled by the culture attache at the Ukrainian Embassy to Croatia, Vita Holec, and Lipovljani municipal head Nikola Horvat. Holec saidShevchenko was not just Ukraine's best poet but also a symbol of the struggle for an independent Ukraine.Members of the Ukrainian minority settled in Lipovljani 120 years ago. According to the latest census, 300 Ukrainians live there.Film about Tom of Finland to be shown on National Coming Out DayZAGREB, Oct8(Hina) - The Zagreb Pride NGO and the Finnish Embassy to Croatia will present a film aboutcult Finnish erotic illustrator ToukoLaaksonen, best known by his pseudonym Tom of Finland, on Mondayin cooperation with Zagreb's Europa cinema on the occasion ofNational Coming Out Day, observed worldwide on October 11.The film about an artist who shaped generations of LGBTIQ persons with his unique art brings an inspiring story about a gay man's struggle in a time of persecution and his journey to fame and a proud life, Zagreb Pride said on Sunday.National Coming Out Day has been observed since 1988 and was founded by psychologistRobert Eichberg and lesbian activist Jean O'Leary. The date of October 11 was chosen because it is the anniversary of the 1987 National March on Washington for Lesbian and Gay Rights.Rod Stewart to play Zagreb on Feb 2ZAGREB, Oct 8(Hina) - Sir Rod Stewart, one of the world's most popular rock singers, will perform inZagreb on February 2, 2018, the concert organiser Star Produkcijahas said.Stewart, whose greatest hits include "Sailing", "The First Cut Is The Deepest", "Rhythm Of My Heart" and "Maggie May", is among the best-selling performers of all time, having sold more than 200 million albums during his 50-year-long career.His numerous successes include six consecutive No. 1 albums in the British charts, including 62 hit singles and six No. 1s.Stewart also had 16 singles inthe US top ten, and four of them were No. 1.In 2016, Stewart was knighted for his musical achievements and humanitarian work."Evita" musical to be performed in Zagreb on Feb 28ZAGREB, Oct 8 (Hina) - "Evita", a musical with music by Andrew Lloyd Webber and lyrics by Tim Rice, will be performed in the Arena hall in Zagreb on 28 February 2018, the Outbox marketing company has reported.The show is ***produced*** by The Really Useful Theatre and has won a handful of major awards."Evita" charts the story of Eva Peron, wife of Argentine dictator Juan Peron, from her humble beginnings through to extraordinary wealth, power and status which ultimately led to her being heralded as the ‘spiritual leader of the nation’ by the Argentine people.THIS BULLETIN INCLUDES ITEMS RELEASED BY 0830 HRS ON MONDAY (Hina) ha Masthead Brief News Bulletin is published by the Croatian News Agency HINA Marulićev trg 1610 000 ZagrebCroatia web:[*www.hina.hr*](http://www.hina.hr) mail: [*hina@hina.hr*](mailto:hina@hina.hr) phone: (+385 1) 48 08 660; fax (+385 1) 48 08 822 Publisher: Branka Gabriela Valentić, DirectorEditor in Chief: Serđo Obratov Bulletin Editor: Marija Šestan

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HINA Digest

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**Body**

Zagreb, 02 February 2018 (Hina) - Grabar-Kitarovic announces sincere, open talks with VucicZAGREB, Feb2(Hina) - Croatian President Kolinda Grabar-Kitarovic said on Friday that she would talk sincerely and openly with Serbian President Aleksandar Vucic so that the outstanding issues between the two countries could be dealt with as soon as possible.Vucic is expected to visit Zagreb on February 12-13, after a visit ***planned*** for last November was postponed.Speaking on Croatian Radio, Grabar-Kitarovic said the visit had been prepared for months, "even longer". "When we postponed it last year, we wanted the conditions to be right to talk with the Serbian president about all outstanding issues between the two states in a calmer atmosphere, without tensions.""What we have seen in the past few days has indeed started to escalate to a verbal war between Croatia and Serbia. Very simply, I couldn't allow that. I decided to put a stop to it. That's my responsibility. That's a statesman's responsibility," she said.She added that "in such a situation the easiest thing to do would be to look the other way, to postpone the visit again and do nothing, perhaps scoring political points along the way.""I'm aware of the political risk this brings.

However, politicians who care about their rating aren't good for the state. One should be a statesman who thinks about what they willdo for their people and their state in the end."She saidthat "the sooner the tensions are defused, the easierwill itbe to talk about those issues... I believe thatthe sooner we begin to talk about those issues, the sooner will the timecome to resolve them."The president reiterated that for her "the issue of all issues is the search for the missing, for the people we are looking for, for our Croatian defenders, for civilians." "I said the visit would be successful if the fate of even one person, even one Croatian defender and one civilian, is resolved.""We are going into that meeting with the intention to talk honestly, to tell each other what the problems are, and to try to come closer in resolving them. There's a rangeof topics that need to be talked about," she said.The president said "Croatia and Serbia look differently onthe past, on the 20th century... However, what we have to deal with are the consequences of that past, and that's the missing, the many other issues resulting from the dissolution of the former state, such as the borderline, such as the archives and so on. I will be satisfied if we agree three to five elements on which we will start working immediately.""If you don't talk, you won't resolve problems... We mustn't be enemy states," said Grabar-Kitarovic.Asked if there had been pressure from the European Union and the United States that she meet with Vucic, she said, "No, absolutely not... There have never been pressures... It was left up to us and Serbia to start resolving those issues as responsible states. But... there's a lot of support for this meeting, from the US and the EU, even from Russia, which has also welcomed that visit.""I believe andsee by the reactions that a vast majority of both the Croatian and the Serbian people aretired of disputes from the past and wish us to embark on a better, more constructive future."Asked about Slovenian President Borut Pahor's statement that, after the border arbitration ruling, Slovenia would no longer negotiate with Croatia on their border, she said, "Ihavealways advocated dialogue in dealing with all outstanding issues between neighbours.""I see no other way out of the situation we have found ourselves in with Slovenia concerning the border issue but through talks and dialogue. There's no way for one side to impose a solution on the other. That's not only againstthe United Nations charter but also the principles of international law in general and, of course, the relations within the European Union and NATO, where we are allies," said Grabar-Kitarovic.Vucic:Serbia's policy will be run by its president and gov't, not Croatia's gov'tZAGREB, Feb 2 (Hina) - Serbian President Aleksandar Vucic on Friday commented on some Croatian officials' statements that, before visiting Zagreb this month, he should "apologise for the Great Serbia aggression," saying Serbian and not Croatian officials would run Serbia's policy."Our policy is a policy of reaching out and a policy of the future. We wish the best to those who want to stay stuck in the past, but they don't need to drag us into the same story, nor do we want to stay in that story," Vucic told reporters after a joint press conference with Austrian Chancellor Sebastian Kurz in Vienna."The only thing I can say is that Serbia's policy will be run by the bodies of the Republic of Serbia, by Serbia's president and Serbia's government. It certainly won't be run by members of Croatia's government, so we are the ones who will decide what we will do, what kind of policy we will run," Vucic said.Earlier today, he said the time of wars was in the past and that he hoped his visit to Croatia on February 12-13 would be successful and defuse the tensions between the two states, Belgrade media reported.President: Decision on fighter jets purchase should be made as soon as possibleZAGREB, Feb2(Hina) -President Kolinda Grabar-Kitarovic said on Friday that Croatia should decide on the purchase of fighter jets as soon as possible, confirming that she discussed that topic at a meeting on Thursday with Parliament Speaker Gordan Jandrokovic and Prime Minister Andrej Plenkovic whose government, she said, she was not criticising but was rather pointing to problems she believed needed to be focused on."I believe that that decision should be made as soon as possible simply because we are late with it. It is not the incumbent government that is late, unfortunately the previous two governments did not have the strength and courage to make it," Grabar-Kitarovic said in a comment on the purchase of military aircraft in an interview with Croatian Radio.Job of the centuryDescribing the purchase as the job of the century, she said that the best bid to be chosen should leave no doubts whatsoever as to the transparency of the entire process.She said important elements of the bid were the price as well as the long-term ***strategic*** partnership Croatia would enter into with the bidder country,covering training, ammunition,etc.Grabar-Kitarovic stressed that neither she nor her office participated in the selection processand that a decision on the matter would be made by an expert commission.President would like communication with PM to be more intenseAs for her communication with Prime Minister Andrej Plenkovic, she said that it oscillated, that she would like it to be more intensiveand that she believed that "after yesterday's talks it will be closer.""We discussed many domestic and foreign policy topics in a very open way. I am very pleased with the talks. We are all individuals and have different views on some topics, but most importantly,we all put national interests before anything else."The president noted that she was the highest directly elected state official and had the duty to "point to problems that are detected in Croatian society."The president has the power to recommend joint meetings with the government on individual topics and Grabar-Kitarovic said that such a meeting would be held in the near future."But I don't want any media pressure over this matteror this meetingto be held because of such pressure. I want it to be decidedin mutual communication and cooperation," she said, noting that thenegative demographic situation in the country and the issue of citizens with blocked bank accounts were possible topics for discussion.The president noted that it was not up to her to assess the government's work but that the parliament and voters were the ones to do it."I follow the government's work, it is not my intention to criticiseit or actas the opposition. Quite the contrary, I want to point to problems which I believe need to be focused on and I also think that we should put our heads together. Both the government and the opposition and I answer to voters for the situation in the country."As for ***plans*** for another term in office, she said she was not thinking about it at present. "I don't want the prospect of future elections to dictate what I do."AgrokorAsked if the restructuring of the Agrokor conglomerate was going in the right direction, she said she believed the government was doing a good job in consolidating it."Itis extremely important tocontinue the restructuring process in order to keep jobs, to keep production going, and to keep the company as well as the national economy stable. After everything we have witnessed, it is important to prevent any possibility of anycorruption activity, favouritism or anything that would compromise not only the restructuring process but the state as well," said the president.PM meets EU member-states' ambassadorsZAGREB, Feb 2 (Hina) - Prime Minister Andrej Plenkovic met at the government headquarters on Friday with ambassadors from EU member-states, on the occasion of Bulgaria's presidency of the Council of the EU in the first half of this year, the government's public relations office said in a statement.Plenkovic and his guests discussed the future of the European Union, EU enlargement, relations between Croatia and neighbouring countries, and economic issues.PM Plenkovic spoke of the government's activities in 2017, describing them as successful, and presented reform efforts ***planned*** for 2018.He said that on February 6 he would speak at a plenary session of the European Parliament on the topic of Europe's future, and meet with European Parliament President Antonio Tajani and Council of Europe Secretary-General Thorbjorn Jagland.On February 14, PM Plenkovic is expected to attend a meeting of the European Commission college and meet with EC President Jean-Claude Juncker and European Council President Donald Tusk.On February 23, he will participate in an informal meeting of the European Council in Brussels to discuss institutional issues and the future financing of the EU. A day earlier, on February 22, he will meet with NATO Secretary-General Jens Stoltenberg, the statement said.Attending PM Plenkovic's meeting with the EU ambassadors were also Foreign Minister Marija Pejcinovic Buric and Economy Minister Martina Dalic.Croatian PM receives Knesset deputy speakerZAGREB, Feb2(Hina) - Croatian Prime Minister Andrej Plenkovic on Friday met with Israeli's deputy parliament speakerand head of the Israel-Croatia inter-parliamentary friendship group, Esawi Frej, and the chairman of the Knesset Committee for Immigration, Absorption and Diaspora Affairs, Avraham Neguise, the government said in a press release.Frej said he was pleased with the advancement in Croatia-Israel relations, highlighting avery good dialogue and understanding, also commending the cooperation between the two countries in international organisations.Plenkovic praised the development of the relations between the two friendly countries, underlining the possibility of expanding cooperation in the economy, technology, tourism and culture.There is plenty of room to cooperate in ***agriculture*** as well and Israel's experience is useful to Croatia in its ***agricultural*** development, it was said.Zagreb mayor promises Holocaust monument, synagogue to Israeli-Croatian friendship groupZAGREB, Feb2(Hina) - Zagreb Mayor Milan Bandic on Friday promised members of the Israeli-Croatian Inter-parliamentary Friendship Group that before he retiresfrom politics he will erect a monument to the Holocaust victims in Zagreb and rebuildthesynagogue in the city's Praska Street, destroyed by the Ustasha regime that ruled Croatia in World War II.The delegation, led by Israeli Parliament Deputy Speaker Esawi Frej, was on an official visit to Croatia, at the invitation of the Croatian Parliament Deputy Speaker and head of the parliament's Croatian-Israeli friendship group, Milijan Brkic.Bandic said that the project to build a monument to the six million Jewish victims of the Nazi and fascist terror outside the city's main post office was underway, that work would start in three to four months and that it would be completed in a year."That way we will put Zagreb on the map of capital cities in Europe and beyond that testify to their anti-fascist past and commitment to values of European democracy," said Bandic."Residents of Zagreb live multiculturalism, multi-ethnicity and multi-confessionalism and thatstain in our history (destruction of the synagogue) will definitely be removed from the agenda once we rebuild the synagogue," said Bandic, calling also for signing friendship and cooperation agreements with Jerusalem, Tel Aviv or some other big Israeli city.Frej thanked Bandic for the warm welcome in Zagreb, adding that it was just the beginning of a strong and long friendship.He expressed hope that Zagreb and Jerusalem or Tel Avivor Haifa would become twin cities in the future.Brkic said that the Jewish community in Croatia was strong and numerous, notably so in Zagreb, and he also condemned "the disgraceful act in 1941".He recalled that Alojzije Stepinac, the Archbishop ofZagreb at the time, said that "anyone who touches a God's house of any faith will be persecuted and have no peace in this world and the afterlife.""Wepoliticians have to set this right and build the synagogue in Praska Street again," said Brkic, expressing hope that this would be done with the help of the Croatian government and the Israeli state.Dalic meets Ramljak to seek explanation for engagement of domestic consultantsZAGREB, Feb 2 (Hina) - Deputy Prime Minister and Economy Minister Martina Dalic has metwith the government-appointed emergency administrator for the heavily indebted Agrokor conglomerate to seek an explanation for the engagement of domestic consultants as subcontractors to the consulting firm AlixPartners in the restructuring of Agrokor, the Economy Ministry said in a statement on Friday.The meeting took place on Thursday afternoon and also involved Alastair Beveridge, chief consultant on Agrokor restructuring at AlixPartners.Beveridge reiterated that the subcontractors had been hired in accordance with the usual practice of AlixPartners in similar projects elsewhere in the world.He said that this project, probably the largest such project in Europe at the moment, required local knowledge, expertise and work experience in domestic and international markets.AlixPartners has found such experts with the best references at Alter Corporate Finance and Texo Management, who previously worked for Morgan Stanley, JP Morgan, Deutsche Bank andLazard, and their fees are lower than those of international consultants, Beveridge said according to the statement.Ramljak said that AlixPartners had been chosen as the chief restructuring consultant among five reputable international companies with relevant experience, after showing strong references for international restructuring projects and proof that it had no previous business connections with Agrokor and/or its chief creditors and offering the most favourable price.Ramljak and Beveridge also underscored the support of the Temporary Creditors' Council for the work of the emergency administration and the consultants. The Creditors' Council said earlier that their priority was to reach a settlement within the short time frame prescribed by the law.Dalic asked the consultants, both domestic and foreign, to show maximum professionalism, commitment and focus in reaching a settlement and preserving jobs in Agrokor, the statement said.In recent days media have said that Texo Management, the company where Ramljak had worked before he was appointedthe emergency administrator for Agrokor, signed a consulting agreement with AlixPartners in April 2017 under whichitcollects 250,000 kuna weekly for its consulting services in restructuring Agrokor.Ramljak said in November 2017 that services provided by more than 140 consultants would cost between 58 and 60 million euros, depending on the duration of the restructuring process.Emergency administration: Costs for consultants lower than comparative figures elsewhereIn response to media reports about lucrative contracts for consultingfirms, the emergency administration said on Tuesday evening that the consultancy fees amounted to below 1% of the group's entire debt and were considerably lower than comparative figures elsewhere in the world.Furthermore, AlixPartners said they were awarded this job in a tender and have hired local consultants who are more affordable, thus lowering total costs.Dalic: Political circus, inarticulate attempt to stop Agrokor's restructuringZAGREB, Feb2(Hina) - Economy Minister Martina Dalic said on Friday that empty political laments, political declarations and the counting ofconsultants on ethnic grounds would not restructure Agrokoror save jobs, adding that "a political circus" and "an inarticulateattempt to stop the restructuring" were taking place.Asked by the press about consultants in the indebted group, she saidthe names of all the companies hiredas consultants were made public months ago."What's happening here and this attempt to create apolitical circus is a result of the fact that, with Agrokor's collapse, numerous interest relations created over the years collapsed too. And this represents an inarticulate attempt tostop the restructuring process, to stop Agrokor's transformation into a normal company whichfunctions on the marketand which, within itself and together with its partners, functions in fair market relations."Dalic said that "from the very start, some politicians, some political exponents, have been working on stopping this process and they are doing all they can to stop it." Some political representatives "are particularlyprominent in their so-called political assessments, yet their only trait is that they have never actually worked anywhere," she added.Dalic said that she, togetherwith everyone working on this process,would do herbest, using all of her knowledge and professional experience,for the settlement process to be completed and for Agrokor andall its companies and creditorstocontinue to live and work. "And that means that they continue to hire and provide for the livelihoods of tens of thousands of persons, for tens of thousands of workers."Asked if she trusted the emergency administrator in Agrokor, Ante Ramljak, Dalic said the creditors council oversawthe emergency administration's work, approving all of Ramljak's material decisions, and recalled that the council said that it supported the work of the emergency administration and the consultants. "I have nothing more to add," she said.Dalic said the creditors managed the process andthat it was on their behalf and for them thatthe whole process was being implemented, in orderto reach a settlement and ensurethat Agrokor and all its companies and creditors continued to live."But one is forgetting in this whole circus that Agrokor has a debt of overHRK 57 billion, a debt incurred by the former management, a debt incurred by the former owner, billions in expenses, as the audit report showed, which were not recorded, suppliers who were in deep trouble as they could not collect their claims, who were hostages to Agrokor's size for a long time. That's the essence of this process, to restructure Agrokor, reach a settlement and make sure that Agrokor and its companies live. All else arediversions, political lamentations and attempts to stop this process."Asked if she knew the consultants, Dalic said, "Of course I know them. I have been living, working in this economy over 25 years and I know those people, just as I know the majority of Croatian business people, in the same way many others know them."Ministry, defence industry sign contracts worth HRK 280MZAGREB, Feb2(Hina) -Thirty-five contracts worth over HRK 280 million were signed on Friday with 26 Croatian manufacturers of military equipment, and Prime Minister Andrej Plenkovic, who attended the signing ceremony, said that the contracts evidenced the synergy of activities by the Defence Ministry, the Armed Forces, the Croatian business sector and the country's export-oriented defence industry."The fact that we sent a contingent to Afghanistan - more than 400 Croatian soldiers, fully equipped with Croatian-made equipment,are serving in missions around the globe- presents an opportunity to promote ourdefence industry. I believe that we are promoting Croatian exports that way," Plenkovic told reporters after the signing ceremony.He expressed satisfaction that last year all public procurement procedures in the defence sectorwere declassified, which, he said, showed that they were transparent and open. "I think that this is a good signal for activities that lie ahead this year," he added.Plenkovic went on to say that in the defence and security sector all main goals from the government's ***programme*** for last year had been met - the defence budget was increased, a nationalsecurity strategy and a law on homeland security were adopted, and working conditions and living standardsofmembers of the Armed Forces were improved.The PM said the government's defence and security concept was evidenced also by the permanent engagement of the Armed Forcesin removing the consequences of natural disasters that hit Croatia in 2017.He noted that the partnership with the business sector was in the interest of both the state and the private sector.Defence Minister Damir Krsticevic thanked the government for its support and for improving the situation in the defence system as well as for increasing this year's defence budget by HRK 445 millionas against 2017.He said the increased funding would be used to improve the army's capabilities and its members' standard of living and working conditions.In two months' time new contracts worth HRK 200 million will be signed, Krsticevic said, adding that this was proof that the ministry helped in the development of the defence industry. He noted that contracts worth close to half a billion kuna would be signed in 2018.Krsticevic said the Croatian defence industry employed more than 5,000 people and that the new contracts would help in its development and promote it internationally.Parliament amends Environmental Protection Act, GMO ActZAGREB, Feb2 (Hina) - The Croatian parliament on Friday amended the Environmental Protection Act, under which public institutions that managenational and nature parks will have to pay three percent of revenues from tickets and vignettes sold into the state budget.The funds paid into the budget will be used for financing the priority activities of the public institutionsconcerning environmental protection and conservation, business upgrade, coverage of expenses, public procurement, promotion and marketing.Also amended was the Genetically Modified Organisms Act. MPs rejected an amendment put forward by Miro Bulj of the opposition Bridge party for a total ban on the cultivation, import and marketing of GMO products in Croatia."If you don't adopt this, Croatian citizens will become guinea pigs for foreign GMO ***producers*** such as Monsanto and others. Let's protect domestic production," Bulj said, but his proposal failed to receive sufficient support.Parliament appoints new HANFA Board, amends Credit Institutions ActZAGREB, Feb2(Hina) -The Croatian Parliament on Friday passed government-sponsored amendments to the Credit Institutions Act and appointed a new management board of the Croatian Financial Services Supervisory Agency (HANFA).The HANFA Management Board will be chaired by Ante Zigman and its new members areAntun Palaric, Tomislav Rizdak, Ilijana Jelec and Jurica Jednacak.The amended Credit Institutions Act provides additional protection mechanisms for consumers, defining banks' obligation to make available to their clients, on requestand free of charge, at any momentfor the duration of theloan agreement, a report on the loan repayment ***plan***. The report should include a calculation of the effective interest rate on the day when the repayment ***plan*** is made, information on the total principal, interest and costs paid andon individual instalments, and an overview of changes to the interest rates charged.This government-sponsored amendment is in line with an amendment that had been put forward by Goran Aleksic of the SNAGA party but neither Aleksic's amendment nor six other amendments were endorsed by the government or the parliament.Economy minister awards SMEs grant contractsZAGREB, Feb2(Hina) - Economy Minister Martina Dalic on Friday awarded businessescontracts on European grants to facilitatetheir access toforeign markets, saying European funds represented significant support for foreign activities.Twenty-three contacts worth HRK 14.5 million were signed as part of a tender for the internationalisation of business for SMEs, with amounts ranging from HRK 100,000 to 1 million.The grants are intended for easier and cheaperaccess and promotion onforeign markets as well as for the preparation and certification of products to meet export standards.Dalic said contracts totalling over HRK 2.2 billion were signed with businesses last year to enable the implementation of projects worthover HRK 5 billion in total.MP says offering gov't assistance in arbitration case in WashingtonZAGREB, Feb2(Hina) - Member of Parliament Goran Aleksic of the SNAGA party said on Friday that he had offered the government and the prime minister assistance in acase launched by commercial banks against the Croatian government at the Washington-basedInternational Centre for Settlement of Investment Disputes (ICSID) over the conversion of loans pegged to the Swiss francs."I have offered assistance, as has the Franak association which has competent experts. We understand the matter well and canhelp the government deal more easily with 'unfair banks' that have launched arbitration proceedings inWashington instead of before Croatian courts," Aleksic said in parliament.He said that banks evidently did not trust the Croatian judiciary and EU law, which he considers unacceptable.The Croatian government must not agree to arbitration proceedings in Washington, and it has already asked ICSID if it has jurisdiction overthis case, said Aleksic, hopeful that ICSID will not give a go-ahead for arbitration proceedings in this case and that banks seeking protection of their rights will file lawsuits before courts in Croatia, where they operate.Spain refuses to extradite ex-Yugoslav secret service agent to CroatiaZAGREB, Feb2 (Hina) - Spain has refused to extradite former Yugoslav secret service agent Vinko Sindicic to Croatia after he was arrested in a hotel in the northern city of Burgos on January 26.Sindicic was arrested on a warrant issued by the Municipal Prosecutor's Office in Rijeka following a charge brought by lawyer Anto Nobilo.Nobilo claims that his client, Yugoslav-era Croatian intelligence official Josip Perkovic, hasbeen sentenced to life imprisonment in Germany because of false testimony given by Sindicic.Sindicic was a witness in the trial of Yugoslav secret service (UDBA) agent Krunoslav Prates in Munich in 2008. Prates was sentenced to life imprisonment for aiding and abetting in the murder of Croatian dissident Stjepan Djurekovic.Djurekovic was assassinated in a garage in Wolfratshausen, outside Munich, in 1983.According to the indictment, Prates gave the key to the garage to senior UDBA official Josip Perkovic. In 2016, Munich High Court sentenced Perkovic and another UDBA official, Zdravko Mustac, to life imprisonment for their roles in the murder.The lawyer Nobilo said he had brought thecharge against Sindicic because his false testimony harmed his client.Police in Burgos took Sindicic to a local court where he was interviewed in the presence of his Spanish lawyer by an investigating judge from Madrid via video link. Several hours after his arrest and court appearance, Sindicic was allowed to go.A person close to the defence said that Sindicic was released as soon as the judge realised that he was charged with the same thing for which an earlier requestfor his extradition had been rejected.Sindicic was already arrested in Burgos in November2015, but an investigating judge refused to extradite him saying that Spain was not required to extradite him to Croatia if Germany, on whose soil the alleged crime was committed, was not looking for him.It was unclear what Sindicic was doing in Burgos. After being released, he returned to Italy where he lives, the person close to the defence said. Sindicic claims he did not give false testimony.The Municipal Prosecutor's Office in Rijeka did not say whether it would appeal the Spanish court's ruling and whether the arrest warrant was the same as the first time.8 Eastern EU members agree to increased payments to next EU budgetZAGREB, Feb 2 (Hina) - Eight Eastern European EU countries, including Croatia,agreed on Friday to support an increase in payments by member states in the bloc's next long-term budget, to help fill the hole after net contributor Britain leaves, Reuters news agency said.Ministers and other representatives of Hungary, Poland, the Czech Republic, Slovakia, Slovenia, Croatia, Bulgaria and Romania met in Budapest with the EU's Budget Commissioner Guenther Oettinger to discuss issues including the bloc's next budget ***plan***."The eight countries agreed with the increasing of the GNI-proportionate payment, which is a major success of the day," Reuters quoted Hungarian Prime Minister Viktor Orban's chief of staff Janos Lazar as telling a news conference. "The eight countries opened the opportunity that the payment should increase even up to 1.1 percent (of gross national income)," he added.Lazar thanked these member states for their willingness to contribute more money to the common budget and called on the EU toreduce bureaucracy and make the budget process simpler, faster and cheaper.Britain's exit in March next year will deprive Brussels of some 12 billion euros from an annual budget now running around 140 billion euros. The ex-Communist countries of the east are mostly net recipients of EU funds, and worried that a shortfall in the bloc's budget would leave them with less cash, Reuters said.Oettinger said last month that the next EU budget should increase from around 1 percent of EU output to slightly more than 1.1 percent, to make up for funds the bloc will no longer receive from Britain.Oettinger reiterated in Budapest on Friday that once Britain leaves the EU certain budgetary cuts will be necessary."I am extremely grateful for the eight member states that they were willing to contribute a bit more," he told the same press conference.Bosnia Presidency chairman meets with ECpresidentZAGREB, Feb 2 (Hina) - The Chairman of the Bosnia and Herzegovina Presidency, Dragan Covic, met with European Commission President Jean-Claude Juncker in Brussels on Friday, bringinghis attention to the importance of amending electoral legislation in Bosnia and Herzegovina to ensure legitimate representation of its constituent nations in government bodies.Speaking to the press after the meeting, Covic said that Juncker was well acquainted with the situation in Bosnia and Herzegovina and that he informed him in detail of electoral reform which should ensure that general elections due in October are legitimate and that its results can be implemented.Covic's HDZ party and other Croat parties in Bosnia and Herzegovina insist that the existing electoral legislation be changed to prevent the more numerous Bosniaks from choosing representatives of the Croats in the upper house of parliament and the country's collective presidency. None of the Bosniakparties supports such changes."Regardless of tactics and strategies used by some political parties in Bosnia and Herzegovina, the election law will need to be changed as required by the Constitutional Court, otherwise we will not be able to implement election results. We are facing huge responsibility. It is true that our positions are different, but we did not propose amendments to the election law for no reason nearly a year ago. We realised that theDemocratic Action Party (SDA), as the key Bosniak party, was avoiding change so that a more numerous nation could continue electing representatives for another nation," Covic said.Covic compared the situation in Bosnia and Herzegovina to the former Yugoslavia where "the most numerous nation did not understand the problems of the other nations.""I think something similar can happen in Bosnia and Herzegovina and that's why we have to find the right balance between individual and collective," he added.Next week the European Commission will unveil the EU enlargement strategy for the Western Balkans, and Juncker will visit the region later this month. He is due in Sarajevo on February 28.Covic said he expected some progress on electoral reform would be made by then.A European Commission spokesman said that Juncker and Covic also discussed Bosnia and Herzegovina's EU membership application. Juncker said that the credible enlargement perspective requires persistent efforts and reforms because progress on the European path is measured on merit, and this also requires a solution to the election law, the spokesman said.In other news:Split studentwinner of Juvenes Translatores contestZAGREB, Feb (Hina) - Ante Kuvacic, a junior student of the Split-based secondary school specialised in science, is the Croatian winner of the Juvenes Translatores 2017, an annualtranslation contest for high school studentsin the European Union.The European Commission's Directorate-General for Translation (DG Translation) organisesannual contests for high schools across the EU member-states, and in the latest,11th contest, 3,348 secondary-school pupils took part.The winners in all the 28 countries will be invited to an award-givingceremony in Brussels, scheduled for 10 April."My congratulations on your achievement. Well done for taking on the challenge and proving your talents in all 24 EU languages. Learning languages is a skill that is vital for your careers and personal development. It is amazing to see so many talented young people. Multilingualism defines us as Europeans,"Commissioner GuentherH. Oettinger, responsible for Budget and Human Resources, was quoted as saying.This year, over 3,300 students from across the European Union translated texts on the 60th anniversary of the European Union. They could choose from any of the 552 possible combinations between any two of the EU's 24 official languages. Students sat the competition in 144 language combinations, including translating from Polish into Finnish, and from Czech into Greek. All winners chose to translate into their strongest language or mother tongue, as the staff translators in EU Institutions do.In Croatia, which started participating in the contest in 2013 when it entered the union, pupils mainly opt for translating from English or German into their mother tongue.Previous Croatian winners are Ivana Busch from Zagreb (2013), Luka Planinic and Katarina Zornada from Pazin (2014 and 2015) and Petra Nimac Kalcina from Split (2016).Alpine skier Natko Zrncic Dim to carry flag for Croatia at Olympic Games in PyeongChangZAGREB, Feb 2 (Hina) - The 32-year-old Alpine skier Natko Zrncic Dim will be the flag bearer for Croatia at the opening ceremony of the Winter Olympic Games in PyeongChang, South Korea, on 9 February.Zrncic Dim is one of the best active Croatian skiers, and his best result was a bronze in the super combined at the World Championships in the French ski resort of Val d'Isere in 2009. Before the games in South Korea, he already participated in three Winter Olympic Games - Turin 2006, Vancouver 2010 and Sochi 2014.Zrncic Dim will carry the flag in front of Croatia's team consisting of 20 athletes who will be competing in four sports -- Alpine Skiing, Bobsleigh, Luge and Cross-Country Skiing - at the 23rd Winter Olympic Games, which end on 25 February. After the 2006 Olympics in Turin, this is the largest number of Croatian athletes competing in any Winter Olympic Games.In the last Olympic games in Sochi, the flag bearer was Alpine skier Ivica Kostelic. His sister Janica Kostelic, who is the best Croatian Alpine skier of all time, carried the national flag at three opening ceremonies for the Olympic Games: Nagano 1998, Salt Lake City 2002 and Turin 2006.In Vancouver 2010, Jakov Fak, a biathlete born in the Croatian town of Delnice, had the honour of carrying the Croatian flag at the opening ceremony. Later in 2010, he joined the Slovenian national team and now competes for that country.The first flag bearer for Croatia was figure skater Tomislav Cizmesija in Albertville, 1992. Four years later in Lillehammer, the honour to carry the national flag was given to Alpine skier Vedran Pavlek.Croatia's flag bearers at Winter Olympic Games:2018 PyeongChang - Natko Zrncic Dim2014 Sochi - Ivica Kostelic2010 Vancouver - Jakov Fak2006 Turin - Janica Kostelic2002 Salt Lake City - Janica Kostelic1998 Nagano - Janica Kostelic1994 Lillehammer - Vedran Pavlek1992 Albertville - Tomislav CizmesijaCrobex edges upZAGREB, Feb2(Hina) - The Zagreb Stock Exchange (ZSE) Crobex index on Friday rose mildly, by 0.10% to close at1,877.70 points, while the Crobex10 index dropped 0.03% to1,085.64 points.Regular turnover amountedto HRK 6.06 million, 1.05 million more than on Thursday, while block transactions generated a turnover of HRK 7.2 million.Trade in Atlantic Group food ***producer***'s sharesgenerated a block turnover of HRK 4.36 million, while those of the Arena Hospitality Group generated a block turnover of HRK 2.86million.Zagrebacka Banka generated the highestturnover in regular trading, of HRK 1.89 million. The price of its shares dropped 1.39% to HRK 56.80 per share.HT telecom shares generated HRK 1.27 million in turnover, with their price going down 0.90% to HRK 165.(EUR 1 = HRK 7.42)THIS BULLETIN INCLUDES ITEMS RELEASED BY 2100 HRS ON FRIDAY (Hina) ha Masthead Brief News Bulletin is published by the Croatian News Agency HINA Marulićev trg 1610 000 ZagrebCroatia web:[*www.hina.hr*](http://www.hina.hr) mail: [*hina@hina.hr*](mailto:hina@hina.hr) phone: (+385 1) 48 08 660; fax (+385 1) 48 08 822 Publisher: Branka Gabriela Valentić, DirectorEditor in Chief: Serđo Obratov Bulletin Editor: Marija Šestan

ZAGREB, Feb2(Hina) -President Kolinda Grabar-Kitarovic said on Friday that Croatia should decide on the purchase of fighter jets as soon as possible, confirming that she discussed that topic at a meeting on Thursday with Parliament Speaker Gordan Jandrokovic and Prime Minister Andrej Plenkovic whose government, she said, she was not criticising but was rather pointing to problems she believed needed to be focused on.

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January-June 2017

Summary of main events:

· The combined non-audited revenue of portfolio firms four-folded during H1 2017 when compared to one year ago. The H1 2017 combined revenues are approximately 60 MEUR;

· Cleantech Invest has increased its ownership in several high performing holdings over the last year. Average portfolio ownership is now approximately 16%. During the reporting period Cleantech Invest increased or defended its ownership in the following firms: Eagle Filters, Nuuka, ResQ Club, Sofi Filtration and Enersize;

· Nocart signed a 200MUSD order for a combined solar-storage-diesel plant to Zambia;

· Enersize listed on Nasdaq First North Stockholm and raised 26MSEK to the company. Cleantech Invest now owns 37,7%of Enersize after the listing;

· Nuuka closed its first US order and signed a US joint venture. First reference installations in China were implemented and monthly recurring revenues based on order intake more than doubled;

· Swap.com has shown impressive growth for three consequitive years and is now the largest online consignment store in the US;

· Cleantech Invest launched its first ever impact analysis for carbon and water;

· Cleantech Invest attracted many new shareholders on board. The firm now has 5442 shareholders which is significantly more than previously

· Two disposals were made. Cleantech Invest has exited its position in Savo Solar. One1 shares were sold back to the entrepreneurs with an earnout deal on possible future exit proceeds; and

· The reporting structure has been changed with emphasis on bigger core holdings and reporting on early stage venture holdings only when significant events occurs.

Key figures

+-------------------------------+---------+----------+-----------+

| |1-6 /2017|1-6 / 2016|1-12 / 2016|

+-------------------------------+---------+----------+-----------+

|Turnover |18 |38 |396 |

+-------------------------------+---------+----------+-----------+

|Operational result |-617 |-563 |-1085 |

+-------------------------------+---------+----------+-----------+

|Result for the financial period|-653\* |-729 |-1136 |

+-------------------------------+---------+----------+-----------+

|Cash and cash equivalents |2527 |803 |1206 |

+-------------------------------+---------+----------+-----------+

|Shareholders equity |21704 |7348 |19800 |

+-------------------------------+---------+----------+-----------+

|Equity ratio |90,8% |99,0% |89,4% |

+-------------------------------+---------+----------+-----------+

\*Please note: A reduction of value amounting to 100KEUR was made on the valuation of Savo-Solar Oyj's shares, which negatively affected the Profit and Loss.

Comments by the Managing Director Alexander Lidgren

It is happening

We stated in our last report that we would focus on exit preparations, continued acceleration of our companies (including internationalization), and communication. I will tell you how we have done just that and also comment on a few things that have happened in a very busy first half of 2017.

The revenue growth of our portfolio during H1 has been nothing short of stunning. The first time I reviewed the combined revenue of our portfolio the figure was less than 4MEUR (which was for the full year of 2014). I was happy with this at the time as it was up 82% from the year before and most of our companies were in really early stages. A lot has happened since...

The first half of 2017 shows combined revenues of 60 MEUR (unaudited). This is more than a four-folding of comparable revenues one year ago and it is almost twice as much as the full year of 2016. Another thing that has happened is that we have increased our ownership in several of our high performing holdings over the last years. Our average portfolio ownership is now approximately 16% (it was approximately 13% a year ago). Last half year we increased or defended our ownership in several of our current high-performers, namely Eagle Filters, Nuuka, ResQ Club, Sofi Filtration and Enersize.

Most of you noticed that Nocart signed a 200MUSD order for a combined solar-storage-diesel plant to Zambia during the first half of this year. The first invoicing of this order of course accounts for a majority of the revenue increase (unaudited) but it should be noted that several of our companies are growing revenues very well, mostly on international markets, as you will see in their performance overview later in this review.

You will notice that we have a new format for this report. We have decided to frame each of our companies in light of the industry that they are disrupting. This is a better way to communicate the markets our companies operate in and how they are changing over time, as well as a better way to show the positive environmental impact that they are each having. These are the 'mega-industries' our companies are disrupting this time around: real estate; renewable energy systems; fashion; restaurant industry; manufacturing; water use; and natural gas electricity.

Internationalization

We have turned the US 'Pop-Up' into a permanent office after seeing clear results from this initiative. The US joint venture arranged for Nuuka; adding Gudrun Giddings to our board; and attracting several US investors into Cleantech Invest shows that this ***strategic*** move to place our Chairman Lassi Noponen on the ground in LA has really paid off. There is plenty more to come from California and we expect more of our companies to launch there in the coming year.

The Berlin pop-up was also a great experience and will be extended, with several of our companies now having German investors on board as a result of it. Additionally, we will be present full-time in Stockholm starting in September. It is not always easy to work together in such a geographically spread out organization but it really is providing excellent results that we would not have achieved otherwise. Having a team that knows each other so well makes it possible to work in such an effective way and this effort is also required in order to raise Cleantech Invest into global stage.

Acceleration and Exit Preparations

We listed Enersize on Nasdaq First North Stockholm and raised 26MSEK to the company in the process. Enersize is our biggest holding, with an ownership of 37.7% after the listing, and we have spent a lot of resources growing it. The current CEO as well as Executive Chairman were brought in by us. We raised project financing to fund the initial cost of customer projects (Enersize sells their solution as revenue sharing so the upfront installation is typically paid by them) and we have brought in well connected investors and partners in China, Germany and Sweden to the company.

As you can imagine, a successful listing with a strong shareholder base was an important milestone. It was an extensive roadshow with a lot of communication around it and we could not be happier with how investors have taken to the company. Cutting carbon emissions in the manufacturing industry with a software-based approach is clearly appealing. Enersize's team is performing extremely well and customers are responding. The company has closed six new installation contracts during 2017, two of them just after the listing, and the reference customers that have achieved verified savings now include some of the world's largest and best managed factories.

We need to keep in mind that a lot of the current contracts are yet to be installed and payments do not kick in until after one year, so it will take a while before the big order intake shows in their results but make no mistake about it - Enersize is on its way taking a leadership position in energy efficiency in compressed air in the world's manufacturing center. We are very confident in their future and will continue to build the company into the global leader in industrial compressed air energy savings.

Nuuka is also entering an exciting phase. We have stated intentions to list the company, and have accelerated market roll out with excellent results. The company has closed its first US order and signed a joint venture there. The software is now translated to Chinese and first reference installations in China are happening as you read this.  Nuuka is also looking to make further inroads in the Nordics as well as the Benelux .

We are carefully monitoring the market to make sure we do a successful listing and also that we have a clear value growth path for the company once it is listed. The latter is extremely important as Nuuka's potential listing would most likely happen on Nasdaq First North and we would aim to accelerate growth and create value while being listed on the stock market. Stay tuned and we will keep you informed.

We see Swap.com as a strong IPO candidate with potential for exceptional value growth. The company has shown impressive growth for three consecutive years and is now the largest online consignment store in the US. The marketing department has been significantly strengthened and customer aquisition costs have been lowered drastically, making the path to profitability clear. Cleantech Invest has participated in an underwriting consortium to back Swap.com's upcoming investment round, with a 1.5M(EURO) underwriting commitment. Swap.com is working with Carnegie Investment Bank to execute a private placement.

We are also taking more active roles to accelerate Eagle Filters and ResQ Club, both companies where we have increased our ownership recently.

Communication

The first half of 2017 saw the dawn of our first ever impact analysis of our work. I am proud as a peacock that we managed to get this communication milestone done, even if we limited it to carbon emissions and water savings, and did it initially for ourselves and six of our portfolio firms. It was an eye-opener even for us, as the impact was even bigger than we had previously thought. A lot of you have already used the calculator on our web to check the impact your own shareholding is having but if you haven't go ahead and do so! [*http://www.cleantechinvest.com/impact-eng*](http://www.cleantechinvest.com/impact-eng).

Our carbon impact for 2016 was minus 158 000 tons of CO2 equivalent, which corresponds to taking 107 000 cars in Finland off the road, or the per capita carbon emissions of 17 000 Swedish households.

The water impact resulted in 9,6 million m3 freshwater savings, which corresponds to the household water use of 164 000 Swedes or 3840 Olympic-sized swimming pools.

But why measure impact at all? Because we don't see ourselves as successful if we do not have a positive environmental impact, and maximizing it is our purpose. So, to start understanding how we are performing in this regard is both useful and inspiring for us and hopefully also for you!

And why is communication so important?

Because under-achieving when it comes to communication is the most common bottle-neck for growth in most Nordic cleantech companies, including our own portfolio. The importance of packaging what you do in an engaging way, focusing on the right message for the audience and delivering it through the right channels, as well as nurturing your long-term business relations can not be overemphasized.

We do not claim to be experts in communicating and we certainly do not claim to do everything right in this field, but we do realize the importance of it and try to help our companies to the best of our abilities. This means adding our own communication resources to help our companies, spreading their messages through our own channels, building relations that can be of value for them, as well as helping them recruit the right talent when it comes to this area of expertise.

As an example, we just published our first environmental documentary, that looks at Enersize's progress in China. You can watch it here:   [*https://www.youtube.com/watch?v=9UCjK8lvIEc&app=desktop*](https://www.youtube.com/watch?v=9UCjK8lvIEc&app=desktop)

Two disposals

Portfolio of companies provides stability but not every company in a portfolio becomes a success. Two disposals were made during the period. Both have been challenging growth journeys, to the extent that we had chosen a non-active role the last few years. The global collapse of the price of solar PV negatively affected the competitiveness of solar thermal. We have been selling our shares in Savo-Solar over a period of almost two years and have now sold the remaining few percentages. In One1, we sold all shares in one sale to the entrepreneurs in the company. The holding may still provide an additional income if the development of the company is positive but we will not value it in our balance sheet going forward.

These exits do free up some additional cash, but it is nothing to write home about. It does however free up some energy when you decide that a company is no longer your concern, and in the case of Savo-Solar it should be mentioned that this marks the end to write-downs in the value of this holding that has been burdening our result every report. The journeys of these companies do not end here and we wish them all the success in the world going forward. We also thank them for the learnings and are using what we learned in other growth journeys.

Record Number of Shareholders

We now have 5442 shareholders, which is by far more than we have ever had. We value each and every one of you and are very happy to see that many of you are very engaged in what we do. I answer a lot of questions from you and we even get a lot of inspiration and new ideas from many of you.

Thanks a lot, I can tell you that it is extremely motivating for all of us, so keep informed, keep the questions coming and engage with us on YouTube (where we run our own webshow 'Cleantech and Coffee', answering questions and bringing in partners and guests), Twitter, Instagram, Facebook, SoundCloud and anywhere else we are on the Internet! We will also be hosting an after work again soon with our companies present so keep an eye open also for that!

Portfolio companies' performance during the review period and major events.

The basis of Cleantech Invest's business operations are in the company's portfolio companies. The value of Cleantech Invest should reflect the value of the portfolio and it is through dividends but more often exits in these companies that the majority of income will be found. In the half-year review, and in the upcoming quarterly and annual reviews, Cleantech Invest will start commenting deeper on the development in core holdings. There will also be an attempt for each core holding to reflect on the current dynamics in the industry that this core holding is operating in.

Core holdings of the portfolio are firms where the holding size and/or value contribution is significant enough to affect the value of the Cleantech Invest share. For listed firms, we report our effective ownership. Effective ownership means taking into account our full ownership and the indirect ownership through holding companies and/or via Clean Future Fund. For unlisted firms, we report effective ownership, fully diluted. Those holdings that are part of the venture and incubation portfolio will be commented upon only if significant development or larger funding rounds take place. The comments on either the core holdings or on the venture and incubation portfolio are not an exhaustive description of each of the associated company's situations or their risks.

As a minority shareholder of its portfolio firms Cleantech Invest is not in a controlling position of its portfolio companies. The portfolio firm achievement descriptions from each reporting period are written by the portfolio firm management and reported to Cleantech Invest management. After Enersize's IPO, we rely on publicly available information on Enersize.

Associated companies all share the common trait that they have a potential to create a significant positive environmental impact in the industry that they are disrupting. The combined revenue of the associated companies was 60 MEUR in H1/2017 (unaudited). The combined, unaudited, revenue of associated companies has grown by 343% when compared with H1/2016. All revenue figures are non-audited and are partly based to a significant decree on invoicing where the payment has not yet been received.

Core Holdings (Swap.com, Nuuka Solutions, Eagle Filters, Enersize, ResQ Club, Sofi Filtration, Nocart)

Fashion - Swap.com

Fashion is one of the most resource intensive industries in the world. Our current way of consuming fast fashion results in large amounts of energy and water consumption and heavy use of chemicals, not to mention the high social cost due to variating labour conditions in some ***producer*** markets. Despite a general trend towards sustainable consumption, fashion has gravitated towards faster sales cycles and the biggest brands are finding ways to sell clothing cheaper and cheaper. This culture of buy, wear once or twice, and throw away has a highly negative impact on the environment.

By extending the life cycle of clothing through second hand trade, the manufacturing and associated environmental impacts are reduced significantly. Giving a second life to a piece of clothing is one less item ***produced***. Currently, most second hand trade is through brick and mortar consignment stores. A smaller portion is through online market places such as eBay. These actors have, however, only scratched the surface in terms of the real potential for a secondary fashion market. Traditional consignment stores have a challenge of providing a large enough selection. Yes, you can find inexpensive quality items, but not necessary the ones you are looking for. Online marketplaces, on the other hand, have a good selection, but shipping expenses for delivery of a single item makes trade of less expensive items unviable. Furthermore, dealing peer-to-peer with other consumers exposes one to quality issues, uncertainty in timely delivery as well as fraud risk.

Swap.com (Swap.com Services Oy) is an online consignment store that solves the challenges related to current second hand shops. Swap.com offers a selection of over 2 million unique items, all of which are quality inspected and delivered to your doorstep with a single delivery fee even when purchasing a large number of items. Swap.com takes care of professional photos, storage and delivery from its state of the art logistics center in Bolingbrook, Chicago. With the market's largest selection, it is possible to find the items one is looking for in the right size and colour, with a very large discount.

In 2017, Swap.com has continued on its growth path and has been especially focusing on operational efficiency and actions increasing profitability. The company has also implemented a new brand strategy which is built on three cornerstones: discovery, thriftiness and reuse. Swap.com aims to be the category leader in online consignment, and estimates the market potential to be over $100 billion annually, in the US alone.

Real Estate -- Nuuka Solutions

Real Estate is the pre-eminent global asset class. The value of all global property, including commercial and residential property (and forestry and ***agricultural*** land) is estimated to be a whopping $217 trillion dollars. It is a well known fact that buildings consume a lot of the energy we use, as an example in 2016, about 40% of total US energy consumption was consumed by residential and commercial buildings.

With new technological capabilities, we have begun to witness the next stage of the global real estate market. Dubbed the revolution of the 'smart building', the term implies an attributed 'consciousness' to something that we have previously only regarded as 'property'. Between 2016 and 2021, the smart building market is expected to grow from $5.37 billion in 2016 to $24.73 billion, representing a compound annual growth rate of 34%.

The Internet of Things (IoT) is the foundation of the smart building, and the number of measurement points in buildings are growing fast. Buildings are also becoming key players in the new energy system, as the foundation of virtual utilities, with assets that can be switched on and off turning buildings into generating entities as well. Expect to see an abundance of different building-user related services and evolving business models.

For decades, buildings have gotten 'smarter' through the addition of clever features, such as remotely controlled heating units and other things. The outcome of these ad hoc technologies, or 'point solutions' has not been the rise of the truly 'smart building' but rather the creation of the 'dumb building with smart features', and there is a vast untapped potential in this sector.

The Nuuka platform is hardware-independent, making it extremely flexible and future-proof. The Nuuka platform is also open, with anything and everything able to be connected to it. Nuuka analyzes and optimizes all data it collects in real time and converts it into useful information that when sent to the right user, at the right time, is making buildings smarter, more sustainable and more profitable.

The smart building of the future will be defined by functionalities such as immediate adaptability, reduced strain on the grid, and comprehensive learning with real-time response. The companies that understand the holistic user perspective can harness a growing share of the value of the global real estate market and Nuuka's open platform will be a very competitive solution for the management of the smart building of the future.

During first half of 2017, Nuuka signed new significant customer agreements with global leading firms both in the Nordics and beyond. The company started pilot projects in China and entered into a joint venture with a partner in California. Monthly recurring revenue based on order intake more than doubled and Nuuka is expecting this KPI to grow even further in H2/2017.  Nuuka has recruited key talent in sales and marketing to its team in H1 and will be adding additional new key personnel in H2/2017. During second half of 2017 Nuuka will focus on adding new customers and further growing its business internationally while also delivering its first major projects in China and the US.

Natural Gas -- Eagle Filters

Although renewables are quickly taking over the world's energy production, it will take several decades to phase out the current fossil fuel energy infrastructure. For a fully renewable energy system, sufficient storage capacity also needs to be built to cope with the variable nature of renewables. As we are transitioning towards a zero emission world, natural gas is an important complementary energy source to renewables. There are two key reasons for this. First, the CO2 emissions of ***producing*** electricity with natural gas is appx half of that of coal. Second, gas turbines have flexible load following and have an increasing importance as back up power to wind and solar power. Furthermore, in the future gas turbines may also utilize hydrogen as the primary energy source, enabling hydrogen to be utilized as an energy storage.

Natural gas turbines are commonly operated inefficiently resulting in unnecessary power losses. Appx. $7.5 billion is wasted every year solely because of air impurities in gas turbines. Due to air impurities, fouling of the compressor blades decreases efficiency, and fuel efficiency can deteriorate up to 5% and power output up to 10%, before periodical washing of the turbine.

Eagle has developed and patented the world's best performing air filtration solution for gas turbines, which significantly increases the efficiency of gas turbines. Eagle's solution increases annual output up to 6% and improves overall fuel efficiency up to 3%. Utilizing the technology, the turbine needs to be washed only during annual maintenance, eliminating down time. Furthermore, the turbine life is extended. Eagle Filter's product is the most advanced filtration technology on the market and is based on nano fibres, superior aerodynamics and a patented dual stage construction that enables effective pulse cleaning, durability and reliability.

Eagle's revenue H1 2017 has doubled from H1 2016. The company has customers in Asia, Africa, North and South Americas and Europe. The first years of operation at customer sites have yielded excellent results, with achieved annual savings of typically several million (EURO) per power plant. In H1 2017, after a rigorous and lengthy testing process, the company's products received approval from Engie, the world's largest gas turbine operator. Several projects around the world appointed by Engie are under evaluation and first projects have been delivered. Several other large utilities around the world have also tested Eagle Filter's products and ***plan*** to roll out the technology to other sites. In China and South East Asia many projects are under negotiation with high savings potential. Strengthening operations in the USA will be in focal point for the near future.

Manufacturing -- Enersize

Industry 2.0 is the common term describing the increase in automation that can be seen across the manufacturing sector. Compressed air is a very common energy bearer in manufacturing plants across the globe and across industry verticals. Some 90% of all factories use it in some shape or form and it typically amounts to 10-35% of factory electricity cost.

The Chinese manufacturing sector is the biggest in the world, approximately 10% of all energy use in China is used in compressed air systems. The focus on decreasing energy use in Chinese factories comes directly from the top. The new five-year ***plan*** sets forth ***plans*** to reduce energy intensity by 15 percent as well as ambitious targets for air quality progress (today, barely one-fifth of Chinese cities meet the air quality standards defined by the Chinese government). This is one of the reasons Enersize has focused on China, another is the fact that the carbon intensity in the energy mix, despite fast growth in solar power, is two times higher in China compared to EU, and almost ten times higher than in Sweden, making the positive environmental impact significantly higher on that market.

The market for compressed air saving services tends to be local and tends to lack capability of achieving long term savings. Enersize analytics software manages the compressed air system and provides an attractive proposition that the market is responding favourably to: Improve the stability of your compressed air system, save energy costs with no upfront investment and show with proven numbers to officials how you are decreasing your energy use. Enersize software and savings are applicable across industries and customers are now representing industries such as glass, chemicals, cars, screens, and the cement industry.

In June 2016, Enersize was listed on Nasdaq First North Stockholm, raising 28MSEK (before transaction costs) to the company in the process. The company signed 6 new customer contracts in a wide array of industries during the first half of 2017. The width of industry segments that Enersize targets can be seen in these contracts as they represent electronics, automotive, chemicals, building materials and pharmaceuticals. Three of the contracts where with recurring customers, which shows customers are satisfactied and that the strategy to grow with the customers is working.

Enersize aims to reach several new customer contracts during 2017, and is well in line to achive it. The focus during summer has been to deliver and get the signed deliveries up and running.  For full info on Enersize progress, please see Enersize 2017 H1 report that is available for download from Enersize homepage. Focus for Enersize is now on scaling up and recruiting high quality resources, both for Chinese operations and for software development in Lund, Sweden.

Food - ResQ Club

Around 88 million tonnes of food is wasted annually in the EU, with associated costs estimated at 143 Billion Euros. Coupled with the fact that the respective activities to ***produce*** our food tends to come with a big burden to the environment (although very different depending on what and how it is ***produced*** and refined) this is a dramatic market failure.

Digital food is a rapidly emerging global megatrend that has already created several multibillion dollar companies from startup's. Most noticeable so far have been online delivery platforms such as Berlin-based Delivery Hero, recently stock-listed and valued at 4BNEUR+. The food marketplace has however seen fairly little in terms of cutting food waste using digitalization, which is where ResQ fits in, allowing you to find meals that otherwise would go to waste at heavily discounted prices, giving users a possibility to find good quality, inexpensive food and get to know new restaurants at the same time.

Cutting food waste in restaurants and other food outlets at the end of the food chain, when the food has already been grown, transported and prepared to eat has a big impact on the amount of natural resources needed for that meal. The potential market for rescuing perfectly good meals is more than 20 BNEUR in Europe alone and similar in the US, and there is little competition world-wide so far.

In H1 2017 ResQ has seen solid growth, having approximately 10% month-on-month growth in its home market Finland. In Q2 the company was merged with German competitor MealSaver and is now well positioned for fast growth in Berlin and Düsseldorf during second half. Along with the merger, the company management was rearranged, with Oula Antere taking the CEO position. ResQ's product team pushed the platform forward, implementing a new world-class user interface, added new local payment methods, and made also the interface towards restaurants mobile. ResQ was chosen as one of the "10 hottest startups in Finland" by Talouselämä magazine, and received the Environmental Award from the city of Helsinki.

Water in Industry - Sofi Filtration

Worldwide, the highest amount of water consumption is from industrial production. One of the main industrial sectors where Sofi Filtration concentrates is energy industry where large volumes of water are currently used. There is growing recognition that saving water saves energy, which saves money. Other water hungry industries with growing environmental awareness where Sofi Filtration focuses are mining and urban infrastructure projects.

During the reporting period Sofi sold new installations to the energy industry and leased its solution to the infrastructure and mining sectors. With the current energy sector reference list of five delivered Sofi units for district heating applications and five units delivered for flue gas water treatment applications, the company now has the credibility to attract global players in the power generation industry.

In the mining sector Sofi successfully concluded a pilot for a potentially 3MEUR project in the Nordics and a field trial in Louisiana, US. In addition, a funding round was carried out last spring where Cleantech Invest also participated. Going forward, Sofi is focusing on upscaling the sales in the power sector, as well as on large potential projects in metals & mining. The domestic and international response for Sofi technology has been positive last half year and it is becoming evident that Sofi's self-cleaning, high-through-put filters can open up application areas for water recycling where there is no other solution available on the market today.

Decentralized Renewable Energy - Nocart

The demand for decentralized renewable energy is growing for various reasons around the world, especially in developing countries. Shortages of available power is leading to unexpected utility power outages and power quality problems, which increases power costs and subsequently interest in using local energy resources and waste as feedstock for power generation.

For the African market, energy demand is predicted to go up, driven by both population and economic growth. It is estimated that by 2050, Africa will be home to at least 2 billion people (a doubling of today's population) with 40% living in rural areas. Currently, 600 million Africans (57% of the population) still have no access to electricity. Extrapolating current trends of energy access, in 2030 still 42% of the population, almost 700 million will not have access to power. At the same time, it is estimated that Africa's GDP will increase roughly three-fold by 2030 and seven-fold by 2050. To handle both the population growth and the economic growth, a much larger and better-performing energy sector, mainly driven by distributed energy solutions, is needed.

Nocart's main focus is on the African power market. During the reporting period, the major activity was to prepare everything for the PADIC ***Programme*** Shangombo Sugar Project in Zambia, where Nocart was awarded a 200MUSD project earlier this year to design, construct and install hybrid power plants to help drive sugar production. The shovel is in the ground for this project and the first deliveries to PADIC Shangombo project will take place during H2/2017. The firm is also working on to win a large-scale waste-to-energy project in Kenya and a hybrid project in Zambia.

Venture and Incubation Portfolio

Those holdings that are part of the venture and incubation portfolio will be commented upon only if significant development or larger funding rounds take place. The comments are not an exhaustive description of each of the associated company's situations or their risks.

Aurelia's order intake now stands at (EURO)2.4M with a sales pipeline of over (EURO)30M. Aurelia has 2 channel partners appointed with 6 others in negotiation.

PlugSurfing grew its charging network from 33,907 charging points to 45,876 (35% increase). The company now provides EV charging access for car drivers in over 21 countries. Its userbase grew from 21517 users to 30893 (44%).

Watty has sold out its first series of Watty boxes and signed over 15 large partners as 'Watty500' partners. The partners are piloting the product in parallel with the development of proposals for a larger scale deployment.

Income Statement: revenue and result

Revenue

The company's revenue for the review period 1 January to 30 June 2017 was 18,000 EUR (1-6/2016: 38,000 EUR).

Expenses

Personnel costs during the review period 1 January to 30 June 2017 amounted to 208,000 (221,000) EUR.

Other operating expenses in the review period 1 January to 30 June 2017 were a total of 296,000 (248,000) EUR. Higher costs are due to increased travel and office costs due to pop-office activity.

Depreciation, amortization and write-downs

Depreciation, amortization and write-downs of intangible and tangible assets in the review period 1 January to 30 June 2017 was a total of 89,000 (77,000) EUR.

Operating income

The company's operating loss was 617,000 (EUR 563,000) EUR. The increase in the operating loss was due to slightly smaller revenue and higher operational costs due to pop-up office activity.

Financial income and expenses

Financial income in the review period 1 January to 30 June 2017 was a total of 147,000 (24,000) EUR, financial expenses a total of 182,000 (EUR 190,000) EUR. The financial expenses were mostly due to Savo-Solar writedown. Cleantech Invest has now exited the Savo-solar ownership completely. Financial income was higher due to dividends from Nocart and interest income from associate company loans.

Result for the review period

The net loss of the review period 1 January to 30 June 2017 was 653,000 (729,000) EUR. The improved result is due to dividends from Nocart and interest income from associate company loans.

Balance Sheet: financing and investments

The balance sheet total stood at 23,894,000 (7,425,000). The increase is due to a re-valuation amounting in total of 13,6 MEUR made to the value of Enersize, Sofi Filtration, Nocart and Nuuka Solutions shares in the end of 2016. The shareholders' equity was 21,704,000 (7,348,000) EUR and the equity ratio was 90,8% (99%).

Investments During the Review Period

Effective ownership takes into account both direct and indirect ownership in the portfolio firms. For listed firms, we report our effective ownership. For unlisted firms, we report effective ownership, fully diluted.Cleantech Invest has indirect ownership through the Clean Future Fund (CFF) and Cleantech Invest Swap SPV 1 AB, Cleantech Invest SPV 2, Cleantech Invest SPV3, Cleantech Invest SPV4 and Cleantech Invest SPV5, all of them Swedish holding companies founded by Cleantech Invest.

Returns from portfolio company exits may in some cases differ from direct ownership percentages in portfolio firms, both in positive or negative direction. In certain instances, there are differences between ownership percentages and proportion of received exit proceeds due to different share classes and provisions in the shareholder agreement in a portfolio firm. Also, possible carried interest received by Cleantech Invest from CFF may increase the returns.

ResQ Club Oy: Cleantech Invest participated in a funding round together with Munich-based Ananda Social Venture Fund and Berlin Atlantic Food Labs (Berlin) where also ResQ Club's German competitor MealSaver was acquired. Cleantech Invest raised its ownership from 8.7% to 9.5% after the investment round

Enersize Oyj: Enersize listed on the First North Stockholm in June 2017 and carried out a share issue of 2.9 MEUR in conjuction with the listing. Cleantech Invest ownership in Enersize was 37,7% after the share issue.

Sofi Filtration Oy: Cleantech Invest participated in a funding round with other Sofi shareholders to enable expansion outside of Nordic markets. Cleantech Invest ownership in Sofi after the round was 24,7% (fully diluted, taking allocated management options into account).

PlugSurfing GmBh: Cleantech Invest participated in a funding round with other PlugSurfing shareholders. Cleantech Invest ownership in Plugsurfing after the round was 3,0% (fully diluted, taking allocated management options into account).

Eagle Filters Oy: Cleantech Invest executed a follow-on investment into portfolio company Eagle Filters. The ownership increased from 10 to 28%. In addition, Cleantech Invest has secured options to potentially increase its ownership to 40%.

Personnel, Management and Administration

Alexander Lidgren acted as the Managing Director of the company during the review period. In addition to the Managing Director the company employed 4 persons, with Tarja Teppo, Lassi Noponen, and Timo Linnainmaa together forming the management of the company, with Joshua Burguete-Kirkman taking the role of Communications Director following a period consulting to Cleantech Invest.

In the beginning of the review period the Board of Directors consisted of Lassi Noponen (Chairman), Peter Carlsson, Thomas Bengtsson, James Penney and Matti Vuoria. Gudrun Giddings joined the board at the AGM on the 21st of April 2017.

Risks and Uncertainties

General risks concerning the business environment of Cleantech Invest Plc are related to recent macroeconomic and capital market uncertainty. The associate companies of Cleantech Invest are start-up and growth companies, and there are remarkable risks involved both in their business operations and through investments in them. It is uncertain that Cleantech Invest is able to sell its holdings in associate companies in a profitable way or that the sale is possible in a ***planned*** schedule in line with the company's strategy. Due to the nature of Cleantech Invest's business environment, success in collecting finance for the associate companies' operations is of utmost importance.

The risks related to the company's business have been described in detail in the listing prospectus dated 2 May 2014, which can be found (in Finnish language only) on the company's website (   [*http://frantic.s3.amazonaws.com/cleantechinvest/2014/05/Cleantech-Invest-Oyj\_listautumisesite.pdf*](http://frantic.s3.amazonaws.com/cleantechinvest/2014/05/Cleantech-Invest-Oyj_listautumisesite.pdf)). The investor memorandum for First North Stockholm listing dated February 2016 contains an overview of the risks related to the company's business (in Swedish language only). The investor memorandum can be accessed via the company's website (   [*http://www.cleantechinvest.com/files/Memo-Cleantech-Invest\_Oyj\_febr\_2016.pdf*](http://www.cleantechinvest.com/files/Memo-Cleantech-Invest_Oyj_febr_2016.pdf)). An update to the memorandum was made in August 2016 which can be found here   [*http://www.cleantechinvest.com/files/Supplement\_to\_the\_company\_description\_of\_April\_2016\_released\_9.9.2016.pdf*](http://www.cleantechinvest.com/files/Supplement_to_the_company_description_of_April_2016_released_9.9.2016.pdf).

There are no major changes in the risks and uncertainties since the date of Stockholm listing prospectus. However, the financial position of Cleantech Invest has improved based on the directed share issue that took place early 2017. The outlook for certain associate companies has brightened when they have succeeded in gathering financing and acquiring new customers, thereby sharing the revenue risk. On the other hand some of the associate companies have not reached their targets as to financing, operations and customers and it should be noted that several rely on successful funding rounds within the next six months to achieve their growth potential.

Outlook 2017

The obvious time to partially exit one or several of our more successful growth companies is getting close. We see very strong growth journeys ahead for even the highest performers but we will aim to do partial exist in one or more companies largely to show our current and future shareholders the strong return on investments we are currently able to achieve.

Two and a half year ago we embarked on a ***strategic*** ***plan*** to become the leading European cleantech accelerator. We wanted to make 2-3 listings and 1-3 exits and we also had an internal goal of market value which we have not communicated to the stock market (I can give away that we are not there yet but not too far from it if things go as we ***plan***).  At the end of this year, we will launch a new ***strategic*** ***plan*** that sets forth our trajectory, focus and goals for the coming three years. It will be ambitious, bold and out of the box so do not miss it. The growing global market for clean technologies where many of our companies have demonstrated competitiveness, certainly provides the basis for strong continued growth into forseeable future.

Annual General Meeting

The Annual General Meeting (AGM) of Cleantech Invest was held on the 21st of April 2017 in Helsinki. The AGM resolved that six members be elected to the Board of Directors and re-elected the current members of the Board of Directors Mr. Lassi Noponen, Mr. Thomas Bengtsson Mr. Matti Vuoria, Mr. James Penney and Mr. Peter Carlsson as members of Board of Directors and elected Ms. Gudrun Giddings as a new member to the Board of Directors.

The AGM authorized the Board of Directors to decide on the issuance of class A shares in total amount to a maximum of 5,000,000 shares. This authorization canceled the previous dated 9 March 2016 on the issuance of shares. In addition, the AGM authorized the Board of Directors to decide, in one or more transactions, on the issuance of options. The number of new class A shares that can be subscribed to based on these options may in total amount to a maximum of 1,200,000 shares and may be issued to the key personnel, including members of the Board of Directors of the company, and to cooperation partners and advisors of the company as part of the company's incentive scheme. The AGM also authorized the Board of Directors to decide on acquisition of maximum of 1,145,000 company's own class A shares.

Share

At the beginning of the financial period the company had a total of 21,950,990 shares, divided into 4,569,031 Series K shares and 17,381,959 Series A shares. Class A shares have one vote at shareholders' meetings and class K shares each have 20 votes at shareholders' meetings.

Cleantech Invest board members and management team owned on June 30th 2017 in total 3,344,072 K-class shares, 941,203 A-class shares, options that give a right to subscribe 1,854,028 K-class shares and options that give a right to subscribe 870,000 A-class shares taking into account all stock and options that the persons own directly and indirectly through companies controlled or influenced by them or through their family members.

The shares represent approximately 18,7% per cent of the company's total issued and outstanding shares registered on the 30.06.2017 in the trade register and 62,4% percent of the voting rights of the shares.

Cleantech Invest had 5442 registered shareholders according to the shares register on June 30th 2017. Euroclear Finland had 3291 shareholders and Euroclear Sweden 2151 shareholders.

On 3rdof February, in a directed share issue, 933,000 new A-class shares were subscribed at the subscription price of EUR 2,74 per share, which equaled to the volume weighted average price of Cleantech Invest Plc's class-A share on First North Finland during the time period between 23 January 2017 and 1 February 2017 and a discount of 10%. The Offer Shares represented approximately 4,1% of the outstanding shares in the Company after the Offering.

Accordingly, at the end of the reporting period the company had a total of 22,883,990 shares, divided into 4,569,031 Series K shares and 18,314,959 Series A shares.

At the end of the review period Cleantech Invest A-series share was listed both in First North Helsinki and Stockholm. Cleantech Invest's market value at the end of the review period was 52,197,633 EUR. When non-listed K-shares are taken into account and the A-share price in Helsinki First North Exchange at the end of the review period is used, the market value at the end of the period was 65,219,372 EUR. The closing price in First North Helsinki on June 30th 2017 was 2,85(EURO) per share. During the review period the highest price in FN Helsinki was 3,71(EURO), the lowest 1,61 (EURO), and the average 2,84 (EURO) per share. The Series A share has a liquidity provision agreement with Pareto Securities that fulfills the NASDAQ OMX Stockholm Oy Liquidity Providing (LP) requirements. Cleantech Invest Series A share trading First North Helsinki is not covered by the liquidity provision agreement.

Events after the review period

In August 2017 Cleantech Invest participated in an underwriting consortium to back Swap.com's upcoming investment round, with a 1.5M(EURO) underwriting commitment. Swap.com is working with Carnegie Investment Bank to execute a private placement.

Also in August Cleantech Invest participated in an internal financing round in its portfolio company ResQ Club increasing ownership further to 14.7% after the investment. Several other current owners also participated in the financing round.

Accounting principles of the semi-annual accounts

Semi-annual accounts have been prepared following generally accepted accounting principles and applicable laws. The figures of the review have not been audited. The figures presented are rounded.

Calculation of key ratios and formulas

+--------------------+--------------------------------------------------------+

|Equity ratio (%) |Total equity x 100/ Total assets |

+--------------------+--------------------------------------------------------+

|Number of shares |Total number of shares at the end of the period |

+--------------------+--------------------------------------------------------+

|Weighted average |Issue and conversion-adjusted weighted average number of|

|number of shares |shares |

+--------------------+--------------------------------------------------------+

|Diluted number of |Total number of shares at the end of the period added by|

|shares |outstanding warrants |

+--------------------+--------------------------------------------------------+

|Weighted average |Issue and conversion-adjusted weighted average number of|

|number of shares, |shares added by outstanding warrants |

|Diluted | |

+--------------------+--------------------------------------------------------+

|Basic earnings per |Result for the (financial) period / Issue and conversion|

|share ((EURO)) |-adjusted weighted average number of shares |

+--------------------+--------------------------------------------------------+

|Diluted earnings per|Result for the (financial) period / Issue and conversion|

|share ((EURO)) |-adjusted weighted average number of shares added by |

| |outstanding warrants |

+--------------------+--------------------------------------------------------+

Financial communication

Cleantech Invest Oyj Q3/2017 quarterly summary, which is not a financial performance report or a fully comprehensive report of all events, will be published 31.10.2017. The 2017 financial statement will be published on 30.3.2018. In other respects, the 2018 financial information release schedule will be published by the end of 2017.

Financial information

Profit and Loss

Statement

EUR '000  1 - 6 / 2017  1 - 6 / 2016  1 - 12 / 2016

Turnover 18 38 396

Materials and -42 -54 -216

services

Personnel -208 -221 -523

expenses

Depreciation and -89 -77 -171

impairment

charges

Other operating -296 -248 -571

expenses

Operating loss -617 -563 -1 085

Financial income 147 24 50

Financial -182 -190 -101

expenses

Result before -652 -728 -1 136

taxes

Taxes -1 0 -1

Result for the -653 -729 -1 137

financial period

Basic earning per -0,03 -0,04 -0,05

share

Diluted earning -0,03 -0,03 -0,05

per share

Balance sheet

EUR '000 30/06/17 30/06/ 31/12/1

16 6

Assets

Non-current assets

  Intangible assets 351 530 438

  Tangible assets 13 17 15

  Investments in 20 049 4 858 19 686

participating interests

  Other shares and 0 437 0

similar rights of

ownership

  Loan receivables from 0 0 0

participating  interests

Total non-current assets 20 413 5 841 20 139

Current assets

  Accounts receivables 244 63 234

  Loan receivables from 428 522 409

participating  interests

  Receivables from 50 0

participating  interests

  Loan receivables 24 38 22

  Other receivables 89 88 93

  Deferred assets 120 69 53

  Cash and cash 2 527 803 1 206

equivalents

Total current assets 3 481 1 584 2 018

Total assets 23 894 7 425 22 157

Equity and liabilities

Shareholders equity

  Share capital 80 80 80

  Reserve for invested 13 859 9 928 11 303

non-restricted equity

  Revaluation reserve 12 703 1 218 12 703

  Retained earnngs -4 286 -3 149 -3 149

  Result for the -653 -729 -1 137

financial period

Total shareholders 21 704 7 348 19 800

equity

Current liabilities

  Accounts payable 24 28 113

  Other currentl 16 8 62

liabilites

  Accruals 48 41 79

  Deferred tax liability 2 104 2 104

Total current 2 191 77 2 357

liabilities

Total equity and 23 894 7 425 22 157

liabilities

Statement of cash flows

EUR '000

 1 -  1 -  1 -

6 / 6 / 12 /

2017 2016 2016

Cash flow from operating

activities

Result before taxes -652 -728 -1 136

Taxes -1 0 -1

Adjustments 206 89 97

Depreciation 89 77 171

Change in receivables, -143 -292 -323

increase (-), decrease

(+)

Change in current -167 2 -178

liabilities, increase

(+), decrease (-)

Cash flow from operating -667 -852 -1 370

activities

Cash flow from investing

activities

Investments in tangible 0 -227 -227

and intangible assets

Acquisition of -569 -257 -725

participating interest

Loan receivables from 0 0 0

participating interests

Loan receivables from 0 0 13

others

Cash flow from investing -569 -485 -939

activities

Cash flow from financing

activities

Share issue against 2 556 1 338 2 713

payment

Change in deposits and 0 0 0

loans receivables,

increase (-), decrease

(+)

Change in interest 0 0 0

bearing liabilities,

increase (+), decrease (

-)

Cash flow from financing 2 556 1 338 2 713

activities

Change in cash and cash 1 320 1 404

equivalents

Cash and cash 1 206 802 802

equivalents at the

beginning of the period

Cash and cash 2 527 803 1 206

equivalents at the end

of the period

Statement of

changes

in

shareholders

equity

EUR '000 Share Reserve Retained Result for the Total

capital for earnings financial shareholders

invested period equity

non

-restricted

equity

Shareholders 80 23 503 -3 783 0 19 800

equity

January 1,

2017

Share issue 0 2 556 0 0 2 556

Revaluation 0 0 0 0 0

reserve

Result for 0 0 0 -653 -653

the

financial

period

Shareholders 80 26 059 -3 783 -653 21 704

equity

June  30,

2017

Shareholders 80 9 305 -2 646 0 6 739

equity

January 1,

2016

Share issue 0 2 713 0 0 2 713

Revaluation 0 11 485 0 0 11 485

reserve

Result for -1 137 -1 137

the

financial

period

Shareholders 80 23 503 -2 646 -1 137 19 800

equity

December 31,

2016

Helsinki 30.8.2017

Cleantech Invest Oyj Board of Directors

[*Link to PDF File*](http://mb.cision.com/Main/13163/2335571/716008.pdf)

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**Notes**

Cleantech Invest in brief Cleantech Invest is a Nordic accelerator with investments in growth companies that solve global challenges. The portfolio companies are active in energy- and resource efficiency as well as decentralized renewable energy and are based in Finland, Sweden and Germany. The company management consists of company builders and investors who have been active within the cleantech space for over a decade.The company is listed on First North Finland under the ticker CLEAN and on First North Stockholm under the ticker CLEANT A. [*www.cleantechinvest.com*](http://www.cleantechinvest.com) LinkedIn:   [*https://www.linkedin.com/company/cleantech-invest-oy*](https://www.linkedin.com/company/cleantech-invest-oy) Twitter: @CleantechInves1 IG: @cleantechinvest FB:    [*www.facebook.com/cleantechinvest*](http://www.facebook.com/cleantechinvest)/

**Load-Date:** August 31, 2017

**End of Document**



[***The dangers of Iraq’s oil law***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5S70-KGK1-JCM7-G19C-00000-00&context=1516831)

FT.com

April 30, 2018 Monday 4:00 AM GMT

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**Length:** 786 words

**Byline:** Nick Butler

**Body**

In many ways Iraq’s oil industry is a success story. After decades of isolation, oil production has risen by more than 75 per cent since 2013 to almost  [*4.5m barrels a day*](https://marketrealist.com/2018/03/iraqs-crude-oil-production-is-near-a-6-month-high) and, despite conflicts with the Kurds and Isis, security has been maintained and exports steadily increased. There are ***plans*** for a further rise in output to     [*more than 6m b/d*](http://www.shafaaq.com/en/En_NewsReader/4b97aded-8515-4f89-ac4c-208ab225a294).

The country is back as a fully participating member of Opec, the oil ***producers***’ cartel, and has benefited from the recent surge in world prices. But behind the superficial success lies a power grab that could undermine all the progress.

A  [*petroleum law*](https://www.reuters.com/article/us-iraq-oil/iraq-parliament-votes-to-create-national-oil-company-lawmakers-idUSKBN1GH1XB) was passed this year that will transform the largely successful relationship between the government and operating companies. This creates a single entity with sole responsibility for all aspects of the development of the oil and gas sector across    [*Iraq*](https://www.ft.com/topics/places/Iraq).

The new company — the Iraq National Oil Company, a revived and expanded version of the old INOC that was absorbed by the oil ministry in the 1980s — will:

• control all hydrocarbon revenues, and itself determine what is passed to the national treasury;

• own all upstream, midstream, downstream, marketing and tanker interests and the associated pipeline and export infrastructure;

• be the only authority to sign contracts with international companies investing in oil and gas and other parts of the energy sector;

• have the power to create a fund to distribute the profits to every citizen;

• control a new next generations or sovereign wealth fund;

• invest in ***strategic*** projects in areas of the country in which it operates and in industrial and ***agriculture*** projects on any land it owns.

Within this remit there are few limits to the powers of those running the company. It is hard to imagine a structure more susceptible to corruption. Iraq is 169th out of 180 countries in  [*Transparency International’s corruption index*](https://www.transparency.org/news/feature/corruption_perceptions_index_2017) and could sink further in the ranking.

The revenues from production, which account for 90 per cent of the country’s budget, could be diverted into private pockets just as the billions poured in by the US and others to stabilise the country after the fall of Saddam Hussein were a decade ago.

Given its resources and skills, Iraq should be one of the region’s richest countries. But 15 years after the US-led invasion there are still shortages of basic supplies such as electricity. There is no appetite for further external ***intervention*** to put things right; after the failures of the past three decades the mood concerning the Middle East is one of frustration and fatigue.

The IMF, which underpins the economy, can complain about the new petroleum law but it has little influence other than by withholding loans. Iraq must solve its problems itself.

It is hard to be optimistic. All the main political parties have supported the petroleum law, no doubt with an eye on the potential for jobs and spoils. Those who challenge the status quo are small and powerless.

One hope, according to Iraqi friends, is that if  [*Haider Al-Abadi*](https://www.ft.com/stream/f0255a96-90e9-3f96-835e-49705fae9ef0) wins a second term as prime minister he might impose better governance after parliamentary elections on May 12. This is based on his public stance on tackling corruption, increasing accountability and diversifying the economy away from dependence on oil.

In principle that is possible. Power could be divided and accountabilities made transparent. Ownership of resources and the operational side of their development could be made distinct. Functions such as marketing and infrastructure management could be separated out.

Oil revenues could be directed straight to the treasury. An independent sovereign wealth fund could be established to invest some of those revenues for the future. Licences and contracts could be awarded to international investors through open competition.

Of course, this would not solve every problem. The conflict between Baghdad and the semi-autonomous Kurdish region in the north is unresolved. Isis has been expelled from Mosul and other parts of the country, but not eradicated.

An honest petroleum law would be a real symbol that the country could recover some of its strengths. Iraqis driven out over the past 40 years, first by Saddam Hussein and then by the chaos and violence that followed his fall, could begin to return.

A law that opens the door to further corruption, however, could undermine the limited gains of the past 15 years and drive away serious, long-term investors. The failure to agree terms for an important  [*Exxon deal*](http://www.iraqdailyjournal.com/story-z17016779) covering the West Qurna and other fields in the Integrated South Project, along with     [*Shell’s decision*](https://www.reuters.com/article/us-iraq-oil-shell/shell-to-hand-over-iraqs-majnoon-oilfield-by-end-june-2018-iraqi-oil-officials-idUSKBN1D817D) to relinquish its interests in the Majnoon field, are straws in the wind. Iraq may be out of the headlines but it is not out of trouble.

**Load-Date:** May 30, 2018

**End of Document**



[***Ritchie Bros. reports second quarter 2017 results***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5PGV-35T1-JDG9-Y1BK-00000-00&context=1516831)

Impact Financial News

August 9, 2017 Wednesday

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**Length:** 8030 words

**Body**

VANCOUVER: Ritchie Bros. Auctioneers Incorporated has issued the following press release:

Ritchie Bros. Auctioneers Incorporated (NYSE & TSX: RBA, the 'Company' or 'Ritchie Bros.') reports results for the three and six months ended June 30, 2017.

During the second quarter, the Company generated $166.2 million of revenue and $17.6 million of net income attributable to stockholders.  Diluted EPS attributable to stockholders was $0.16. Non-recurring charges of $4.8 million of stock option compensation expense related to the accelerated vesting of IronPlanet stock options assumed as part of the Merger, $9.1 million of acquisition and finance structure advisory costs, $1.4 million of severance and retention costs that followed the Merger in the resulting corporate reorganization, and an $8.9 million impairment loss recognized on various technology assets were recorded during the quarter. Removing the impact of these charges, diluted adjusted EPS attributable to stockholders (non-GAAP measure) was $0.33.

'We are pleased that integration efforts with IronPlanet are gaining momentum and our unified sales teams have begun proactively selling multi-channel solutions to customers.  We are also confident of delivering run rate synergies in excess of $10 million by the end of 2017 and $20 million by the end of 2018' said Ravi Saligram, CEO, Ritchie Bros; He added: 'Our results in the second quarter of 2017 were unfavorably affected by a severe shortage in supply of used construction equipment especially in the U.S as end users achieved high levels of equipment utilization in state and local infrastructure projects. We expect supply to remain constrained in the second half of 2017.  Bright spots for Ritchie Bros. in the first half of 2017 were a return to growth in Europe, excellent growth in Equipment One and Mascus, strong pricing in North America, a high Revenue Rate and strong operating cash flow. We are optimistic that our transformative combination with IronPlanet will help us accelerate growth in 2018 as macro conditions improve.'

|  |  |  |  |
| --- | --- | --- | --- |
|  |  |  |  |
|  |  |  |  |
| 1 | Revenue Rate is calculated as revenues divided by Gross Auction Proceeds ('GAP'). GAP represents the total proceeds from all items sold at the Company's auctions and online marketplaces. GAP is not a measure of financial performance, liquidity, or revenue, and is not presented in the Company's consolidated financial statements. |  |  |
|  |  |  |  |
| 2 | Diluted adjusted EPS attributable to stockholders is a non-GAAP financial measure. The Company believes that comparing diluted adjusted EPS attributable to stockholders for different financial periods provides useful information about the growth or decline of the Company's diluted EPS attributable to stockholders for the relevant financial period, and eliminates the financial impact of adjusting items the Company does not consider to be part of its normal operating results. Diluted adjusted EPS attributable to stockholders is calculated by dividing adjusted net income attributable to stockholders (non-GAAP measure) (described in footnote 5), net of the effect of dilutive securities, by the weighted average number of dilutive shares outstanding. Diluted adjusted EPS attributable to stockholders is reconciled to the most directly comparable GAAP measures in the Company's consolidated financial statements under 'Non-GAAP Measures' below. |  |  |

Financial Overview (Unaudited)

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| (in U.S $ millions, except EPS) | Three months ended June 30, |  | Six months ended June 30, |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  | Better/(Worse) |  |  |  |  |  |  |  | Better/(Worse) |  |
|  | 2017 |  | 2016 |  | 2017 over 2016 |  | 2017 |  | 2016 |  | 2017 over 2016 |  |  |  |  |  |
| Revenues | $ | 166.2 |  | $ | 158.8 |  | 5% |  | $ | 290.7 |  | $ | 290.8 |  | - |  |
| Selling, general and administrative expenses | $ | 74.4 |  | $ | 74.0 |  | (1%) |  | $ | 145.0 |  | $ | 141.1 |  | (3%) |  |
| Acquisition-related costs | $ | 22.9 |  | $ | 0.6 |  | (3706%) |  | $ | 31.6 |  | $ | 1.8 |  | (1654%) |  |
| Impairment loss | $ | 8.9 |  | $ | - |  | (100%) |  | $ | 8.9 |  | $ | - |  | (100%) |  |
| Operating income | $ | 26.9 |  | $ | 53.6 |  | (50%) |  | $ | 50.5 |  | $ | 92.8 |  | (46%) |  |
| Adjusted operating income (non-GAAP) |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| measure)3 | $ | 51.1 |  | $ | 53.6 |  | (5%) |  | $ | 74.7 |  | $ | 92.8 |  | (20%) |  |
| Operating income margin |  | 16.2% |  |  | 33.8% |  | -1760 bps |  |  | 17.4% |  |  | 31.9% |  | -1450 bps |  |
| Adjusted operating income margin |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| (non-GAAP measure)4 |  | 30.7% |  |  | 33.8% |  | -310 bps |  |  | 25.7% |  |  | 31.9% |  | -620 bps |  |
| Net income attributable to |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | stockholders | $ | 17.6 |  | $ | 39.7 |  | (56%) |  | $ | 28.0 |  | $ | 69.1 |  | (59%) |
| Adjusted net income attributable to |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | stockholders (non-GAAP measure)5 | $ | 36.4 |  | $ | 39.7 |  | (8%) |  | $ | 49.1 |  | $ | 69.1 |  | (29%) |
| Diluted EPS attributable |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | to stockholders | $ | 0.16 |  | $ | 0.37 |  | (57%) |  | $ | 0.26 |  | $ | 0.65 |  | (60%) |
| Diluted adjusted EPS attributable to |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | stockholders (non-GAAP measure) | $ | 0.33 |  | $ | 0.37 |  | (11%) |  | $ | 0.45 |  | $ | 0.65 |  | (31%) |
| GAP | $ | 1,257.4 |  | $ | 1,275.7 |  | (1%) |  | $ | 2,156.8 |  | $ | 2,295.6 |  | (6%) |  |
| Revenue Rate |  | 13.22% |  |  | 12.45% |  | 77 bps |  |  | 13.48% |  |  | 12.67% |  | 81 bps |  |
| Adjusted (non-GAAP) figures for the three and six months ended June 30, 2017 in the table above include the impact of $7.7 million ($0.07 per diluted share) and $16.3 million ($0.15 per diluted share) of pre-tax acquisition-related costs, respectively. |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |

|  |  |  |  |
| --- | --- | --- | --- |
|  |  |  |  |
|  |  |  |  |
| 3 | Adjusted operating income is a non-GAAP measure. The Company uses income statement and balance sheet performance scorecards to align the Company's operations with its ***strategic*** priorities. The Company concentrates on a limited number of metrics to ensure focus and to facilitate quarterly performance discussions. The income statement scorecard includes the performance metric, adjusted operating income. The Company believes that comparing adjusted operating income for different financial periods provides useful information about the growth or decline of operating income for the relevant financial period. The Company calculates adjusted operating income by eliminating from operating income the pre-tax effects of significant non-recurring items that the Company does not consider to be part of its normal operating results, such as acquisition-related costs, management reorganization costs, severance, retention, gains/losses on sale of certain property, plant and equipment, impairment losses, and certain other items, which the Company refers to as 'adjusting items'. Adjusted operating income is reconciled to the most directly comparable GAAP measures in the Company's consolidated financial statements under 'Non-GAAP Measures' below. |  |  |
|  |  |  |  |
| 4 | The Company's income statement scorecard includes the performance metric, adjusted operating income margin, which is a non-GAAP measure. The Company believes that comparing adjusted operating income margin for different financial periods provides useful information about the growth or decline of its operating income for the relevant financial period. The Company calculates adjusted operating income margin by dividing adjusted operating income (non-GAAP measure) by revenues. Adjusted operating income margin is reconciled to the most directly comparable GAAP measures in the Company's consolidated financial statements under 'Non-GAAP Measures' below. |  |  |
|  |  |  |  |
| 5 | Adjusted net income attributable to stockholders is a non-GAAP financial measure. The Company believes that comparing adjusted net income attributable to stockholders for different financial periods provides useful information about the growth or decline of the Company's net income attributable to stockholders for the relevant financial period, and eliminates the financial impact of adjusting items the Company does not consider to be part of its normal operating results. Adjusted net income attributable to stockholders represents net income attributable to stockholders excluding the effects of adjusting items and is reconciled to the most directly comparable GAAP measures in the Company's consolidated financial statements under 'Non-GAAP Measures' below. |  |  |

Results of operations – second quarter update For the three months ended June 30, 2017

GAP was $1.3 billion for the second quarter of 2017, a 1% decrease compared to the second quarter of 2016. Included in the second quarter 2017 GAP is $76.8 million of gross merchandise volume ('GMV')6 from IronPlanet and $55.3 million of gross transaction value ('GTV')7 from EquipmentOne online marketplaces, which represents a 33% increase over the GTV in the second quarter of 2016.  The decrease in GAP is primarily due to a 2% decrease in the number of Core Auction reportable segment (industrial and ***agricultural*** auction) lots, combined with a 7% decrease in Core Auction segment GAP (which is total GAP excluding IronPlanet's GMV and EquipmentOne's GTV) on a per-lot basis in the second quarter of 2017 compared to the second quarter of 2016.

Revenues increased 5% during the second quarter of 2017 to $166.2 million, compared to $158.8 million in the second quarter of 2016, primarily due to the Merger and IronPlanet's contribution of $10.9 million of consolidated revenues in June 2017. Excluding IronPlanet, revenues decreased 2% in the second quarter of 2017 compared to the second quarter of 2016, primarily due to lower auction volumes and GAP. This decrease was partially offset by a stronger Revenue Rate over the same comparative period.

The Revenue Rate for the second quarter was 13.22%, compared to 12.45% in the second quarter of 2016.  The increase in Revenue Rate was primarily due to the Merger and IronPlanet's contributed GMV and revenue, as well as performance of the Company's value-added service offerings.  During the second quarter, the Company continued to actively pursue the use of underwritten commission contracts from a ***strategic*** perspective and when the opportunity arose, only entering into such contracts when the risk/reward profile of the terms were agreeable. The Company's underwritten contract volume decreased to 17% of GAP in the second quarter of 2017 from 26% in the second quarter of 2016, primarily due to the pressure on used equipment market supply volume. The tight supply of used equipment resulted in less opportunity for us to pursue underwritten commission contracts. Straight commission contracts continue to account for the majority of GAP.

Selling, general and administrative ('SG&A') expenses were $74.4 million during the second quarter, a 1% increase compared to the same period last year, primarily due to the Merger and the resulting $5.4 million of SG&A expenses contributed by IronPlanet in June 2017. Excluding IronPlanet, SG&A expenses decreased 7% over the same comparative period, primarily due to a $4.6 million mark-to-market fair value decrease in the Company's liability-classified share units, as well as a decrease in advertising and promotional expenditures.

Acquisition-related costs totaling $22.9 million were recorded during the second quarter, compared to $0.6 million in the second quarter of 2016. Second quarter 2017 acquisition-related costs consisted of $22.2 million associated with the Merger, which consist primarily of $9.1 million of non-recurring acquisition and finance structure advisory fees, $4.8 million of stock option compensation expenses resulting from accelerated vesting of options assumed as part of the Merger, $3.5 million of legal fees related to the regulatory approval process and closing of the transaction, $1.4 million of severance and retention costs that followed the Merger in the resulting corporate reorganization, and various integration costs.  These costs are in addition to SG&A expenses.

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| 6 | GMV represents total proceeds from all items sold at the Company's IronPlanet online marketplaces. GMV is a measure of operational performance and not a measure of financial performance, liquidity, or revenue, and is not presented in the Company's consolidated financial statements. |  |  |
|  |  |  |  |
| 7 | GTV represents the total proceeds from all items sold at the Company's EquipmentOne online marketplaces (including SalvageSale). In addition to the total value of the items sold in EquipmentOne online marketplace transactions, GTV includes a buyers' premium component applicable only to the Company's EquipmentOne online marketplace transactions. GTV is a measure of operational performance and not a measure of financial performance, liquidity, or revenue, and is not presented in the Company's consolidated financial statements. |  |  |

Impairment loss During the three months ended June 30, 2017, management identified indicators of impairment on certain software and software under development intangible assets (the 'technology assets'). The indicators consisted of decisions made after the acquisition of IronPlanet that resulted in a significant adverse change in the extent or manner in which the technology assets would be used or continue to be developed in the future, as well as expectations that it was more likely than not that the Company would discontinue use of the technology assets before the end of their previously estimated useful lives. Accordingly, management performed an impairment test and concluded that those technology assets should be written off in their entirety, which resulted in the recognition of an impairment loss of $8.9 million.

Operating income decreased 50% during the second quarter of 2017 to $26.9 million, compared to $53.6 million in the second quarter of 2016. This decrease was primarily due to the increase in acquisition-related costs and the impairment loss, partially offset by the increase in revenues over the same comparative period. Foreign exchange rates did not have a significant impact on operating income in the second quarter of 2017. Adjusted operating income (non-GAAP measure) decreased $2.6 million, or 5%, to $51.1 million in the second quarter of 2017 compared to $53.6 million in the second quarter of 2016.

Operating income margin, calculated as operating income divided by revenues, was 16.2% for the second quarter of 2017, compared to 33.8% for the same period last year. Adjusted operating income margin (non-GAAP measure) decreased 310 bps to 30.7% in the second quarter of 2017 from 33.8% in the second quarter of 2016.

Net income attributable to stockholders decreased 56% to $17.6 million in the second quarter of 2017 compared to $39.7 million in the second quarter of 2016. This decrease is primarily due to the increase in acquisition-related costs, the impairment loss, and interest expense, partially offset by the decrease in income tax expense and increase in revenues over the same comparative period.  Removing the impact of $4.8 million of stock option compensation expense related to the accelerated vesting of IronPlanet stock options assumed as part of the Merger, $9.1 million of acquisition and finance structure advisory costs, $1.4 million of severance and retention costs that followed the Merger in the resulting corporate reorganization, and an $8.9 million impairment loss recognized on various technology assets during the quarter, adjusted net income attributable to stockholders (non-GAAP measure) decreased 8%, to $36.4 million in the second quarter of 2017 from $39.7 million in the second quarter of 2016. Other acquisition-related costs of $7.7 million are included in both US GAAP net income attributable to stockholders and non-GAAP adjusted net income attributable to stockholders figures.

Primarily for the same reasons noted above, diluted EPS attributable to stockholders for the second quarter of 2017 was $0.16, a 57% decrease compared to $0.37 in the second quarter of 2016. Diluted adjusted EPS attributable to stockholders (non-GAAP measure) decreased 11% to $0.33 per share in the second quarter of 2017 from $0.37 per share in the second quarter of 2016.

Results of operations – year-to-date For the six months ended June 30, 2017

GAP was $2.2 billion for the first half of 2017, a 6% decrease compared to the first half of 2016. Included in the first half 2017 GAP is $76.8 million of GMV from IronPlanet and $93.9 million of GTV from EquipmentOne online marketplaces, which represents a 44% increase over the GTV in the first half of 2016. The decrease in GAP is primarily due to a 5% decrease in the number of Core Auction segment lots, changes in the auction calendar, and a 6% decrease in Core Auction segment GAP on a per-lot basis in the first half of 2017 compared to the first half of 2016. With respect to auction calendar changes, the Company held its largest-ever auction in Grande Prairie, Canada, in March 2016, which generated more than $46.0 million (62.0 million Canadian dollars) of GAP, with no similar auction on the calendar in the first half of 2017.

Revenues remained consistent in the first half of 2017 compared to the first half of 2016, primarily due to the Merger and IronPlanet's contribution of $10.9 million of consolidated revenues in June 2017. Excluding IronPlanet, revenues decreased 4% in the first half of 2017 compared to the first half of 2016, primarily due to lower auction volumes and GAP. This decrease was partially offset by a stronger Revenue Rate over the same comparative period.

The Revenue Rate for the first half of 2017 was 13.48%, compared to 12.67% in the first half of 2016.  The increase in the Revenue Rate is primarily due to the Merger and IronPlanet's contributed GMV and revenue, as well as performance of the Company's value-added service offerings. The Company's underwritten contract volume decreased to 16% of GAP in the first half of 2017 from 25% in the first half of 2016, primarily due to the pressure on used equipment market supply volume. The tight supply of used equipment resulted in less opportunity for us to pursue underwritten commission contracts. Straight commission contracts continue to account for the majority of GAP.

SG&A expenses were $145.0 million during the first half of 2017, a 3% increase compared to the same period last year, primarily due to the Merger and the resulting $5.4 million of SG&A expenses contributed by IronPlanet in June 2017. Excluding IronPlanet, SG&A expenses decreased 1% over the same comparative period. Reductions in SG&A expenses were mainly due to a $6.6 million mark-to-market fair value decrease in the Company's liability-classified share units, partially offset by period-over-period increases in employee compensation associated with increased headcount, technology costs, and bank commitment fees resulting from the fourth quarter 2016 debt restructuring.

Acquisition-related costs totaling $31.6 million were recorded during the first half of 2017 and consisted primarily of $29.9 million associated with the Merger. IronPlanet acquisitions costs for the first half of 2017 included $9.1 million of non-recurring acquisition and finance structure advisory fees, $8.6 million of legal fees related to the regulatory approval process and closing of the transaction, $4.8 million of stock option compensation expenses resulting from accelerated vesting of options assumed as part of the Merger, $1.4 million of severance and retention costs that followed the Merger in the resulting corporate reorganization, and various integration costs.

Impairment loss During the first half of 2017, an impairment loss of $8.9 million was recognized on certain technology assets.

Operating income decreased 46% during the first half of 2017 to $50.5 million, compared to $92.8 million in the first half of 2016. This decrease was primarily due to the increase in acquisition-related costs, the impairment loss, and the increase in SG&A expense over the same comparative period. Foreign exchange rates had a negative impact on operating income during the first half of 2017 as a significant portion of revenues are in Canada and the Netherlands. Refer to the table under 'foreign exchange impacts on performance' below for details of this negative foreign exchange rate impact. Adjusted operating income (non-GAAP measure) decreased 20%, to $74.7 million in the first half of 2017 compared to $92.8 million in the first half of 2016.

Operating income margin was 17.4% for the first half of 2017, compared to 31.9% for the same period last year. Adjusted operating income margin (non-GAAP measure) decreased 620 bps to 25.7% in the first half of 2017 from 31.9% in the first half of 2016.

Net income attributable to stockholders decreased 59% to $28.0 million in the first half of 2017 compared to $69.1 million in the first half of 2016. This decrease is primarily due to the increase in acquisition-related costs, interest expense, the impairment loss, and SG&A expenses, partially offset by the decrease in income tax expense over the same comparative period. Adjusted net income attributable to stockholders (non-GAAP measure) decreased 29%, to $49.1 million in the first half of 2017 from $69.1 million in the first half of 2016. Other acquisition-related costs of $16.3 million are included in both US GAAP net income attributable to stockholders and non-GAAP adjusted net income attributable to stockholders figures.

Primarily for the same reasons noted above, diluted EPS attributable to stockholders for the first half of 2017 was $0.26, a 60% decrease compared to $0.65 in the first half of 2016. Diluted adjusted EPS attributable to stockholders (non-GAAP measure) decreased 31% to $0.45 per share in the first half of 2017 from $0.65 per share in the first half of 2016.

Foreign exchange loss and effect of exchange rate movement on income statement components

Translational impact of foreign exchange rates Like many businesses, Ritchie Bros.' performance can be affected by changing foreign exchange rates. As a reminder, Ritchie Bros. discloses all financial figures in U.S dollars (unless otherwise noted), yet operates in over 20 countries worldwide. Since late 2014, there has been significant weakening of the Canadian dollar and the Euro relative to the U.S dollar. This weakening has affected the Company's reported operating income when non-U.S dollar amounts were translated into U.S dollars for financial statement reporting purposes.

Constant Currency amounts and Translational FX Impact are non-GAAP financial measures. The Company calculates its Constant Currency amounts by applying prior period foreign exchange rates to current period transactional currency amounts. The Company defines Translational FX Impact as the amounts it reports under GAAP, less Constant Currency amounts. The Company believes that presenting Constant Currency amounts and Translational FX Impact, and comparing Constant Currency amounts to prior period results, provides useful information regarding the potential effect of changes in foreign exchange rates on its performance and the growth or decline in its operating income by eliminating the financial impact of items it does not consider to be part of its normal operating results.

Foreign exchange rates did not have a significant impact on revenues and operating income in the second quarter of 2017. The following table presents the Company's Constant Currency results and the Translational FX Impact for the six months ended June 30, 2017, as well as reconciles those metrics to the first six months 2017 and 2016 revenues and operating income, which are the most directly comparable GAAP measures in the consolidated financial statements:

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| (in U.S $ millions) | Six months ended June 30, |  | 2017 over 2016 |  | Constant |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | 2017 |  |  |  |  | reported |  | Currency |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  | Translational |  | Constant |  | 2016 |  | change |  | change |  |  |  |  |  |  |  |  |  |  |
|  | As reported |  | FX Impact |  | Currency |  | as reported |  |  | $ |  | % |  |  | $ |  | % |  |  |  |  |
| GAP | $ | 2,156.8 |  | $ | 28.0 |  | $ | 2,184.9 |  | $ | 2,295.6 |  | $ | (138.8) |  | (6%) |  | $ | (110.8) |  | (5%) |
| Revenues | $ | 290.7 |  | $ | 3.9 |  | $ | 294.6 |  | $ | 290.8 |  | $ | (0.1) |  | - |  | $ | 3.8 |  | 1% |
| Operating income | $ | 50.5 |  | $ | 2.4 |  | $ | 52.9 |  | $ | 92.8 |  | $ | (42.3) |  | (46%) |  | $ | (39.9) |  | (43%) |

Balance sheet analysis As at and for the 12 months ended June 30, 2017

Working capital margin, calculated as working capital divided by revenues, decreased to 19.7% during the 12 months ended June 30, 2017 from 32.8% during the 12 months ended June 30, 2016.  This decrease is due to a $64.2 million decrease in working capital and a $30.8 million increase in revenues period-over-period. The decrease in working capital is primarily the result of reduction in inventory due to decrease in underwritten contract volume. Working capital intensity8 (non-GAAP measure) decreased 1280 basis points, to -32.6% during the 12 months ended June 30, 2017 from  -19.8% during the 12 months ended June 30, 2016.

Return on average invested capital is calculated as net income attributable to stockholders divided by average invested capital. The Company measures average invested capital over a trailing 12-month period by adding the average long-term debt over that period to the average stockholders' equity over that period. Return on average invested capital decreased 1270 bps to 4.3% during the 12 months ended June 30, 2017 from 17.0% during the 12 months ended June 30, 2016. This decrease is primarily due to a $364.7 million, or a 45%, increase in average invested capital period-over-period, which was primarily the result of the issuance of the $500.0 million of senior unsecured notes in the fourth quarter of 2016 and the delayed draw term loans borrowed in the second quarter of 2017.

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| 8 | The Company's balance sheet scorecard includes the performance metric, working capital intensity, which is a non-GAAP measure. The Company believes that comparing working capital intensity on a trailing 12-month basis to different financial periods provides useful information about how efficiently the Company converts revenue into cash. The lower the percentage, the faster revenues are converted into cash. The Company calculates working capital intensity as trade and other receivables plus inventory and advances against auction contracts less auction proceeds payable and trade payables, divided by revenues. Working capital intensity is reconciled to the most directly comparable GAAP measures in the Company's consolidated financial statements under 'Non-GAAP Measures' below. |  |  |  |

Also contributing to the decrease in return on average invested capital over this comparative period was an $85.8 million, or 63%, decrease in net income attributable to stockholders. Return on invested capital ('ROIC')9 (non-GAAP measure) decreased 630 bps to 8.8% during the 12 months ended June 30, 2017 from 15.1% during the 12 months ended June 30, 2016.

Dividend Information Quarterly dividend The Company declares a quarterly cash dividend of $0.17 per common share payable on September 15, 2017 to shareholders of record on August 25, 2017.

Operational Review Online statistics During the second quarter of 2017, the Company attracted record second quarter online bidder registrations as a percentage of total bidder registrations. Approximately $686.6 million of equipment, trucks and other assets were sold to online auction bidders and online marketplace customers, representing a 6% increase compared to the $649.6 million of assets sold online during the second quarter of 2016, primarily due to the Merger which contributed $76.8 million to this increase.

EquipmentOne activity During the second quarter of 2017, EquipmentOne sold more than $55.3 million of equipment and other assets on behalf of customers and saw an 18% increase in revenues compared to the second quarter of 2016.

Auction activity During the second quarter of 2017, Ritchie Bros. conducted 70 unreserved industrial auctions throughout North America, Europe, the Middle East, Australia, and Asia.  Auctions highlights during the quarter include:

* The April 25 - 28, 2017Edmonton, Alberta auction – where more than CA$184+ million ($134+ million) of equipment and other assets were sold

1. The record May 10 - 11, 2017Toronto, Ontario auction – where more than CA$45+ million ($32+ million) equipment and other assets were sold
2. The May 17 – 18, 2017 Fort Worth, Texas auction – where $41+ million of equipment and other assets were sold
3. The June 13 – 14, 2017 Edmonton, Alberta auction – where CA$72+ million ($54+ million) of equipment and other assets were sold
4. The June 21 – 22, 2017 Houston, Texas auction – where more than $46+ million of equipment and other assets were sold
5. 87 ***agricultural*** auctions, including 32 auctions held under the Kramer Auctions brand (a business acquired in November 2016)

There are currently 96 unreserved auctions on the Ritchie Bros. auction calendar at [*www.rbauction.com*](http://www.rbauction.com), including auctions in North America, Europe, the Middle East and Australia.

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| 9 | ROIC is a non-GAAP financial measure that the Company believes, by comparing on a trailing 12-month basis for different financial periods provides useful information about the after-tax return generated by its investments. The Company's balance sheet scorecard includes the performance metric, ROIC. ROIC was also an element of the performance criteria for certain PSUs the Company granted to its employees and officers in 2013 and 2014. The Company calculates ROIC as net income attributable to stockholders excluding the effects of adjusting items divided by average invested capital. Average invested capital is a GAAP measure calculated as the average long-term debt (including current and non-current portions) and stockholders' equity over a trailing 12-month period. ROIC is reconciled to the most directly comparable GAAP measures in the Company's consolidated financial statements under 'Non-GAAP Measures' below. |  |  |  |  |

Q2 2017 Earnings Conference Call

Ritchie Bros. is hosting a conference call to discuss its financial results for the quarter ended June 30, 2017, at 8:00 am Pacific time / 11:00 am Eastern time / 4:00 pm GMT on August 8, 2017.  A replay will be available shortly after the call.

Conference call and webcast details are available at the following link: [*https://investor.ritchiebros.com*](https://investor.ritchiebros.com)

Supplementary Information On June 2, 2017, the Company filed a Current Report on Form 8-K with the U.S Securities and Exchange Commission ('SEC') (the 'Initial 8-K') to report the completion of the Merger and other related matters. On August 8, 2017, the Company filed an amendment to the Initial 8-K to provide historical financial information, pro forma financial information, and other related information pursuant to SEC requirements.

About Ritchie Bros. Established in 1958, Ritchie Bros. (NYSE and TSX: RBA) is a global asset management and disposition company, offering customers end-to-end solutions for buying and selling used heavy equipment, trucks and other assets. Operating in a multitude of sectors, including construction, transportation, ***agriculture***, energy, oil and gas, mining, and forestry, the company's selling channels include: Ritchie Bros. Auctioneers, the world's largest industrial auctioneer offering live auction events with online bidding; IronPlanet, an online marketplace with featured weekly auctions and providing its exclusive IronClad Assurance® equipment condition certification ***program***; EquipmentOne, an online auction marketplace; Mascus, a leading European online equipment listing service; and Ritchie Bros. Private Treaty, offering privately negotiated sales. The company also offers sector-specific solutions including GovPlanet, TruckPlanet, and Kruse Energy Auctioneers, plus equipment financing and leasing through Ritchie Bros. Financial Services. For more information about the unprecedented choice provided by Ritchie Bros., visit RitchieBros.com.

Forward-looking Statements This news release contains forward-looking statements and forward-looking information within the meaning of applicable U.S and Canadian securities legislation (collectively, 'forward-looking statements'), including, in particular, statements regarding future financial and operational results, including integration efforts with IronPlanet gaining momentum and accelerating growth, delivery of run rate synergies in excess of $10 million by the end of 2017 and $20 million by the end of 2018, the use or continued development of technology assets, the effects on the Company's performance of changing foreign exchange rates, and payment of dividends. Forward-looking statements are statements that are not historical facts and are generally, although not always, identified by words such as 'expect', '***plan***, 'anticipate', 'project', 'target', 'potential', 'schedule', 'forecast', 'budget', 'estimate', 'intend' or 'believe' and similar expressions or their negative connotations, or statements that events or conditions 'will', 'would', 'may', 'could', 'should' or 'might' occur.  All such forward-looking statements are based on the opinions and estimates of management as of the date such statements are made.  Forward-looking statements necessarily involve assumptions, risks and uncertainties, certain of which are beyond the Company's control, including the numerous factors that influence the supply of and demand for used equipment; economic and other conditions in local, regional and global sectors; the Company's ability to successfully integrate IronPlanet, and to receive the anticipated benefits of the Merger; and the risks and uncertainties set forth in the Company's Annual Report on Form 10-K for the year ended December 31, 2016 and the Company's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2017, which are available on the SEC, SEDAR, and the Company websites. The foregoing list is not exhaustive of the factors that may affect the Company's forward-looking statements.  There can be no assurance that forward-looking statements will prove to be accurate, and actual results may differ materially from those expressed in, or implied by, these forward-looking statements. Forward-looking statements are made as of the date of this news release and the Company does not undertake any obligation to update the information contained herein unless required by applicable securities legislation.  For the reasons set forth above, you should not place undue reliance on forward-looking statements.

GAP and Selected Condensed Consolidated Financial Information

GAP and condensed consolidated income statements – second quarter (Expressed in thousands of United States dollars, except share and per share amounts) (Unaudited)

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |
| Three months ended June 30, |  | 2017 |  |  | 2016 |  |
| Gross auction proceeds | $ | 1,257,430 |  | $ | 1,275,682 |  |
| Revenues | $ | 166,186 |  | $ | 158,805 |  |
| Costs of services, excluding depreciation and amortization |  | 21,591 |  |  | 19,758 |  |
|  |  | 144,595 |  |  | 139,047 |  |
| Selling, general and administrative expenses |  | 74,377 |  |  | 73,992 |  |
| Acquisition-related costs |  | 22,948 |  |  | 603 |  |
| Depreciation and amortization expenses |  | 11,872 |  |  | 10,284 |  |
| Gain on disposition of property, plant and equipment |  | (308) |  |  | (201) |  |
| Impairment loss |  | 8,911 |  |  | - |  |
| Foreign exchange loss (gain) |  | (93) |  |  | 734 |  |
| Operating income | $ | 26,888 |  | $ | 53,635 |  |
| Other income (expense): |  |  |  |  |  |  |
|  | Interest income |  | 987 |  |  | 487 |
|  | interest expense |  | (8,620) |  |  | (1,060) |
|  | Equity income |  | 4 |  |  | 477 |
|  | Other, net |  | 2,479 |  |  | 269 |
|  |  | (5,150) |  |  | 173 |  |
| Income before income taxes | $ | 21,738 |  | $ | 53,808 |  |
| Income tax expense |  | 4,025 |  |  | 13,217 |  |
| Net income | $ | 17,713 |  | $ | 40,591 |  |
| Net income attributable to: |  |  |  |  |  |  |
|  | Stockholders |  | 17,635 |  |  | 39,710 |
|  | Non-controlling interests |  | 78 |  |  | 881 |
|  | $ | 17,713 |  | $ | 40,591 |  |
| EPS attributable to stockholders: |  |  |  |  |  |  |
|  | Basic | $ | 0.16 |  | $ | 0.37 |
|  | Diluted | $ | 0.16 |  | $ | 0.37 |
| Weighted average number of share outstanding: |  |  |  |  |  |  |
|  | Basic |  | 107,004,902 |  |  | 106,245,307 |
|  | Diluted |  | 108,238,660 |  |  | 106,979,810 |

GAP and condensed consolidated income statements – year-to-date (Expressed in thousands of United States dollars, except share and per share amounts) (Unaudited)

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |
| Six months ended June 30, |  | 2017 |  |  | 2016 |  |
| Gross auction proceeds | $ | 2,156,840 |  | $ | 2,295,604 |  |
| Revenues | $ | 290,685 |  | $ | 290,750 |  |
| Costs of services, excluding depreciation and amortization |  | 34,404 |  |  | 35,071 |  |
|  |  | 256,281 |  |  | 255,679 |  |
| Selling, general and administrative expenses |  | 144,952 |  |  | 141,102 |  |
| Acquisition-related costs |  | 31,575 |  |  | 1,800 |  |
| Depreciation and amortization expenses |  | 22,210 |  |  | 20,364 |  |
| Gain on disposition of property, plant and equipment |  | (1,029) |  |  | (447) |  |
| Impairment loss |  | 8,911 |  |  | - |  |
| Foreign exchange loss (gain) |  | (823) |  |  | 51 |  |
| Operating income | $ | 50,485 |  | $ | 92,809 |  |
| Other income (expense): |  |  |  |  |  |  |
|  | Interest income |  | 1,942 |  |  | 985 |
|  | interest expense |  | (16,753) |  |  | (2,423) |
|  | Equity income (loss) |  | (49) |  |  | 996 |
|  | Other, net |  | 3,861 |  |  | 967 |
|  |  | (10,999) |  |  | 525 |  |
| Income before income taxes | $ | 39,486 |  | $ | 93,334 |  |
| Income tax expense |  | 11,340 |  |  | 22,749 |  |
| Net income | $ | 28,146 |  | $ | 70,585 |  |
| Net income attributable to: |  |  |  |  |  |  |
|  | Stockholders |  | 28,012 |  |  | 69,116 |
|  | Non-controlling interests |  | 134 |  |  | 1,469 |
|  | $ | 28,146 |  | $ | 70,585 |  |
| EPS attributable to stockholders: |  |  |  |  |  |  |
|  | Basic | $ | 0.26 |  | $ | 0.65 |
|  | Diluted | $ | 0.26 |  | $ | 0.65 |
| Weighted average number of share outstanding: |  |  |  |  |  |  |
|  | Basic |  | 106,928,672 |  |  | 106,581,294 |
|  | Diluted |  | 108,014,228 |  |  | 107,069,410 |

Selected Data (Unaudited)

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Selected balance sheet data |  |  |  |  |  |
|  |  |  |  |  |  |
| (in U.S $000's) |  | June 30, |  |  | December 31, |
|  |  | 2017 |  |  | 2016 |
| Current assets | $ | 574,512 |  | $ | 377,998 |
| Current liabilities |  | 463,054 |  |  | 252,834 |
| Working capital | $ | 111,458 |  | $ | 125,164 |
| Total assets | $ | 2,068,132 |  | $ | 1,599,533 |
| Long-term debt |  | 814,313 |  |  | 595,706 |
| Stockholders' equity |  | 711,647 |  |  | 687,057 |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Selected operating data |  |  |  |  |
|  |  |  |  |  |
| As at and for the six months ended June 30, |  | 2017 |  | 2016 |
| Revenue Rate |  | 13.48% |  | 12.67% |
| Number of consignments at industrial auctions |  | 28,050 |  | 26,350 |
| Number of bidder registrations at industrial auctions |  | 278,000 |  | 276,000 |
| Number of buyers at industrial auctions |  | 69,550 |  | 70,150 |
| Number of lots at industrial auctions |  | 192,000 |  | 203,500 |
| Number of permanent auction sites |  | 39 |  | 40 |
| Number of regional auction sites |  | 6 |  | 5 |
| Total auction sites |  | 45 |  | 45 |
| Number of industrial auctions |  | 111 |  | 109 |
| Number of revenue ***producers*** |  | 441 |  | 349 |
| Number of territory managers |  | 379 |  | 304 |

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Average industrial auction data |  |  |  |  |  |
|  |  |  |  |  |  |
| Six months ended June 30, |  | 2017 |  |  | 2016 |
| GAP | $ | 16.9 million |  | $ | 19.2 million |
| Bidder registrations |  | 2,505 |  |  | 2,532 |
| Consignors |  | 253 |  |  | 243 |
| Lots |  | 1,730 |  |  | 1,867 |

Non-GAAP Measures This news release makes reference to various non-GAAP measures. These measures do not have a standardized meaning and are, therefore, unlikely to be comparable to similar measures presented by other companies. The presentation of this financial information, which is not prepared under any comprehensive set of accounting rules or principles, is not intended to be considered in isolation of, or as a substitute for, the financial information prepared and presented in accordance with generally accepted accounting principles.

The following tables present adjusted operating income (non-GAAP measure) and adjusted operating income margin (non-GAAP measure) results for the three and six months, respectively, ended June 30, 2017 and 2016, as well as reconcile those metrics to operating income, revenues, and operating income margin, which are the most directly comparable GAAP measures in, or calculated from, the consolidated income statements:

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |
| (in U.S $000's) | Three months ended June 30, |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  | Change |  |
|  | 2017 |  | 2016 |  | 2017 over 2016 |  |  |  |
| Operating income | $ | 26,888 |  | $ | 53,635 |  | (50%) |  |
| Pre-tax adjusting item: |  |  |  |  |  |  |  |  |
|  | Accelerated vesting of assumed options |  | 4,752 |  |  | - |  | 100% |
|  | Acquisition and finance structure advisory |  | 9,063 |  |  | - |  | 100% |
|  | Severance and retention |  | 1,447 |  |  | - |  | 100% |
|  | Impairment loss |  | 8,911 |  |  | - |  | 100% |
| Adjusted operating income |  |  |  |  |  |  |  |  |
|  | (non-GAAP measure) |  | 51,061 |  |  | 53,635 |  | (5%) |
| Revenues | $ | 166,186 |  | $ | 158,805 |  | 5% |  |
|  |  |  |  |  |  |  |  |  |
| Operating income margin |  | 16.2% |  |  | 33.8% |  | -1760 bps |  |
| Adjusted operating income margin |  |  |  |  |  |  |  |  |
|  | (non-GAAP measure) |  | 30.7% |  |  | 33.8% |  | -310 bps |

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |
| (in U.S $000's) | Six months ended June 30, |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  | Change |  |
|  | 2017 |  | 2016 |  | 2017 over 2016 |  |  |  |
| Operating income | $ | 50,485 |  | $ | 92,809 |  | (46%) |  |
| Pre-tax adjusting items: |  |  |  |  |  |  |  |  |
|  | Accelerated vesting of assumed options |  | 4,752 |  |  | - |  | 100% |
|  | Acquisition and finance structure advisory |  | 9,063 |  |  | - |  | 100% |
|  | Severance and retention |  | 1,447 |  |  | - |  | 100% |
|  | Impairment loss |  | 8,911 |  |  | - |  | 100% |
| Adjusted operating income |  |  |  |  |  |  |  |  |
|  | (non-GAAP measure) |  | 74,658 |  |  | 92,809 |  | (20%) |
| Revenues | $ | 290,685 |  | $ | 290,750 |  | - |  |
|  |  |  |  |  |  |  |  |  |
| Operating income margin |  | 17.4% |  |  | 31.9% |  | -1450 bps |  |
| Adjusted operating income margin |  |  |  |  |  |  |  |  |
|  | (non-GAAP measure) |  | 25.7% |  |  | 31.9% |  | -620 bps |

The second quarter and first half 2017 adjusting items were $4.8 million ($4.8 million after tax, or $0.04 per diluted share) of stock option compensation expense related to the accelerated vesting of certain IronPlanet stock options assumed as part of the Merger, $9.1 million ($6.6 million after tax, or $0.06 per diluted share) of acquisition and finance structure advisory costs, $1.4 million ($0.9 million after tax, or $0.01 per diluted share) of severance and retention costs in a corporate reorganization that followed the Merger, and an $8.9 million ($6.6 million after tax, or $0.06 per diluted share) impairment loss recognized on various technology assets. There were no second quarter or first half 2016 adjusting items.

The following tables present adjusted net income attributable to stockholders (non-GAAP measure) and diluted adjusted EPS attributable to stockholders (non-GAAP measure) results for the three and six months ended June 30, 2017 and 2016, as well as reconciles those metrics to net income attributable to stockholders, the effect of dilutive securities, the weighted average number of dilutive shares outstanding, and diluted EPS attributable to stockholders, which are the most directly comparable GAAP measures in the consolidated income statements:

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |
| (in U.S $000's, except share and | Three months ended June 30, |  |  |  |  |  |  |  |
| per share data) |  |  |  |  |  |  | Change |  |
|  | 2017 |  | 2016 |  | 2017 over 2016 |  |  |  |
| Net income attributable to |  |  |  |  |  |  |  |  |
|  | stockholders | $ | 17,635 |  | $ | 39,710 |  | (56%) |
| Pre-tax adjusting items: |  |  |  |  |  |  |  |  |
|  | Accelerated vesting of assumed options |  | 4,752 |  |  | - |  | 100% |
|  | Acquisition and finance structure advisory |  | 9,063 |  |  | - |  | 100% |
|  | Severance and retention |  | 1,447 |  |  | - |  | 100% |
|  | Impairment loss |  | 8,911 |  |  | - |  | 100% |
|  |  |  |  |  |  |  |  |  |
| Current income tax effect of adjusting items: |  |  |  |  |  |  |  |  |
|  | Acquisition and finance structure advisory |  | (2,447) |  |  | - |  | 100% |
|  | Severance and retention |  | (564) |  |  | - |  | 100% |
|  |  |  |  |  |  |  |  |  |
| Deferred income tax effect of adjusting items: |  |  |  |  |  |  |  |  |
|  | Impairment loss |  | (2,361) |  |  | - |  | 100% |
| Adjusted net income attributable to |  |  |  |  |  |  |  |  |
|  | stockholders (non-GAAP measure) | $ | 36,436 |  | $ | 39,710 |  | (8%) |
| Effect of dilutive securities | $ | (545) |  | $ | - |  | (100%) |  |
| Weighted average number of |  |  |  |  |  |  |  |  |
|  | dilutive shares outstanding |  | 108,238,660 |  |  | 106,979,810 |  | 1% |
|  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |
| Diluted EPS attributable to stockholders | $ | 0.16 |  | $ | 0.37 |  | (57%) |  |
| Diluted adjusted EPS attributable to |  |  |  |  |  |  |  |  |
|  | stockholders (non-GAAP measure) | $ | 0.33 |  | $ | 0.37 |  | (11%) |

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |
| (in U.S $000's, except share and | Six months ended June 30, |  |  |  |  |  |  |  |
| per share data) |  |  |  |  |  |  | Change |  |
|  | 2017 |  | 2016 |  | 2017 over 2016 |  |  |  |
| Net income attributable to stockholders | $ | 28,012 |  | $ | 69,116 |  | (59%) |  |
| Pre-tax adjusting items: |  |  |  |  |  |  |  |  |
|  | Accelerated vesting of assumed options |  | 4,752 |  |  | - |  | 100% |
|  | Acquisition and finance structure advisory |  | 9,063 |  |  | - |  | 100% |
|  | Severance and retention |  | 1,447 |  |  | - |  | 100% |
|  | Impairment loss |  | 8,911 |  |  | - |  | 100% |
| Current income tax effect of adjusting |  |  |  |  |  |  |  |  |
| items: |  |  |  |  |  |  |  |  |
|  | Acquisition and finance structure advisory |  | (2,447) |  |  | - |  | 100% |
|  | Severance and retention |  | (564) |  |  | - |  | 100% |
| Deferred income tax effect of adjusting |  |  |  |  |  |  |  |  |
| items: |  |  |  |  |  |  |  |  |
|  | Impairment loss |  | (2,361) |  |  | - |  | 100% |
| Current income tax adjusting item: |  |  |  |  |  |  |  |  |
|  | Change in uncertain tax provision |  | 2,290 |  |  | - |  | 100% |
| Adjusted net income attributable to |  |  |  |  |  |  |  |  |
|  | stockholders (non-GAAP measure) | $ | 49,103 |  | $ | 69,116 |  | (29%) |
| Effect of dilutive securities | $ | (176) |  | $ | - |  | (100%) |  |
| Weighted average number of |  |  |  |  |  |  |  |  |
|  | dilutive shares outstanding |  | 108,014,228 |  |  | 107,069,410 |  | 1% |
|  |  |  |  |  |  |  |  |  |
| Diluted EPS attributable to stockholders | $ | 0.26 |  | $ | 0.65 |  | (60%) |  |
| Diluted adjusted EPS attributable to |  |  |  |  |  |  |  |  |
|  | stockholders (non-GAAP measure) | $ | 0.45 |  | $ | 0.65 |  | (31%) |

The second quarter and first half 2017 adjusting items were $4.8 million ($4.8 million before tax, or $0.04 per diluted share) of stock option compensation expense related to the accelerated vesting of certain IronPlanet stock options assumed as part of the Merger, $6.6 million ($9.1 million before tax, or $0.06 per diluted share) of acquisition and finance structure advisory costs, $0.9 million ($1.4 million before tax, or $0.01 per diluted share) of severance and retention costs in a corporate reorganization that followed the Merger, and a $6.6 million ($8.9 million before tax, or $0.06 per diluted share) impairment loss recognized on various technology assets during the second quarter of 2017. In addition, there was a $2.3 million ($2.3 million before tax, or $0.02 per diluted share) charge related to the change in uncertain tax provisions incurred in the first quarter of 2017. There were no second quarter or first half 2016 adjusting items.

The following table presents working capital intensity (non-GAAP measure) results as at and for the 12 months ended June 30, 2017 and 2016, and reconciles that metric to working capital, trade and other receivables, inventory, advances against auction contracts, auction proceeds payable, trade payables, revenues, and working capital margin, which are the most directly comparable GAAP measures in, or calculated from, the consolidated financial statements:

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |
| (in U.S $ millions) | As at and for the 12 months ended June 30, |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  | Change |  |
|  | 2017 |  | 2016 |  | 2017 over 2016 |  |  |  |
| Working capital | $ | 111.5 |  | $ | 175.7 |  | (37%) |  |
| Select working capital items: |  |  |  |  |  |  |  |  |
|  | Trade and other receivables |  | 135.4 |  |  | 131.2 |  | 3% |
|  | Inventory |  | 28.3 |  |  | 74.2 |  | (62%) |
|  | Advances against auction contracts |  | 11.5 |  |  | 1.9 |  | 505% |
|  | Auction proceeds payable |  | (303.7) |  |  | (275.3) |  | 10% |
|  | Trade payables |  | (56.3) |  |  | (38.1) |  | 48% |
|  |  | (184.8) |  |  | (106.1) |  | 74% |  |
| Revenues | $ | 566.3 |  | $ | 535.5 |  | 6% |  |
| Working capital margin |  | 19.7% |  |  | 32.8% |  | -1310 bps |  |
| Working capital intensity |  |  |  |  |  |  |  |  |
|  | (non-GAAP measure) |  | -32.6% |  |  | -19.8% |  | -1280 bps |

The following table presents ROIC (non-GAAP measure) results on a trailing 12-month basis, and reconciles that metric to net income attributable to stockholders, long-term debt, stockholders' equity, and return on average invested capital, which are the most directly comparable GAAP measures in, or calculated from, the consolidated financial statements:

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |
| (in U.S $ millions) | As at and for the 12 months ended June 30, |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  | Change |  |
|  | 2017 |  | 2016 |  | 2017 over 2016 |  |  |  |
| Net income attributable to stockholders | $ | 50.7 |  | $ | 136.5 |  | (63%) |  |
| Pre-tax adjusting items: |  |  |  |  |  |  |  |  |
|  | Accelerated vesting of assumed options |  | 4.8 |  |  | - |  | 100% |
|  | Acquisition and finance structure advisory |  | 9.1 |  |  | - |  | 100% |
|  | Severance and retention |  | 1.4 |  |  | - |  | 100% |
|  | Debt extinguishment costs |  | 6.8 |  |  | - |  | 100% |
|  | Gain on sale of excess property |  | - |  |  | (8.4) |  | (100%) |
|  | Impairment loss |  | 37.2 |  |  | - |  | 100% |
| Current income tax effect of adjusting items: |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |
|  | Acquisition and finance structure advisory |  | (2.4) |  |  | - |  | 100% |
|  | Severance and retention |  | (0.6) |  |  | - |  | 100% |
|  | Debt extinguishment costs |  | (1.8) |  |  | - |  | 100% |
|  | Gain on sale of excess property |  | - |  |  | 1.1 |  | (100%) |
| Deferred income tax effect of adjusting items: |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |
|  | Impairment loss |  | (4.2) |  |  | - |  | 100% |
| Current income tax adjusting item: |  |  |  |  |  |  |  |  |
|  | Change in uncertain tax provision |  | 2.3 |  |  | - |  | 100% |
| Deferred tax adjusting item: |  |  |  |  |  |  |  |  |
|  | Tax loss utilization |  | - |  |  | (7.9) |  | (100%) |
| Adjusted net income attributable to |  |  |  |  |  |  |  |  |
|  | stockholders (non-GAAP measure) | $ | 103.3 |  | $ | 121.3 |  | (15%) |
|  |  |  |  |  |  |  |  |  |
| Opening long-term debt | $ | 102.7 |  | $ | 105.2 |  | (2%) |  |
| Ending long-term debt |  | 814.3 |  |  | 102.7 |  | 693% |  |
| Average long-term debt | $ | 458.5 |  | $ | 104.0 |  | 341% |  |
|  |  |  |  |  |  |  |  |  |
| Opening stockholders' equity | $ | 709.0 |  | $ | 691.1 |  | 3% |  |
| Ending stockholders' equity |  | 711.6 |  |  | 709.0 |  | - |  |
| Average stockholders' equity |  | 710.3 |  |  | 700.1 |  | 1% |  |
|  |  |  |  |  |  |  |  |  |
| Average invested capital | $ | 1,168.8 |  | $ | 804.1 |  | 45% |  |
|  |  |  |  |  |  |  |  |  |
| Return on average invested capital(1) |  | 4.3% |  |  | 17.0% |  | -1270 bps |  |
| ROIC (non-GAAP measure)(2) |  | 8.8% |  |  | 15.1% |  | -630 bps |  |

|  |  |
| --- | --- |
| (1) | Calculated as net income attributable to stockholders divided by average invested capital. |
| (2) | Calculated as adjusted net income attributable to stockholders (non-GAAP measure) divided by average invested capital. |

The net income adjusting items for the 12 months ended June 30, 2017 were:

Recognized in the second quarter of 2017

* $4.8 million ($4.8 million before tax, or $0.04 per diluted share) of stock option compensation expense related to the accelerated vesting of certain IronPlanet stock options assumed as part of the Merger,

1. $6.6 million ($9.1 million before tax, or $0.06 per diluted share) of acquisition and finance structure advisory costs,
2. $0.9 million ($1.4 million before tax, or $0.01 per diluted share) of severance and retention costs in a corporate reorganization that followed the Merger, and
3. $6.6 million ($8.9 million before tax, or $0.06 per diluted share) impairment loss recognized on various technology assets.

Recognized in the first quarter of 2017

* $2.3 million ($2.3 million before tax, or $0.02 per diluted share) charge related to the change in uncertain tax provisions

Recognized in the fourth quarter of 2016

* A $5.0 million ($6.8 million before tax, or $0.05 per diluted share) charge related to the early termination of pre-existing debt.

Recognized in the third quarter of 2016

* A $26.4 million ($28.2 million before tax, or $0.25 per diluted share) impairment loss on the Company's EquipmentOne reporting unit goodwill and customer relationships.

The adjusting items for the 12 months ended June 30, 2016 were a $7.3 million ($8.4 million before tax, or $0.07 per diluted share) gain on the sale of excess property in Edmonton, Canada, recognized in the fourth quarter of 2015, and $7.9 million ($7.9 million before tax, or $0.07 per diluted share) of tax savings generated by tax loss utilization recognized in the fourth quarter of 2015

**Load-Date:** September 16, 2017

**End of Document**



[***The political economy of EU competition rule export: unravelling the dynamics of variegated convergence in Serbia and Turkey***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:671W-P2V1-F0C0-342M-00000-00&context=1516831)

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**Body**

Introduction

Competition rules are situated at the core of the regulatory state apparatus of capitalist economies and typically set the conditions for market access, the scope of economic freedom to conclude all sorts of corporate ventures and the degree of economic concentration. In the EU, supranational competition rules have served the purpose of breaking down all sorts of public and private market barriers, facilitating the reconfiguration of several national markets into one single market. Alongside the accelerated pace of market integration throughout the 1980s and 1990s, competition rules have also ranked high on the EU’s foreign and trade policy agenda. The European Commission’s Directorate General (DG) for Competition propagated multilateral competition rules at WTO level. When it became clear that a binding competition agreement in the realm of the WTO lacked the necessary political support (Buch-Hansen and Wigger ), the ‘convergence of competition policy instruments and practices across jurisdictions’ became a focal point (European Commission ). The Commission concluded bilateral agreements with numerous competition authorities, and included separate competition chapters in trade or partnership agreements (Cini ; Damro and Guay ). Regulatory convergence, if not a full-blown emulation of EU competition rules, also took centre stage in the pre-accession negotiations with prospective EU members (Aydin ; Aydin and Kirişci ; Gwiazda ; McGowan ). The direction of convergence was unequivocally clear: EU-level competition rules, including the jurisprudence of EU courts, had to be the central reference point.

Turkey and Serbia are two candidate states that closely emulated EU competition rules and enforcement institutions as part of the acquis rule transfer. Turkey is often portrayed as a paragon in this respect, and its alignment with EU competition standards has been widely documented (Aydin ; Ugur ; Ugur and Yankaya ). Serbia received comparatively less scholarly attention (Uvalic ), but is also considered to be largely on track. However, what has not been assessed in the literature is that neither Turkey nor Serbia has fully copied the EU competition rule prototype. Deviations can be found in the degree of political independence of the competition authority, the authorities’ discretionary powers to interpret the rules and intervene in corporate conduct and the prevalent enforcement priorities. These deviations may seem marginal and overwhelmingly technical at first glance, particularly compared to the vast compliance of both candidates with EU conditionalities. However, as will be shown here, behind the seemingly unimportant technicalities important political questions lurk about how to organise an economy and the role and power of state institutions therein. The deviations provided the candidates with the necessary discretionary leeway for a more protectionist and discriminatory orientation in the enforcement of competition rules. While Turkey continues to deviate in all respects, Serbia has recently eliminated most discrepancies.

In EU governance literature, the imposition of competition rules is often seen as a formal and non-politicised process, and competition rules are considered to enhance the overall economic wellbeing and political stability of a candidate. The reason why an alignment with EU competition rules constitutes a key conditionality is often not investigated further, while the substantive nature and social purpose of such rules remains unquestioned. A recurring research focus is instead whether and how EU membership conditionalities have resulted in substantive convergence, or even harmonisation with EU standards (Grabbe ; Schimmelfennig and Sedelmeier , ). Most contributions draw on some variety of neo-institutionalism, which explains compliance with EU conditionalities on the basis of the ‘goodness of fit’ of particular institutional structures, or learning and socialisation processes, while the credibility of the prospective EU membership is often seen as an additional trigger factor (Schimmelfennig ; Trauner ; Noutcheva ; Börzel ). Indeed, the credibility of EU accession may speed up the alignment with EU rules, and one could argue that accession prospects have recently weakened for both Serbia and Turkey against the backdrop of the Eurozone and migration crisis, growing nationalism and Euroscepticism, the upcoming Brexit, instabilities in the Balkan region and, in the case of Turkey, the authoritarian surge under President Recep Tayyip Erdoğan. In fact, some scholars have even observed a de-Europeanisation in the form of a reversal of reforms adopted in the course of EU alignment (Aydın-Düzgit and Kaliber ). However, the deviations in the area of Turkish and Serbian competition rules cannot be attributed to de-Europeanisation as these deviations were there at the outset of the accession negotiations, and thus at a time when the promise of membership was still credible. In Serbia, most of the deviations were even eliminated in a context of dwindling membership expectations (BCSP ).

Most contributions generally acknowledge that the so-called Europeanisation processes are far from linear and coherent, and that domestic (state institutional) agents can blur the regulatory and institutional adjustment (Falkner et al. ; Dimitrova ; Sedelmeier , ; Cseres ). Deviations from EU standards have been conceptualised as ‘backsliding’ (Sedelmeier ), ‘inertia’ or ‘retrenchment’ (Heritier ), referring to either a deliberate breach with EU principles, the absence of changes at the outset, or a weakening impact of the EU on candidates. While institutionalist or EU governance literature provide valuable insights on EU accession processes, explanations for rule compliance or deviation often remain at the descriptive surface of the politics at play. Political struggles tend to be reduced to mere policymaking, or to the polities involved, while perceiving institutional terrains as separate from the socioeconomic sphere that is being regulated (for a similar critique, see Alpan and Diez , p. 2). Consequently, the articulation of interests by agents other than state institutional agents often goes unnoticed, or such agents are black-boxed by generic labels like ‘interest groups’ (see Gwiazda ). Drawing on a historical materialist perspective, this article seeks to transcend the singular focus on institutional configurations or elite socialisation by including an analysis of those subject-to-competition rules, which are fractions of capital with, first of all, varying degrees of competitive exposure and, hence, varying interests with respect to the substantive nature of competition rules. The article traces state–capital alliances at both EU and candidate levels and seeks to understand the (successful) articulation of class-based interests against the backdrop of prevailing capital accumulation patterns, accounting also for labour and other interests. Arguably, Turkey and Serbia differ with regard to their capitalist development, size of the economy and composition and orientation of industries. To be sure, we are not claiming that Turkey and Serbia reveal law-like regularities that can be extrapolated from one to another (potential) candidate state. Rather, we seek to demonstrate that the EU’s rule export to candidate states is politically contested beyond the state institutional apparatus, and that the variegated trajectories of competition rule adoption in candidate states are historically contingent phenomena that require an analysis of concrete class struggles against the backdrop of prevailing accumulation patterns. Whereas critical political economists have analysed the specific state–capital nexus in candidate states (Bohle and Greskovits , ; Bohle ; Nölke and Vliegenthart ; Myant and Drahokoupil ; Özel ; Shields ), the area of competition rules has remained hitherto understudied, despite the fact that such rules are fundamental to how an economy is organised and integrated into the single market (Buch-Hansen and Wigger ). Firstly, this article demonstrates that the European Commission’s missionary zeal in imposing a ‘one-size-fits-all’ neoliberal competition regime needs to be understood against the backdrop of the structural problem of overaccumulation, which refers to the lack of sufficient outlets for the profitable reinvestment of surplus capital in the production sphere. We show that transnational capital fractions have consistently pushed for the export of neoliberal competition rules at the EU level as a way of boosting the accumulation of capital beyond the confines of the single market. Secondly, we argue that whereas the Serbian state entered a coalition with mostly foreign transnational capital and eliminated discrepancies with EU competition rules, in Turkey the state chose to privilege small and medium-sized domestic capital by maintaining some protectionist elements in an otherwise vastly neoliberal competition regime following EU standards.

Methodologically, the article draws on a textual analysis of official documents, reports, working and position papers of the EU, candidate government agencies and different domestic and transnational business groups. The analysis is complemented by information retrieved from semi-structured expert interviews with officials from the EU, the Turkish and Serbian competition authorities, including officials that have been involved in the drafting of competition reforms, representatives of business organisations and corporations, and lawyers and economists from the professional service industry. Out of a total of 59 interviews conducted in March and June in 2014, 18 are cited here.

The article is structured as follows: section one offers the theoretical gist of the analysis, and section two sketches the Commission’s vanguard role alongside organised transnational capital in spreading a ‘competition culture’ through EU accession conditionalities. Sections three and four assess the degree of regulatory convergence and the role of state–capital alliances in Turkey and Serbia, respectively, and the conclusions discuss the main findings.

A historical materialist account of competition rules

Competition rules form part of the various state regulatory instruments that temporarily ensure the continued accumulation of capital. Usually, such rules span the field of cartels and other forms of inter-company collaboration, mergers, state aid and the regulation of public enterprises. The substantive nature of competition rules, and whether and how they are enforced, is never pre-given but politically determined. To understand the politics of competition rules, it is pivotal to also understand the logics of capitalist competition.

Capitalist competition, bolstered inter alia by competition rules, is generally portrayed as the backbone of economic growth. According to the European Commission (, ), the benefits of capitalist competition are an inherently positive sum: ‘consumers, taxpayers, workers and businesses—everyone is better off overall when competition exists in our markets’. This understanding builds on the axiom that positive feedback loops in the form of higher competitiveness and better performances of entire economies can be expected if a plethora of discrete companies strive to become more efficient, increase their productivity and stay ahead of rivals with ever lower prices. Moreover, the freedom to compete is often compared to notions of political freedom and individual self-determination. However, as Marx wrote (/1973, pp. 650–51), ‘[i]t is not individuals that are set free by free competition; it is, rather, capital which is set free’. Capitalist competition compels capitalists to reinvest accumulated surplus capital to create more surplus. Not to compete often means to perish, which is why those capitalists that accumulate more quickly tend to drive those that accumulate at a slower rate out of business (Harvey , p. 39). Capitalist competition, therefore, creates social relations that are antagonistic, pitting not only capital against capital, but also capital against labour, and often also labour against labour. In particular, capitalist competition deflates labour whenever prices of competitors can only be undercut through further exploitation of labour, or as Marx (/1965, p. 626) observed, ‘[t]he battle of competition is fought by cheapening of commodities. The cheapness of commodities depends, all other circumstances remaining the same, on the productivity of labour […]’.

The competitive accumulation of capital is crisis-ridden. It is never linear but proceeds in an uncoordinated and uneven fashion. Whenever markets are saturated, the structural problem of overaccumulation surfaces: a surplus of capital relative to available outlets that would allow for a profitable reinvestment in the production sphere within the confines of a given market (Harvey ; Clarke ). Overaccumulation recurs periodically and can become manifest in the form of overproduction of commodities, falling prices, unused productive capacity, a savings glut or surplus labour (Harvey , pp. 62–63). At moments of overaccumulation, and thus economic stagnation, the owners of capital may temporarily hold onto their surplus capital, deleverage their debts, pursue divestment strategies or engage in outright capital destruction. However, at some point, profitability will have to be restored, and new opportunities for reactivating surplus capital need to be found (for without the relentless accumulation of surplus, capitalism would cease to exist). Surplus capital may be absorbed outside of the production sphere through speculative investments in the sphere of financial circulation, land, real estate or mergers and acquisitions. Alternatively, outlets may be found by deepening capitalist logic through a further commodification of social relations, or by expanding capitalist logic geographically. Investments in new and cheaper labour and resources—preferably where labour, tax or environmental rules are more lenient—and conquering new consumer markets can be what Harvey () termed a ‘spatial fix’, and they can reactivate the reproduction of capital and temporarily allow for overcoming an overaccumulation crisis.

The regulatory state apparatus, including competition rules, is pivotal for the reactivation of capital accumulation. Those regulated by competition rules, notably different fractions of capital arising from the different stages of the capitalist cycle, can hold conflicting views about how to organise the economic realm, favouring different degrees of competition (see, for instance, Overbeek and Van der Pijl , pp. 3–5). Those able to compete, often (albeit not exclusively) larger capital fractions, and those with a transnational sourcing strategy or export orientation, tend to prefer competition rules geared towards open market access and equal treatment across capital fractions, preferably with no regulatory overlap across jurisdictions, and a permissive regime for economic concentration; vice versa, those facing difficulties to keep up with the competitive pace, and those fearing competing imports or the presence of larger competitors, tend to favour protectionist rules and preferential treatment, such as in the form of exemptions from the existing rules, including possibilities for inter-company collaboration or outright cartels. Fractions of capital associated with prevailing or ascending structures of accumulation are likely to be dominant in articulating their specific interests at state level (Buch-Hansen and Wigger ). This does not, however, imply that the influence of specific class fractions can be reduced to who gets to lobby whom and how often (Wigger and Horn ). State structures have an in-built, form-determined structural bias that serves ‘to advance (or obstruct) particular fractional or class interests’ (Jessop , p. 127; Poulantzas ). This ‘***strategic*** selectivity’ does not imply that competition rules are a perfect translation of the power balance among different capital fractions, or capital and labour more generally. Competition rules can also include a range of ‘irrelevant, residual, marginal, secondary, and even potentially contradictory elements’ (Jessop , p. 106). Furthermore, agents with seemingly less direct class linkages (albeit still endowed with class relevance), such as economic and legal experts, may seek to influence competition rules on the basis of their own idiosyncratic understanding.

To recapitulate, the imposition of a particular set of competition rules onto other jurisdictions needs to be understood against the background of the tendency of capitalism to ***produce*** crises of overaccumulation, while the variegated trajectories of substantive convergence are likely to be informed by the historically contingent class–state alliances, and the prevailing accumulation structures from which dominant class fractions emanate.

Exporting EU competition rules and enforcement practices

Competition rules have enjoyed a strong constitutional status since 1957: the preambles of the Treaty of Rome demanded the establishment of ‘a system ensuring that competition in the common market is not distorted’. The actual competition provisions prohibited cartels and other collusive business practices, abuses of dominant positions, and dealt with public undertakings and state aid, while in 1989 supranational merger rules were adopted (see Articles 101–109 of the The Treaty on the Functioning of the European Union/TFEU; Merger Regulation 139/2004). The European Commission enjoyed considerable enforcement powers from the start: its DG Competition has been equipped with wide-ranging executive, judicial and legislative competences, making it investigator, prosecutor, judge, jury and executioner altogether. To date, there is no other domain where the Commission enjoys such far-reaching discretionary powers unchecked by the European Parliament and the Council.

Competition rules and their enforcement have varied greatly over time. They were never a ‘dead letter’, as it is sometimes claimed (see, for instance, Cini and McGowan ; McGowan and Wilks ), but formed part of an active supranational industrial policy in the post-war years of European integration. In response to the competitive threat posed by larger and technologically more advanced US corporations, competition rules in the 1960s and 1970s were enforced in a neo-mercantilist fashion with a protectionist and predominantly intra-community orientation (Buch-Hansen and Wigger ). Distortions of competition were permitted in selected industries, and justified on the basis of wider public interests, employment and sometimes even environmental concerns. The protectionist orientation prevailed also throughout the great stagflation crisis of the 1970s, which brought the long wave of economic growth of post-war Fordism to a halt. As part of an overaccumulation crisis, markets in the advanced economies were saturated and production grew faster than demand, leading to overcapacity in manufacturing sectors and, eventually, a major profit squeeze and sharp decreases in output and exports (Glyn et al. , pp. 43–47). Once inflation-based Keynesian ***interventions*** and protectionist industrial policy, including the generous permission of the so-called crisis cartels, proved unsuccessful, politicians in the Western industrialised world increasingly adopted neoliberal policies in the hope of restoring corporate profits.

As part of the wider neoliberal turn since the 1980s, competition rule enforcement at community level also came to reflect a neoliberal orientation, which in many respects emulated the Chicago School-induced transformation of the US competition regime (Wigger ). The Commission started to prosecute cartels and other collusive practices, together with state aid measures, with unseen vehemence, and adopted privatisation directives to tackle state-run monopolies, particularly in the public utilities sector (Cini and McGowan ). While busting cartels facilitated access for newcomers, the privatisation of public sector enterprises offered new possibilities for corporate expansion. The neoliberal turn was also reflected in the consolidated text of the Treaty of the European Union, where the notion of ‘fair’ competition was replaced with ‘free’ competition. Gradually, a narrower ‘competition-only’ focus was adopted, according to which a so-called efficiency orientation became the overriding rationale in its enforcement, which was justified in the name of consumer welfare enhancement and measured in the form of lower prices (Wigger ). Giving primacy to efficiency broke with the post-war multi-goal and broader macroeconomic vision. The adoption of the Merger Regulation 4064 in 1989 is telling in this respect. As Competition Commissioner Brittan (, p. 3) noted, the merger regulation ‘gives clear primacy to the competition criterion, with only the smallest nod in the direction of anything else’. This became paired with an institutional anchoring of microeconomic theories and econometric techniques to model price competition at Commission level, where more and more economists took office, including the establishment of the post of Chief Economist to provide ‘independent’ and ‘sound’ economic analyses (Monti , p. 5). Cartel busting received all the emphasis, and the EU merger regulation was employed to facilitate rather than to prohibit mergers. Since 1990, roughly nine out of every ten mergers have been approved without conditions (European Commission ). The revised Merger Regulation 139/2004 strengthened this permissive stance even further, and introduced, similar to the US, an effects-based assessment according to which expected future efficiency gains, measured on the basis of competitive prices rather than market shares, formed the central yardstick (Villarejo , p. 4). This neoliberalisation was also reflected in the reduction of all sorts of administrative burdens for corporations, such as shorter and simpler notification procedures (European Commission ), or the abolishment of the ex ante notification for inter-company agreements and the introduction of private enforcement by Regulation 1/2003, according to which competition-distorting behaviour could be litigated before national and EU courts. Furthermore, throughout the 1990s, the Commission adopted an extra-community orientation, seeking to establish a ‘comprehensive competition culture’ at regional and global levels (Damro and Guay ). Although a multilateral competition agreement at WTO level failed dramatically in 2003, the Commission persistently pursued an agenda of global convergence through bilateral channels and the International Competition Network set up in 2001. Moreover, all EU accession treaties, including the Customs Union Treaty with Turkey in 1995, demanded a progressive legislative alignment with EU competition rules. EU candidates also had to follow the neoliberal turn. By establishing the right to compete and the right to access markets, competition rules had to function as a fictitious equaliser, standardising corporations irrespective of size and nationality into something they are not, namely equal market players. Competition authorities had to be politically independent, and thus freed from democratic accountability, and follow strict ‘competition-only’ criteria, leaving no room for wider public interests, such as employment or environmental concerns. Cartels and other anticompetitive agreements had to be prosecuted fiercely with no possibilities for discriminatory discretion, and mergers had to be assessed according to expected future efficiency gains in the form of consumer welfare enhancement through lower prices. Moreover, a dominant role had to be reserved for private enforcement, facilitating market-driven litigation of anticompetitive conduct (Buch-Hansen and Wigger ).

The Commission’s tenacity in exporting EU competition standards needs to be located against the backdrop of the structural problem of overaccumulation that became manifest in the 1970s. Rising fractions of transnational capital, organised amongst others in the formation of the European Round Table of Industrialists (ERT), demanded ‘the emergence of transnational industrial structures’ that would allow its members ‘to compete on a worldwide scale’ (ERT ). The ERT urged the EU to ‘integrate competition regulation into the EU’s external strategy’ and to proceed with further enlargements, provided that candidate countries fulfilled the EU conditionalities (ERT , p. 5, ). Likewise, BusinessEurope, also representing European transnational corporations (TNCs), welcomed the consecutive rounds of enlargement and recommended accession negotiations with the Western Balkans and Turkey, emphasising that the ‘same political, economic and monetary union requirements’ had to be employed (BusinessEurope ). These recommendations were well received by the European Commission. Committed to an ever bigger borderless market, or what in Euro-jargon has been termed ‘a level playing field’, a sequence of neoliberal hardliners started to employ competition rules as a market-opening device within and beyond the EU. The export of competition rules paralleled the establishment of a permissive regime for foreign direct investment (FDI) and the privatisation of state-run industries in Central and Eastern Europe, all measures geared towards creating new opportunities for the profitable reinvestment of surplus capital (Bohle and Greskovits ; Gwiazda ). Together with the adoption of the Euro, which eliminated exchange rate fluctuations and reduced transaction costs for all sorts of cross-border deals, European corporations could subsequently mobilise capital more easily and subcontract production to areas with a surplus of cheap labour.

Turkish competition rules and enforcement

In the 1980s, in the heyday of the Washington consensus, Turkey broke with the inward-looking, protectionist and centrally ***planned*** import substitution industrialisation that had informed its economic policies since the 1960s, and adopted a range of neoliberal policies. Competition rules had long been advocated by the IMF, the World Bank and the OECD, and became a precondition for the conclusion of the customs union with the EU in 1995. As outlined in Article 39 of the Decision No 1/95 of the EC-Turkey Association Council, Turkey agreed to ‘ensure that its legislation in the field of competition rules is made compatible with that of the European Community, and is applied effectively’.

The similarities with EU competition rules are striking. The 4054 Act on the Protection of Competition of 1994 introduced rules prohibiting cartels and the abuse of a dominant position (Article 4 and 6, Turkish Prime Ministry ). Moreover, alongside a range of communiqués, guidelines and regulations, the Communiqué 1997/1 on Mergers and Acquisitions and the Communiqué 1998/4 on Privatisations were adopted (Turkish Prime Ministry , ). The Turkish Competition Authority (TCA), consisting of a board, a presidency and service units, became operational in 1997. Similar to the European Commission, the TCA enjoyed far-reaching investigative powers and could conduct unannounced dawn raids (Article 27, Competition Act 4054). As regards the supervision of commercial inter-company agreements, the rules for complaints, notifications and requests for information closely resembled Regulation 17/62 of the EU (Turkish Prime Ministry ). When Regulation 1/2003 introduced possibilities for private enforcement at the EU level, Turkey followed suit in 2005—the year the EU accession negotiations were opened. The 4054 Competition Act was amended, and the notification obligation abolished, which significantly reduced administrative burdens for corporations (Article 5 of the Competition Act 4054, Turkish Prime Ministry ). Moreover, the Communiqué on Mergers and Acquisitions of 1997 was further adapted to EU standards in 2010: pro-consumer efficiency gains came to form the yardstick, the notification procedure was shortened considerably and less restrictive turnover thresholds replaced the market share criterion (Article 8 of the Communiqué 2010/4, Turkish Prime Ministry ). Moreover, a separate department of economists was entrusted with the task of assisting TCA with sound (micro-)economic analyses. The Turkish government also promised to follow EU jurisprudence regardless of the status of EU accession negotiations (Aydin and Kirişci ). Despite growing tensions with the EU, Turkey has recently adopted Regulation Communiqué 2017/2, which introduced additional legal certainties for merging corporations similar to the EU (Turkish Prime Ministry ).

Nevertheless, the similarities with EU competition rules should not distract from the fact that, from the outset, Turkish competition rules and enforcement practices have also deviated in important respects. Firstly, the TCA never embodied the ‘independence’ that the Commission had prescribed (European Commission , , p. 52). Although Article 20 of the 1994 Competition Act stipulated that the TCA ‘shall be independent in carrying out its tasks’ and that ‘[n]o organ, body or person can order or give directives to affect the final decisions of the Authority’, the Cabinet (council of ministers) of the Turkish government has gained an ever greater say on its composition over time (Turkish Prime Ministry ). Initially, the eleven members, including the president, were nominated jointly by the executive, the judiciary, the Union of Chambers of Commerce and Commodity Exchanges of Turkey, and the Council of Higher Education (Mumcu and Zenginobuz , p. 9). The amendments of the 4054 Act abandoned this broad-based nomination and reduced the number of board members to seven in 2005, thereby concentrating the decision-making in fewer hands and facilitating government control of the enforcement of competition rules (Article 22, Competition Act 4054). In 2011, as part of a government decree that changed the legal status of all regulatory agencies, the TCA was administratively and financially subordinated to the Ministry of Trade and Industry, making it possible for the Cabinet to appoint the TCA president (Article 22 of the Competition Act 4054, Turkish Prime Ministry ). In 2014, further amendments of the act were suggested to strengthen the political composition of the TCA even further, such as allowing the Cabinet to appoint six of the seven board members and depriving the judiciary of the right to nominate candidates (Turkish Prime Ministry ). At the time of writing, it remains to be seen whether the attempts to foster the executive wing will indeed materialise or not.

Secondly, the TCA was entrusted with discretionary powers that went far beyond those of the European Commission. For example, the TCA did not need to prove anticompetitive business practices but could act on the basis of a mere presumption, while suspected corporations had to prove their innocence (Article 4 of the Competition Act 4054). The European Commission urged the Turkish government to abolish this provision as it laid the burden of proof on corporations (Interview EU Delegation to Turkey); however, the urgings of the EU were unsuccessful. The TCA’s far-reaching discretionary powers were also rooted in a very general exemption regime, open to flexible interpretation on a case-by-case basis and making it possible to privilege selected companies or industries above others (Özel and Atiyas ). As there is no de minimis rule similar to the EU that exempted small-scale commercial inter-company agreements from the notification obligation, the TCA reviewed a large number of economic transactions and could thus intervene strategically into corporate conduct. EU Progress Reports (European Commission , , , ) and the OECD (, ) repeatedly criticised the absence of such a de minimis rule in Turkey.

Thirdly, despite the presence of a separate department staffed with economists, the TCA never employed a narrow ‘competition-only’ focus nor did it rely on econometric modelling techniques measuring the so-called consumer harm. Consumer welfare, at best, constituted one among many other goals (Kaldirimci ). The TCA also deliberately refused to introduce a narrow efficiency orientation when overhauling merger rules in 2010 (Interview TCA Employee 1). Recent studies on landmark cases confirmed the multi-goal approach and the inclusion of public interests and broader government objectives (Gok , p. 186). The multi-goal approach is also reflected in sector-specific exemptions, such as in the case of small Turkish banks with a market share below 20%, which do not have to notify envisaged mergers to the TCA (see Article 19, Turkish Banking Law 5411, Turkish Prime Ministry ). The OECD and the EU strongly recommended the abolition of the exemption regime for the Turkish banking sector as this provided an avenue for the TCA to discriminate between foreign and domestic banks (OECD , p. 22; European Commission , , ).

In sum, Turkey deviated at the outset from EU standards with respect to the political influence on the TCA and in its discretionary powers in granting exemptions and ***interventions*** in corporate conduct, while the enforcement of competition rules has been informed by a multi-goal rather than a ‘competition-only’ orientation. These deviations, and in particular the government’s firm grip on all sorts of corporate activities via the TCA as its proxy, form part of the wider trend towards authoritarian statism, which has become manifest through a strengthening of executive powers (see Özden et al. ; Saatçioğlu ). Market interventionist powers have been centralised at prime minister level, where governance takes place increasingly by decrees (Özel ). Day-to-day governmental interferences that privilege certain segments of Turkish businesses have increased considerably over the past few years (Aydin-Düzgit and Tocci , p. 102). As we outline later, these features need to be understood against the background of the dominant state–business alliances in Turkey, and changes in the prevailing accumulation patterns.

The forces driving and opposing competition rules in Turkey

As part of a longstanding developmentalist legacy, which survived until the 1980s, Turkey has had a relatively closed oligopolistic market, dominated by a range of holding companies with rich families controlling the majority of shares. Foreign capital could not access Turkey easily, and takeovers without the consent of dominant shareholders were impossible (Demirag and Serter ). These family-owned holdings held close ties with the state: in return for tolerating far-reaching state market ***interventions*** through top-down corporatist arrangements and regulated prices, they received material benefits such as subsidies, protectionist tariffs and a lax attitude towards taxing corporate incomes (Keyman and Koyuncu ). Alongside IMF-imposed neoliberal structural adjustment packages in the late 1980s, the Turkish economy shifted from import substitution industrialisation towards a more export-led accumulation strategy, mostly focusing on the labour-intensive assembly production of intermediate goods. Holding companies opened up and increasingly integrated into the world economy (Ercan ). More than twenty free trade zones have been established since 1987, exempting export-oriented capital from income and other taxes and regulatory burdens more generally. In line with the overall neoliberalisation strategy, state assets were privatised and labour markets flexibilised, all measures geared towards attracting FDI (World Bank , p. 65).

EU-based TNCs had a strong interest in Turkey’s young, cheap, yet relatively skilled labour force with wages far below the EU average, its vast consumer market and, more generally, Turkey’s geopolitical position as a crucial transport and energy hub. As the ERT (, p. 16) put it, ‘as a destination for exports, as an opportunity for investment, and as a location for competitive manufacturing, even as the source of invisible earnings in tourism and finance, Turkey already offers immediate substantial returns to the European Union’. Transnational capital fractions organised in the ERT set up the Business Enlargement Council (TEBC) that met several times with the Turkish government to advise it in the so-called priority areas, including the establishment of a (foreign) investor-friendly competition regime (ibid.). Export-oriented capital in Turkey welcomed the possibility to offset their products in the EU and also collaborated closely with the government during the phase of the adoption of competition rules in the 1990s. Among the domestic pro-reform coalition was Tüsiad, the Association of Turkish Industrialists and Businessmen, which today represents CEOs from roughly 3500 companies, accounting for 65% of Turkey’s industrial production, 50% of registered employment in the non-***agricultural*** and non-public sector, and 80% of Turkey’s foreign trade (Tüsiad , p. 5). Tüsiad was established in 1971 and represents Turkey’s larger industrialists and family-owned conglomerates that are mostly concentrated in Istanbul, encompassing manufacturing, retail and construction, as well as financial and transport industries. As a member of BusinessEurope since 1989, Tüsiad took a strong pro-competition stance and generally favoured policies that remove market barriers. The establishment of a permissive and speedy merger control regime had priority. Merger activity among Tüsiad members was high and many saw new opportunities to expand into neighbouring areas such as the Caucasus, Central Asia and the Middle East, and Iraq and Iran in particular (Tüsiad , p. 14). To date, Tüsiad continues to push for a reduction of administrative burdens with respect to merger-filing forms, which—despite having been shortened considerably—still require complex statistical estimates on the potential effects on consumer prices from merging parties (Interview TCA Employee 2; Tüsiad ). The family-owned conglomerates within Tüsiad, which had long been protected by high tariffs and import restrictions, subsidies and tax breaks, initially opposed the idea of competition but changed their position in the hope of benefitting from an export-led growth strategy, foreign investment and strengthened trade ties with EU partners (Özel , p. 747). The conglomerates grew in size and expanded into new sectors through joint ventures or ***strategic*** partnerships with foreign TNCs—yet often without losing ownership control.

Tüsiad also managed to get the support of Müsiad, the Association of Independent Industrialists and Businessmen, established in 1990 by conservative business representatives from central and eastern Anatolian cities. Müsiad currently comprises about 10,000 SMEs with mostly fewer than 100 employees and accounts for roughly 10% of Turkey’s GDP. A large share of Müsiad members have a direct export focus or are involved in transnational production chains, operating in labour-intensive industries like textiles, leather, construction, building materials, food, consumer durables, furniture, chemistry metals and mining (Buğra and Savaşkan ). Furthermore, Müsiad holds strong ties to the right-wing conservative and nationalistic Justice and Development Party (AKP), promoting a form of capitalism with Islamic virtues. Müsiad SMEs have long operated outside the clientelistic channels of the Istanbul-based family conglomerates. When competition rules were established in Turkey, Müsiad saw the right to compete as an opportunity to challenge the oligopolistic and cartelised structures of these conglomerates (Interview Müsiad). Müsiad also welcomed the pro-EU course of the government, hoping that a rapprochement would protect religious freedom from Turkish secularism (Önis ).

Tüsiad and Müsiad were the most dominant capital fractions in support of the Turkish competition regime (Interview TCA employee 2), but also a range of smaller business groups, such as the Ankara Bar Association and the Turkish Banking Union, supported regulatory changes that followed EU legislation (Interview Turkish Competition Association; Interview Turkish Banking Union). However, Tüsiad and Müsiad were not promoting a fully fledged neoliberal regime. As a Tüsiad representative put it, ‘a word for word translation is not always the best for the Turkish economy’ (Interview Tüsiad 1). Nevertheless, Tüsiad and Müsiad do not speak with one voice, and tensions have surfaced regularly, particularly since the electoral successes of the AKP in 2002 (see also Özel ). Tüsiad, a fierce defender of Turkish secularism, condemned the authoritarian surge of the AKP government. As regards competition rules, it criticised the TCA’s vast discretionary powers to grant exemptions, which it considered opaque and unpredictable. Tüsiad feared that the increasingly interventionist, nationalist and protectionist direction of the AKP government would endanger the competitiveness of its members. It therefore strongly recommended EU standards as a means of ensuring the political independence of the TCA, as well as an exemption regime based on objective and quantitatively determined thresholds (Tüsiad ; Interview Tüsiad 2; Interview EU Delegation to Turkey). Müsiad, in contrast, has been far less sceptical about the government’s influence on regulatory agencies and welcomed the multi-goal decision-making and the generous exemptions granted by the TCA (Interview Müsiad; see also Önis ). Indeed, SMEs organised within Müsiad have profited from a range of AKP policies, such as public procurement contracts or the privatisation of state-owned companies and public services (Özden et al. ). As public procurement constitutes a large share of the Turkish GDP, Tüsiad fiercely criticised the AKP’s cronyism vis-à-vis Müsiad (ibid.). Müsiad, in turn, refuted any allegations of partisanship, arguing that such accusations were merely a strategy of government opponents seeking to delegitimise the AKP government (Interview Müsiad).

When export-based expansion became more and more difficult in the late 1980s, Turkey’s accumulation model shifted increasingly towards a foreign capital-based and debt-ridden speculative model (Ercan ; Aydin-Düzgit and Tocci ). The combination of decreasing export growth rates, low savings and concomitantly low domestic investment made Turkey dependent on foreign capital (World Bank , pp. 64, 75, ). The influx of the so-called hot money attracted by high interest rates was, however, not channelled into real production capacities but instead towards mergers or privatisations—or towards Turkey’s financial service industry and therewith the extension of credit (Turkish Ministry of Economy ). The fact that mergers between banks with a market share below 20% were exempted from the notification requirement was crucial for the rise and the subsequent consolidation of the Islamic banking sector. Anatolian SMEs, which in the past had faced great difficulties in accessing credit, began to borrow more easily (Çelen and Kalkan ; Özden et al. ). Müsiad members also profited from countercyclical lending and subsidised loans by three large banks, where the Turkish state held the majority of the shares (World Bank , p. 92). Alongside the rise of the AKP and the banking reforms after the 2001 crisis, debt-led accumulation patterns and particularly the issuance of consumer credit were facilitated further. The household debt-to-disposable income ratio increased from 7.5 to 49% between 2003 and 2012 (Karaçimen , p. 163).

Turkish competition rules and their enforcement were strategically employed to privilege the previously politically subordinate SMEs that had been organised within Müsiad, alongside the growing Islamic banking sector. At the same time, by ensuring vast neoliberalisation of the competition rules and their enforcement, the Turkish state did not lose the support of Tüsiad entirely. The beneficial treatment of Müsiad should not come as a surprise as Müsiad represents a significant share of the AKP electorate—with some of the AKP’s leading cadre also being Müsiad members. The export sector in which Müsiad SMEs are directly or indirectly involved (particularly in textiles, clothing, consumer electronics, and small-scale glass and ceramics sectors) increasingly faced difficulties to keep up with the competitive pace set by East Asian ***producers*** (Özden et al. ). Turkish exports overall are not in the high value range and mostly concern intermediate and processed products, such as machinery and transport equipment, clothing and textiles, as well as chemicals. While the EU has recently absorbed approximately 40% of Turkish exports, it still enjoys a large trade surplus vis-à-vis Turkey, and imports from the EU can pose a competitive threat to some Müsiad members (World Bank ; European Commission ). Moreover, after several severe crises, particularly in 2000/2001, the 2008 crisis hit the Turkish economy hard. Although Turkey initially seemed unaffected, the ‘Turkish miracle’ of average growth rates of 6% in the run up to the crisis could not be sustained: growth rates have been declining dramatically recently and unemployment and inflation have been rising rapidly. While neoliberal measures of the past three decades created ‘fortunes for a minority of capitalists and a section of the upper middle class’, income shares for the poorest have worsened (Yörük and Yüksel , p. 108). In addition, with the emergence of a new class of atomised young, low-paid and unskilled subcontracted workers, organised labour lost its institutional representation and involvement in wage determination (Boratav , p. 7). Instead of the articulation of class conflicts, the AKP’s conservative-nationalistic Islamic discourse seems to be prevailing.

To recapitulate, the peculiarities of the Turkish competition rules, such as the government’s influence on the TCA, the TCA’s far-reaching discretionary powers in granting exemptions and the more flexible multi-goal enforcement perspective are tantamount to the ***strategic*** selectivity of the incumbent AKP government, privileging domestic small and medium-sized capital.

Serbian competition rules and enforcement

The Federal Republic of Yugoslavia, of which today’s Republic of Serbia formed a part, adopted anti-monopoly rules and an anti-monopoly commission in 1996; however, neither the rules nor the commission had any practical significance. The commission even had CEOs as members and could merely oversee price developments, while at the same time it lacked the power to intervene in corporate conduct or impose fines (Vasiljević and Popović , p. 142). When the regime of Milošević fell in 2000, a series of major economic reforms were undertaken. In 2005, the Competition Act established the Serbian Commission for the Protection of Competition (CPC) and provisions on cartels, mergers and the abuse of a dominant position, all based on EU standards (National Assembly of the Republic of Serbia ). Nonetheless, Serbian competition rules deviated with respect to the political independence of the CPC, its discretionary powers in interpreting the rules and intervening in corporate conduct as well as its enforcement priorities. Unlike the European Commission, the CPC could be held democratically accountable by the parliament, which elected the president and the council members. In addition, it was not the CPC who was entitled to impose fines as this was within the remit of municipal misdemeanour tribunals. As part of a decentralised dual-enforcement system, separating administrative tasks from judicial procedures, these misdemeanour tribunals could also reevaluate CPC decisions in case of appeals, and thereby employ legal provisions other than competition rules, which led to a multi-goal-oriented enforcement practice. Moreover, judges held close ties to the executives, which allowed the government to influence enforcement priorities beyond a strict competition focus (Vasiljević and Popović , p. 143; Milutinović , p. 51). The European Commission heavily criticised this system, which it considered an avenue for corruption and excessive bureaucracy. As local misdemeanour judges lacked specialised competition-related knowledge, it demanded that the CPC had to become operationally independent (European Commission , p. 36). Moreover, the Stabilization and Association Agreement of 2008, which paved the way for Serbia’s EU accession negotiations, required a full harmonisation of Serbian competition rules with those of the EU (EU-Serbia , ).

In a series of reforms in 2009, 2013 and 2016, Serbian competition rules and enforcement practices were subsequently aligned more closely with EU standards. In 2009, a monistic process model, which ruled out the involvement of municipal misdemeanour tribunals, was introduced. Appeals had to be processed by a general administrative court, while the CPC was equipped with stronger enforcement and fining powers, allowing it to conduct unannounced dawn raids and seal off businesses during cartel investigations (see Articles 52 and 53, National Assembly of the Republic of Serbia ). Similar to the EU, a system of private enforcement was adopted in 2009, which abolished the notification obligation for commercial inter-company agreements and introduced a self-assessment regime (Interview EU Delegation to Serbia; National Assembly of the Republic of Serbia ). In the same year, turnover thresholds for merger notifications were increased, which lowered the number of obligatory merger filings, and significantly decreased the administrative burden for merging corporations (FIC ). In 2010, CPC officials received training in econometric price-modelling techniques as part of an EU-funded capacity-building project that prepared Serbia for EU accession (Interview EU Project leader). From 2013 onwards, at least two CPC candidates had to be economists, while efficiency-based consumer welfare enforcement priorities were even mentioned in Article 1 of the Serbian Competition Law (National Assembly of the Republic of Serbia ). More detailed technical provisions were adopted, which ruled out the inclusion of broader macroeconomic or public interest concerns, thus narrowing the discretionary scope of the CPC in granting exemptions (National Assembly of the Republic of Serbia ; Interview EU Project Leader). The subsequent enforcement increasingly focused on microeconomic assessments in merger cases, giving priority to enhancing consumer welfare (CPC , ; Interview CPC Economist). In 2016, simplified merger regulations accelerated the decision-making process (National Assembly of the Republic of Serbia ). Moreover, responding to EU demands for increased transparency and unambiguous procedural rules, the CPC committed itself to publishing all decisions on its official website. Although a few minor deviations still endure, the CPC has started to prosecute any distortions of competition more harshly (CPC ; Interview CPC Economist). Overall, the European Commission praised Serbia’s recent adjustments to EU standards (European Commission ).

The pro-competition coalition in Serbia

The legacy of the Socialist Federal Republic of Yugoslavia (1943–1990) and the Federal Republic of Yugoslavia (1992–2006) loomed large when Serbia and Montenegro, after their breakup, became sovereign states in 2006. The Yugoslav economy was organised in a decentralised fashion equipping workers’ councils with a high degree of self-management together with relatively weak state ***intervention*** (Bartlett , p. 205; Upchurch et al. , p. 52). The involvement of municipal misdemeanour tribunals in competition rule enforcement was one of the remnants of such decentralised structures. Compared to other socialist states however, the Yugoslav economy had been relatively well integrated into the capitalist world market. A liberalisation ***programme*** in the 1960s allowed Yugoslav enterprises to reinvest export earnings, and a joint venture law in 1967 made it possible for foreign investors to acquire up to 49% of shares in domestic enterprises (Upchurch et al. , p. 54; Uvalic , p. 175).

With the disintegration of the Yugoslav economic union in 1991 and the ensuing Balkan wars (1991–2001), the economy collapsed: the expansionary monetary and fiscal policies needed to finance the war resulted in hyperinflation and large macroeconomic imbalances, and the drastic decline of industrial production led to high unemployment and a sizable shadow economy. The creation of new states after the wars was initially paired with the erection of trade barriers (Uvalic ). After the fall of the nationalist regime of Milošević in 2000, the EU, in consortium with the IMF and the World Bank, orchestrated the transition from the war-torn socialist economy towards capitalism. A far-reaching privatisation ***programme*** of state and socially owned enterprises was launched which resulted in barriers to trade being lifted, financial markets being deregulated, the flexibilisation of labour markets, and the disempowerment of trade unions (Upchurch , p. 93). The EU Delegation (, p. 28) considered competition rules pivotal for creating ‘a level playing field’ for potential investors. With many formerly state-owned corporations and infrastructure for sale at clearance prices, inflows of foreign capital into the region increased sharply throughout the 2000s, together with domestic holdings with close government ties, which also profited from the privatisation and were able to consolidate their market power in ***agriculture***, the food industry and retail consumer trade (Uvalic , p. 205). When the new constitution of 2006 abolished the concept of social property, ever more sectors attracted foreign investments (IMF , p. 7). Foreign investors, who were keen on a permissive stance towards mergers and a rigid cartel prosecution, were closely involved in the restructuring of the Serbian economy towards foreign investment-friendly competition rules. They founded the Foreign Investor Council (FIC) in 2002, which had the mission to improve the business climate in Serbia. The council represented about 130 corporations, of which 70% were of EU origin (FIC ). The American Chamber of Commerce (AmCham), founded in 2001, and comprising 190 members of which a third were of US origin, was also advising the Serbian government on how to improve its tax, labour and business regulations. Moreover, AmCham strongly advised Serbia to align its competition regime with EU standards. According to an AmCham representative in Belgrade, ‘we advocate what is leading to a sustainable predictability of the business environment. That’s definitely EU rules’ (Interview AmCham). Also, the ERT established a Business Advisory Council in Serbia and pushed the Serbian government to step up its ‘cooperation and contacts with foreign investors’ (Serbian Ministry of Foreign Affairs 2009). The ERT promised significant investments if Serbia did ‘not burden the economy with too many regulations’ (ibid.). Prime Minister Cvetković, who was incumbent at the time of the reforms of competition rules, ensured the ERT that he would hold consultation rounds before drawing up new legislation, particularly with respect to the telecommunications sector, laws on taxation and collective agreements negotiated with trade unions (B92 ). The European Commission welcomed the lobbying activities of organised transnational capital, which it considered ‘a key stakeholder’ and a ‘natural interlocutor with the Serbian government’ that knows ‘the situation on the ground and can provide valuable inputs to improve economic governance’ (Hahn ). Organised transnational capital, such as AmCham and the FIC, commented on draft competition rules in great detail and sought to eliminate the last socialist remnants of the Yugoslav economic order (Interview European Integration Office). Although the 2005 competition rules had already been modelled on EU standards, the European Commission, in alliance with the FIC and AmCham, criticised the low thresholds for merger notification and the high bureaucratic burden—two aspects that were reformed shortly afterwards (European Commission , , p. 34; FIC ). The FIC and AmCham were also keen on limiting parliamentary influence on the composition of the CPC and criticised the decentralised enforcement system with misdemeanour tribunals (Interview FIC; Interview AmCham; FIC , pp. 30, 45). The appointment of ‘specialised’ decision-makers, case-handlers and judges with competition expertise constituted a top priority of the transnational alliance. In particular, foreign investors advocated the imposition of competition specialists who can follow EU standards (Interview FIC). Fearing that competition rulings would include a commitment to labour and other considerations, transnational capital insisted on legal consistency, transparency and sustainable predictability, and promoted efficiency standards and econometric modelling techniques, which, similar to EU practices, would limit the focus to consumer welfare only (Interview AmCham). As part of the agenda to create a favourable environment for transnational corporations, the suggested legal provisions and enforcement measures were taken over by the Serbian government without further ado (Interview European Integration Office; Interview EU Project leader). In fact, when drafting the new merger control regulation, the Serbian government accepted 90% of FIC recommendations (FIC , p. 76).

Transnational fractions have also put much effort in promoting a pro-competition attitude within the Serbian business community. In 2006, the National Alliance for Local Economic Development (Naled) was founded to represent the interests of domestic capital. Despite receiving financial support from, amongst others, the EU Delegation and USAID, and adopting positions that closely resemble those of the EU, it remains questionable whether Naled in reality represents national business interests or not (Naled ). Overall, SMEs suffer from a comparatively weaker position in the Serbian economy and lack influential contacts with government bodies, which is why they have faced difficulties trying to influence Serbia’s economic restructuring (Milisavljević ). The power balance between domestic and transnational capital fractions is skewed immensely, which is also revealed by the fact that, in 2010, FDI was twenty times higher than in the decade before, and in 2015, FDI increased by a third compared to only a year before (World Bank ). For example, the Italian company FIAT, a longstanding ERT member, relocated car assembly plants to Serbia because of its business-friendly tax regime, the flexibilised labour market and wages that were a fifth of those in Italy (ibid.). In the meantime, cars and other automotive products have become Serbia’s most important export products to the EU (ibid.).

To recapitulate, organised transnational capital and a few large domestic capitalists, in chorus with the European Commission, have pushed for the elimination of post-Yugoslav peculiarities, such as democratic accountability of the CPC, the decentralised involvement of local tribunals and the multi-goal orientation in enforcement.

Conclusions

A vast share of literature has perceived the EU’s imposition of uniform competition rules on candidate states as mainly a technical and depoliticised affair, while the explanatory focus with regard to different degrees of convergence predominantly lies in the presence and nature of certain pre-accession state institutions or elite learning and socialising mechanisms. A more thorough engagement with the substantive nature of persisting deviations is often missing. This article has adopted a historical materialist perspective to trace the concrete power configurations among class-based interests at EU and candidate levels, and it has located the relative power positions against the backdrop of ascending or prevailing accumulation patterns. On this basis, the export of competition rules needs to be understood as part of the wider EU regulatory ensemble that seeks to facilitate new profitable outlets for the reinvestment of surplus capital. Transnational capital fractions that organised at community level in the wake of the great stagflation crisis of the 1970s have been pushing consistently for market access beyond the confines of the single market and advocated neoliberal competition rules geared towards opening up new markets—together with the privatisation of public enterprises, a permissive merger regime, a narrow ‘competition-only’ focus in the enforcement which excludes broader public interests or labour concerns and, more generally, an equal and thus non-discriminatory treatment in the enforcement.

Transnational capital fractions were also actively engaged in setting up alliances with domestic capital fractions in both Turkey and Serbia, albeit with varying degrees of success. While both Turkey and Serbia have adopted competition rules that closely resemble EU standards, and even kept pace with subsequent EU reforms, both candidates have also deviated in terms of the institutional setup of the enforcement agencies, exemption regimes and enforcement priorities. The findings show that in Turkey organised fractions of transnational capital originating from the EU and Turkey, in chorus with the European Commission, have been imperative for the introduction of EU-compliant competition rules; yet, with the incumbency of the AKP government, a few protectionist particularities have been preserved to bolster the domestic pro-Islamist domestic capital fractions in the formation of Müsiad. Indeed, it could be argued that the direction of Turkey’s competition rule enforcement represents the overall authoritarian surge of the AKP, notably the strengthening of the executive branch of the state. However, for an understanding of the reason why Müsiad, and not other fractions of organised capital, receive beneficial and protectionist treatment, a class-based analysis is necessary. Müsiad constitutes an important pillar of the AKP’s electoral support basis and, with declining growth rates in the export sector, it faces increased difficulties in keeping up with the competitive pace. To be sure, Turkey’s competition regime has been neoliberal in orientation; yet, the few deviant features were kept for a political reason. In Serbia, a strong or emerging domestic fraction of small and medium-sized capital with a similar organisational presence has been absent. Transnational capital, together with a few domestic holdings with a transnational orientation, successfully pushed for a deepening of the neoliberal course by emulating EU competition standards more closely and, hence, eliminating the remnants of a more protectionist competition regime.

The constellation of capital fractions involved in shaping the respective competition regimes differed in Turkey and Serbia. To understand the variegated accession trajectories, it is important to unravel the historically specific political dynamics at EU and candidate level that interplay with the EU accession conditionalities. We would thus encourage similar research on other EU candidate states such as Albania, or the former Yugoslav Republics of Macedonia and Montenegro.

Organised labour, in turn, has been weakened considerably in both states under consideration. Accordingly, trade union or other civil society interests have not been articulated in the development of competition rules. Often, capitalist competition and competition rules are tacitly embraced or considered the apex of restoring economic growth. However, as this article has shown, competition rules are never politically neutral and always the result of political struggles among socioeconomic groups with different and sometimes opposing ideas on how to organise the economic realm. In the emancipatory spirit of critical political economy, there is room for other class factions to re-politicise capitalist competition and competition rules.

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[***Monarchical Rule in Swaziland: Power is Absolute but Patronage is (for) Relative(s)***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:6BH2-VXY1-JBMY-H3YH-00000-00&context=1516831)

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**ABSTRACT**

This article adopts a non-formalized decision−theoretic model to examine patronage strategies by the monarchy in Swaziland as a means to stave off threats to its hold on power. The article’s main argument is that the logic of patronage is largely about controlling and monitoring local chiefs and placating royal princes with administrative positions and sources of revenue and limiting the insurrectionary potential of non-traditionalist urban groups to absolute monarchical power in Swaziland.

**FULL TEXT**

**Introduction**

Swaziland is a small landlocked country bordered on three sides by South Africa and on its eastern border by Mozambique. It has a population of roughly 1.250 million with a per capita income of US$3000; however, it ranks 148 out of 187 on the United Nation’s Human Poverty Index. Nearly 65% of the population lives below the poverty line. Its Gini coefficient of 0.51 is one of the highest in the world. Also, the country’s HIV prevalence rate is now one of the highest in the world.

Adult literacy rates are high but resources for secondary and tertiary schooling are limited (UNDP, 2010). Despite widespread poverty and inequality, Swaziland has essentially been governed by a patrimonial monarchy since its independence from Great Britain in 1968 (Woods, 2012). King Sobhuza II came to dominate the post-colonial political system and did away with the 1968 Constitution in a palace coup in 1973, moving Swaziland away from a constitutional monarchy towards an absolutist one (Baloro 1994; Bischoff, 1988; Radipati 1993). Following the death of King Sobhuza II, Mswati III, one of his sons, assumed the throne in 1986 at the age of 18. He inherited a unitary state divided into four regional administrative entities that are heavily dependent on the central government. He has governed, despite growing social and political unrest in the country’s main urban centers, in the absolutist fashion of his father.

An interesting question is: why have two authoritarian leaders in Swaziland been able to retain power for over a century whereas the process of social, economic and political change in other parts of Africa has resulted in the supplanting of traditional authority by other forms of government? This article’s central argument is that Swaziland’s two authoritarian rulers have been able to stave off threats to their hold on power by reinforcing certain symbolic and quasi-traditional forms of power legitimation, redesigning the Constitution to ensure the dominance of the monarchy, and effectively deploying patronage use.1 Patronage resources are used for both material and symbolic reasons (Menaldo, 2012: 9). As Green (2011: 422) states, ‘inasmuch as rulers are the ones who decide when, where, and to whom they will allocate patronage, their institutional choices are governed by the desire to maximize their political power’. For obvious reasons, they will ‘prefer institutions that make them more powerful rather than less’; thus, we should expect them to ‘choose patronage strategies that will maximize their power and maintain them in office’ (Green, 2011: 422). The leader is faced with a budget constraint on the range and extent of patronage he can use to hold onto power since resources are not infinite (Rodrik, 2014: 196−198).2 In principle, an authoritarian ruler’s budget constraint is tied to the country’s level of economic development.3

Thus, Swaziland’s two monarchs have made decision−theoretic choices regarding patronage depending on the type of threats they have faced. They have faced a number of threats to their hold on power. In the colonial and immediate post-colonial period, the threat arose from British and White settlers, mainly from South Africa, seeking to subjugate the kingdom to their control. Another threat to monarchical rule has been occasional factional infighting among the royal princes in the kingdom over government posts and land. Starting in the early 1980s, a threat from non-royalist political forces to the absolutist powers of the Swazi monarch has grown, especially in urban areas. While political parties are not officially allowed to exist in Swaziland, several illegal political formations exist and have tried over the decades to weaken the power of the monarchy and royal elites on Swaziland’s political system. More recently, several exogenous threats have arisen that shape the decision−theoretic logic of patronage in Swaziland. First, pressure on the monarchy for reforms is coming from Swaziland’s democratic neighbors. Both South Africa and Botswana have sought to steer the country towards more democratic openness. Second, the sharp drop in Swazi men working in South African mines has deeply shaken the economy by depriving the country of an important source of remitted revenue. Also, there has been a decline in revenue from the South African Customs Union and finally the country has been impacted by a severe drought.4

This article makes two contributions to African studies. First, it employs a case study to analyze and situate Swaziland within a broader analytical framework of authoritarian regimes (Crasnow, 2012; Gerring, 2004). With an intensive study of a single case, this article aims at connecting Swaziland to the extensive concept of patronage (Arriola 2009; Capéau and Verwimp 2012: 214; Goldsmith 2001; Green, 2011). In this respect, the descriptive account of the decision−theoretic calculus of patronage use by an authoritarian ruler to stave off threats to his hold on to power allows some inferential extension to cases not covered in this study (Gerring, 2012). Within the typology of authoritarian regimes, Swaziland is best understood as a sub-type insofar as it is an absolutist monarchy and not a military or one-party system (Anderson, 1991). An increasingly diverse and rich literature provides us with the conceptual tools that are needed to understand how authoritarian regimes in Africa and elsewhere function, under what conditions they are likely to break down, and in what ways leaders use patronage and institutions to maintain themselves in power (Gandhi and Przeworski, 2006, 2007; Svolik, 2009).

Second, this study demonstrates that decisions over patronage are not in authoritarian regimes necessarily limited to private spoils. It depends on the threat to a leader’s hold on power. Put differently, authoritarian rulers cannot afford to consume resources only for their own personal gain and that of a small coterie. Maintaining power entails a cost and the ***strategic*** use of patronage indicates the nature and extent of that cost. Based on the decision−theoretic model employed in this article, an authoritarian ruler is more likely to look to consolidating his control over elites closest to the center of power; however, threats do not only come from elites (Sangmpam, 2007). Hence the type of patronage and institutional resources used is endogenous to the threat (Remmer, 2007: 364; Svolik 2012). Furthermore, it is assumed that ‘political institutions are themselves endogenous, since they can be chosen and changed either by constitutional reforms in democracies, or by insurrections and other means in dictatorships and less developed political systems’ (Aghion et al., 2002: 2, 2004: 2).5

The article is organized as follows. It begins with a brief overview of the Swazi nation state. I then map out the variation in patronage and institutional redesigns in relation to the kinds of threats King Sobhuza II and his son, Mswati III have faced in their drive to hold onto power. In the conclusion I draw out some broader analytical generalizations that a single-case study allows us to make regarding ***strategic*** uses of patronage.

**A myth a nation does make**

Political power is structured hierarchically and flows from the household of the monarchy downwards to royal princes, cabinet ministers, parliamentary members, regional representatives, bureaucrats, and local chiefs. The monarchy and its supporters in Swaziland claim that this hierarchical distribution of power and authority is legitimate because Swazis are all part of the same patrimonial domain. In some respects, a Swazi nation predated the formal emergence of a Swazi state. The Swazi state emerged in the early 19th century within the complex matrix of state formation taking place in Southern Africa. The Swazi state was in competition with the rise of Zulu state formation and the efforts of Afrikaners to escape British political rule and establish their own sovereign space. The Swazi king established shifting alliances with the British and the Afrikaners to fend off Zulu expansion. With the defeat of the Zulu state by the British, Swaziland was under pressure from Boer and British European settlers for land concessions. In 1902, Swaziland became an official British Protectorate.

The Swazi nation is quite literally one big extended family (Woods, 2012). In fact, Swaziland is founded on a myth that the Swazis are all descendants of the Dlamini clan that separated from the larger Nguni community and settled in southeastern Africa. Under the Swazi Ngwenyama, or king, a sovereign territorial domain was carved out for the clan. The legitimacy of the Ngwenyama derived from the successful establishment of a new homeland for the Dlamini nation. In addition to the Nguni, Sotho and remnants of the indigenous San people were incorporated into the Swazi nation (Bonner, 1982). The designation of Swazi ultimately applied to all groups in the territory who gave allegiance to the Ngwenyama. Reciprocal bonds of loyalty were reinforced with the development of the tradition that the Swazi monarch must select a wife from every clan in the country (Kuper, 1978).

The personalized dimensions of this type of rule are not denied but instead highlighted. The highlighting of the personalized nature of rule is seen as the sine qua non of the monarchy’s legitimacy. Unlike many post-African states whose sovereignty is not grounded in a ‘shared’ national identity, the Swazi nation and state emerged somewhat in tandem. Pre-colonial Swaziland embodied in many ways the structural principles of patrimonial authority, which, in Weber’s ideal type, constitutes a legitimate form of domination. In Swaziland, the legitimacy was grounded in a ‘myth’ of the Swazi nation. Many Swazi still say, ‘Without a king we would no longer be a people’. This aspect of Swaziland’s history illustrates Max Weber’s notion of power, *herrschaft*, arising from some traditional basis other than charisma (Rudolph and Rudolph, 1979). In some settings, it has reflected a type of patriarchal authority that extends beyond the household to a larger domain. Evocations of the monarch as the father of an extended family are common (Debly, 2011).

Authoritarian monarchical leaders depend heavily on political culture as a way to establish ‘clear rules about who qualifies as a member of the ruling group’, to firm up regime ‘norms that regulate who is entitled to what share of the rents’, and to establish some way that elites may monitor the ruler’s actions ‘to enforce these norms’ (Menaldo, 2012: 9; Wedeen, 2002: 723). As Pejstrup (2011: 22) states, It is clear that King Mswati III’s legitimacy to rule is based on aspects other than just his political and economic abilities. Obviously, rational fear for going against the King is of big importance to Mswati’s supremacy… Legitimacy based on tradition has undoubtedly been a key factor as to why the monarchy in Swaziland holds power. While the world around the Swazis changes, the monarchy and its supporters rely heavily on the tradition, nationalism, and the history and national identity of the Swazis. Traditional power structures, ceremonies, rites and even clothing are important factors in the nation-building process. It is in the favour of the monarchy that the national identity continues to be built on traditions more than processes of modernisation or westernisation.

**Patronage use in historical perspective in Swaziland**

The Swazi state lost its sovereignty to British Protectorate rule and a good swath of its land. British Protectorate rule changed the character of traditional monarchical authority. The Swazi Ngwenyama became a ‘Paramount Chief’ because the British would not allow another authority to usurp theirs. In addition to the undermining of the Swazi king’s sovereign political authority, the British, along with White settlers, undermined another pillar of traditional power – control over land (Potholm, 1966: 15). The importance of land in the traditional structure of authority and compliance explains the long futile effort by Swaziland’s longest ruling monarch, Sobhuza II (1899–1983), to regain the territory of his forefathers. Starting in 1912, the monarch initiated legal procedures against White settlers that would stretch out until the country gained independence from Great Britain in 1968. Besides the aim of recovering land taken by the British and Afrikaners, Sobhuza’s other objective was to demonstrate that Swazi land was an inalienable patrimony of the Swazi nation and that the monarch remained at the nation’s helm (Levin, 1990).

During British colonial rule, Sobhuza II invented an accommodating informal institution – *tinkhundla* − that he claimed was grounded in traditional Swazi society. In doing so, Sobhuza was able to exercise some political power in a state that was dominated by the British and a small coterie of White settlers (Stevens, 1963). More importantly, the monarch’s strategy of reinforcing his patrimonial authority within the framework of traditional Swazi identity and culture helped him gain the upper hand in the mid-1960s as the country moved towards independence. The significance of all this is that it effectively put in place a dual system of government, comprising what Swazis call the traditional side of government − the monarchy and the traditional chieftaincy – and the British political institutions (Pothlom, 1966). The hybrid nature of political and institutional authority in Swaziland arose initially as a defensive strategy by Sobhuza II against British Protectorate rule. As Booth (2000: 93) noted, traditionalism, authentic or manufactured, became both the essence and the basis of his political legitimacy. The traditionalism invoked by Sobhuza II was not an indication of a traditional Africa persisting despite the putative introduction of more modern forms of bureaucratic authority by the British. It should be seen as a ***strategic*** move on the part of Sobhuza to reclaim some of the powers stripped from him by the British. Sobhuza invented and reinforced authority structures that he claimed were grounded in traditional Swazi society. During British colonial rule, he relied heavily on the traditional council of chiefs, Liqoqo, composed of hereditary chiefs and nobles and a national council; the Libandhla, a body that met once a year and was open to all males, including commoners (Stevens, 1963: 330).

The monarch took care to participate in ceremonies and rituals to reinforce his symbolic authority over the Swazi people. In the context of British Protectorate rule, a kind of patrimonial authority did survive in Swaziland. It was a type of patrimonialism that should be understood in a twofold ***strategic*** sense (Woods, 2012). On the one hand, the Swazi monarch struggled to maintain his traditional authority and legitimacy against the encroachment of British administrative control and against the White settler community (Levin, 1991). On the other hand, the Swazi monarchy sought to strengthen its control over the Swazi people by distancing its authority and legitimacy from the British and the White settlers. This was accomplished by reaffirming the traditional basis of monarchical authority and its organic ties to the Swazi people. Most significantly it was achieved through the reinforcement of traditional institutions that were effectively based on personalized ties between the monarch, royal princes, and local chiefs. In doing so, Sobhuza was able to exercise some political power in a state that was dominated by outsiders. These outsiders consisted of a small British colonial elite and a small coterie of White settlers who controlled much of the economy and a good portion of the arable land (Bonner, 1982). Moreover, his strategy of reinforcing patrimonial authority within the framework of traditional Swazi identity and culture helped him gain the upper hand in the early 1960s as the country moved towards independence (Potholm, 1972; Zwane, 1964).

In addition to Liqoqo and Libandlha, Sobhuza II invented a new institution: *tinkhundla*. Tinkhundla is a siSwati word that refers to open spaces ‘outside the cattle byre where men meet to discuss local affairs’ (Booth, 1983: 317). It was recreated in 1955, when Sobhuza II designated the former recruitment centers of the Second World War as individual *tinkhundla* offices. The centers that had been used by the African Pioneer Corps as recruiting facilities during the war were now transformed into quasi-administrative buildings staffed with loyalists to the monarchy. *Tinkhundla* arose out of Sobhuza’s struggle for political power with the British. The Swazi monarch wanted to regain what he considered the traditional powers of Swazi monarchs that had been usurped by British rule and threatened by non-nationalist political forces on the eve of independence.

During the final decade of the British Protectorate, Sobhuza relied on *tinkhundla* as an accommodating informal institution to parallel that of the British colonial administration. Helmke and Levitsky (2004: 729) describe accommodating informal institutions as those which ‘create incentives to behave in ways that alter the substantive effects of formal rules, but without directly violating them; they contradict the spirit, but not the letter, of the formal rules’. Thus, Sobhuza used *tinkhundla* as an informal institution to allow him to exercise power to the greatest extent possible. Later, he would use it to weaken anti-colonial nationalist forces that were in favor of relegating him to a more symbolic form of authority rather than as a powerful monarch in a fully sovereign Swaziland. For example, he invoked tradition and traditional institutions in an attack on nationalist elements in Swaziland in 1959. He stated that the unrest of north and central Africa was ‘due to people forgetting their own African customs and grasping at European customs with which they were not fully familiar’ (Debly, 2011: 12). He asserted that certain ‘power-greedy’ individuals used foreign methods ‘to arrogate leadership to themselves’ (Stevens, 1963: 330–331).

Sobhuza II in Swaziland succeeded in controlling the transition from British colonial rule. The Swazi monarch grounded his authority in an informal patronage system. Under pressure from the British to establish a constitutional monarch with a parliament, the king supported the creation of a royalist party – the Imbokodvo National Movement (INM) − to compete in the country’s first national elections in 1968 (Proctor, 1973). The INM won all of the seats and ensured the monarchy’s control over parliament. Although other parties were tolerated, none had any representation in parliament. In 1973, when a non-royalist party won three seats out of 24, Sobhuza II declared a state of emergency, dissolved parliament, banned all political parties, and suspended the Constitution. Essentially, King Sobhuza Il transformed what had nominally been a constitutional monarchy into an absolutist one (Baloro, 1994). The monarch justified his action by claiming that the post-colonial political institutions largely inherited from the British were incompatible with Swazi tradition and that a new Constitution would be formulated that would correspond with these traditions. A central element of the new Constitution was the issue of land. King Sobhuza was determined to have the traditional notion that Swazi land belonged to the Swazi people and the monarch was its protector enshrined in the new Constitution. He had spent decades battling the British and White settlers over Swazi land rights. Obviously, King Sohhuza recognized the importance of land to an overwhelmingly rural nation. Also, he clearly understood how land was tied to royal legitimacy and patronage resources.

Land is the essence of power in Swaziland (Sihlongonyane, 2003: 163; Simelane, 2012: 57). Swaziland has a total land area of 17,364 km2 (6.7043 square miles). Ownership is divided into two categories, Swazi national land − communal and held in a trust by the king − and individual tenure farms. About 60% of Swazi land is national land and thus part of a trust controlled by the monarchy. The hierarchical order that still prevails in the Swazi countryside is premised on the control, allocation and use of land. Traditionally, village chiefs have been at the center of this socioeconomic order. It is essentially their control over land that sustains the patronage system upon which political control in the countryside is based (Picard, 1984; Sallinger-McBride and Picard, 1986: 35). As Hilda Kuper (1980: 149) put it, ‘the power that (rulers) wield over subjects is usually referred back to the control that they have over the distribution of land’. In this sense, land is both a symbolic and material patronage resource.

**Land and patronage in Swaziland**

Control over Swazi land was the main source of conflict during British Protectorate rule. Stevens (1963: 330) puts the land issue into perspective in the following way: White settlers retained almost half of the country’s land. Sobhuza II was still protesting to the High Commissioner in 1954 that ‘the private ownership of land is something unknown among the Swazis’ so it is a wild dream to say that King Mbandzeni sold, alienated or created private ownership of land in the land of his people. Although his legal efforts to repossess the alienated lands were unsuccessful, Sobhuza II nevertheless encouraged the purchasing back of thousand of acres, so that today 2,251,000 acres out of 4,8000,000 are Swazi owned.

Through a combination of purchase and legislation, Sobhuza II had largely succeeded in reversing the colonial alienation of land (Booth, 1983). From a low point in 1907, when approximately two-thirds of land was in foreign hands, by the early 1980s, ‘Swazi Nation Land’ controlled by chiefs on behalf of the king, covered 60% of the national territory, and about 70% of the population lived on it (Simelane, 2002: 338).

In the post-colonial era, access and control over land is primarily a patronage resource employed by the monarchy to reinforce its traditional status as the nation’s supreme paramount chief (Ngwenyama) and as a material ‘focal point’ to ensure allegiance from village-level chiefs. Land used for crop production is individually held and allocated by chiefs, who also act as arbiters in land disputes (Simelane, 2009). The about 400 chiefdoms in the kingdom all report directly to the king. There are no formal regional or even sub-regional coordination structures for chiefs. This gatekeeping function on behalf of the monarch as the titular holder of inalienable Swazi land provides chiefs with social status and material benefits. The invocation of neo-customary land rights lets the king and local chiefs maintain their dominant power relations in the countryside (Baldwin, 2014; Boone, 2014). Essentially, those residing on Swazi national land have no title deeds and can be evicted by the chiefs at any time without any recourse. Moreover, without title deeds, subsistence farmers have no collateral to raise the funds needed to undertake basic improvements, such as irrigation systems, that might increase their yields.

Critics of the land tenure system have argued that the arbitrary power that chiefs have over access to land contributes to food insecurity and rural poverty. International development agencies such as the World Bank and the IMF (International Monetary Fund) endorse this criticism with their claims that the use of land as a patronage resource contributes to Swaziland’s economic stagnation (IRIN, 2012). While these claims may be correct, control over land through the intermediacy of local chiefs is too central to the Swaziland monarch’s hold on power to imagine any major changes to the current land tenure regime in the country. Land is a pivotal patronage resource that has contributed to maintaining loyalty to the monarchy from village chiefs. Within the decision−theoretic framework of utilizing patronage goods to stave off threats, the status quo has served King Sobhuza and his son well up to now since no serious threats to royal authority have emanated from the countryside. The most serious threats that the Swazi monarchy has faced have come from within royal circles and from urbanized areas.

**Using political and economic patronage to establish elite focal points**

Swaziland emerged in the post-colonial period with a high degree of personalized authority, not because the regime or the state was patrimonial in any traditional sense but due to the successful extension of Sobhuza’s control through the transformation of the quasi-traditional institution of *tinkhundla* into an instrument of territorial and political control along with the establishment of a royalist political party, the Imbokodvo National Movement (INM). The INM served as an important patronage vehicle through which the monarchy, court princes, and chiefs could maintain ascendancy over non-royalist nationalist forces. The overwhelming victory of the INM in the 1964 pre-independence election, with 85.45% of the vote, helped to consolidate the monarch’s control over the Westminster-style regime and state administrative organs that would become the constitutional basis of the Swaziland state after the British left in 1968 (Baloro, 1994: 22).

Patronage appointments to key ministerial and state institutions reflected the decision−theoretic logic of the monarch to establish stable focal points among the royal elite and the country’s dominant clan. The monarch appoints the prime minister and other ministers; there is no obligation for them to obtain an electoral mandate. More importantly, every prime minister, including the present incumbent, has come from the royal Dlamini clan; one government minister and royal prince went so far as to say that anything else ‘would be against God’ (quoted in Levin, 1991: 16). Thus, patronage appointments to the civilian and military bureaucracies underscore the monarch’s efforts to limit the emergence of potential threats from elite circles closest to the center of power. In addition to *tinkhundla*, Sobhuza created a revenue generating institution – *tibiyo* –that, in principle, serves the interest of the nation but in reality is an important means of income for the royal household and princes. *Tibiyo Taka Ngwane* is literally translated as the ‘Wealth of the Swazi Nation’. It was established just after independence in 1968 as a royal investment trust. The king appoints the governing board that oversees the entire fund’ (Booth, 1983: 20). With the creation of this development fund – *tibiyo* − the Swazi monarch has been able to distribute economic resources to buttress his power. Although it had been established as a development agency to oversee royalties from the country’s minerals and leased ***agricultural*** estates, it has evolved into an amorphous corporation that reaches into practically every sector of the Swazi economy. It is estimated that *tibiyo* ‘derives its income through dividends from investments in various companies. It has a 50% stake at the Royal Swaziland Sugar Corporation, 40% shares at Ubombo Sugar, 39% at Royal Swazi Spa, 40% at Bhunu Mall in Manzini, 40% at Swaziland Beverages, 41% at tibiyo Insurance Brokers, among others’ (*The Nation*, 2012).

From its inception up to the present, *tibiyo* is presented as a national public good inasmuch as its objective is defined as promoting development and providing resources to the Swazi people. Its charter states that the organization is essentially a developmental agency with the objectives of enhancing the economic development of Swaziland and the welfare of its citizens by providing assistance to the Swazi nation to preserve its customs and traditional institutions and for the education and training of its citizens. The exact investments and holdings of *tibiyo* are rather opaque. It is controlled by the monarchy and appears to be used as a central patronage resource for the royal household and the princely elite that depends on the king for financial support. Monetary awards and appointments to business boards in which *tibiyo* funds are invested are prominently rumored about in Swaziland. Since the revenue generated by the development fund and appointments to corporations connected to it are not public, it is hard to determine the exact extent of patronage. There is, however, little doubt that the fund is used in patronage decisions by the monarch. It is reported that *tibiyo*’s total worth is around $US2 billion. It is widely believed that some of its revenue ‘supports King Mswati, his dozen wives, their 27 children, and those of the king’s royal kinfolk whom he must placate in order to preclude their doing him harm’ (*The Nation*, 2012).

**A crisis in elite coordination**

During his 62 years as monarch, Sobhuza II used his patrimonial authority to consolidate an authoritarian regime. His longevity rested on his skills in using his patrimonial legitimacy to maintain compliance within the royal family and the local chiefdoms of which he was the titular head. Sobhuza’s invention of traditional Swazi political culture helped him to consolidate an authoritarian regime by getting elites to ‘coordinate on the status quo norms that regulate who is entitled to what share of rents’ and codifying in the *tinkhundla* a means by which elites could monitor ‘the ruler’s actions in order to enforce these norms’ (Menaldo, 2012: 9). The logic of patronage in this context was largely about controlling and monitoring local chiefs and placating royal princes with patronage administrative positions and sources of revenue. Most of this patronage process was not visible to the public. Within the ruling elite, however, the link between support for the monarchy and appointment to top administrative positions and access to financial resources from *tibiyo* was well understood (Woods, 2012: 360).

The patronage structure established by Sobhuza II was threatened after his death in 1982 when a struggle over succession erupted (Arnold, 1984; Daniel and Vilane, 1986; Dlukula, 1983). The conflict was about many different things but at its core was the perception by royal princes that the patronage structure put into place by Sobhuza was threatened by modernist forces who wanted the next monarch to be a constitutional one with political power shifting to a prime minister along with the reestablishment of an elected parliament (Radipati, 1993). Attempts by the prime minister to reform *tibiyo* led to opposition from the Liqoqo, a council of advisors controlled by the princes (Arnold, 1984). This opened the door to a succession crisis. Succession to the throne is determined by the Royal Council – a traditional advisory council made up of the royal family. Maintaining control and loyalty within the Royal Council and among royal princes is central to the king’s authority in Swaziland (Bischoff, 1988: 464–465). In a detailed examination of the royal succession crisis, Magongo (2009: 91) outlines the close link between the *tibiyo* patronage source established by Sobhuza II and the intra-royal elite infighting over its control following his death: The disputes of the Liqoqo era have been presented as a power struggle within the ruling elite… Tibiyo Taka Ngwane was at the nexus of the feud. The establishment and expansion of tibiyo’s activities over the years had served as the principal vehicle for capital accumulation by elements within the Swazi governing alliance.

The ‘focal points’ established and reinforced by Sobhuza II essentially broke down (Magongo, 2009: 58−59). As Sihlongonyane (2003: 172) summed up events, during the four year inter-regnum between the death of Sobhuza II and the accelerated accession of Mswati, the Central Authority degenerated into a faction-ridden, visibly corrupt and self-interested cabal. A series of events served to bring the political and economic elite, their system and its institutions into disrepute: accusations against counter accusations, a palace coup by one faction against another, rights into exile, imprisonment of competing elements of the nation’s elite.

The political infighting lasted until Mswati III, with the support of his mother, was able to reassert the authority of the royal house over the Liqoqo. Since the succession crisis and its ending in favor of the royal house, another threat to the monarch’s power has not arisen from within royal circles.

**Non-royalist threats to power**

Following the 1972 elections in which the ruling party lost three seats out of 28, Sobhuza II suspended the post-colonial Constitution and imposed a state of emergency. He outlawed political parties and other subversive social groups. He claimed that the Constitution had failed and that it was the cause of ‘growing unrest’ and had permitted undesirable political practices. He said there was ‘no constitutional way’ to amend the Constitution and that a new Constitution needed to be ‘created by ourselves for our-selves in complete liberty’ (Kuper, 1978: 35).

Opposition emerged to thwart Sobhuza II’s move towards an absolute monarchy. It was in the capital and not the countryside that protests against the system developed (Levin, 1991). Sobhuza II responded to the threat by patrimonializing government and state resources; however, the patrimonial dynamic had nothing to do with Weber’s ideal type of traditional patrimonial authority and compliance (Rudolph and Rudolph, 1979; Woods, 2012). Nor did it have anything to do with traditional patrimonial norms conflicting with legal−rational rules. It was a decision−theoretic strategy to fashion an institutional arrangement in which the monarch would maintain power against urban, mostly non-royalists, forces determined to gain the upper hand following the end of colonial rule in 1967. In other African states around this time, leaders turned to the establishment of single-party structures. To achieve his ***strategic*** objective of political domination, Sobhuza II transformed the informal institution of *tinkhundla* into a formal institution to control the political process (Levin, 1991).

*Tinkhundla* was designed to operate on two levels. First, it became the administrative basis of the state. In theory, administrative decision-making and services were decentralized into the hands of regional and local officials. In actuality, *tinkhundla* allows the monarch to appoint and monitor state officials. Secondly, because political gatherings and parties were banned, *tinkhundla* became the sole option for engaging in politics. Those wishing to engage in politics had to first swear allegiance, *kukhonta*, to a local chief and then be given royal assent before becoming a candidate. All *tinkhundla* candidates must proceed successfully through these two initial steps to partake in the electoral process. Clearly, the selection is skewed towards loyalty to the monarchy. Those who do not obey the king’s commands are excluded from the benefits of being *mkhonta* (one who has pledged allegiance). Apparently, the objective was to ensure that elections became ‘arenas for competition over patronage and not policy’ (Kentworthy, 2013). For the two reasons outlined above, *tinkhundla* can be seen as an authoritarian strategy to survive in power. It is an institutionalized mechanism by which the Swazi monarch can reward those whom he deems loyal with jobs, land and political office and punish those whom he deems a threat to his power. When Parliament reopened in 1978, the Westminster-style parliament was undermined by the *tinkhundla* system of political selection throughout the country. While repression has been used to curtail political mobilization, *tinkhundla* and other constitutional means have been employed by Mswati to contain non-royalist opposition threats to his power.

An underground political movement against the absolute monarchy crystallized in 1983 into an organized political force just after the death of Sobhuza II. The People’s United Democratic Movement (PUDEMO) became the catalyst for opponents against the regime. PUDEMO protested against the stranglehold that the *tinkhundla* system had on the political process. Basically, it was an effective filtering mechanism that prevented opposition forces from gaining political voice and representation. Initially, PUDEMO activities involved distributing political tracts and organizing protests at the University of Swaziland (Mzizi, 2005). With no support in the periphery from which to launch attacks against the government, PUDEMO remained largely a minor oppositional force throughout the 1980s. With the ending of apartheid, PUDEMO leaders in exile were able to become more active in their struggle against absolutist rule in Swaziland. In the early 1990s, PUDEMO had gained a critical mass of support among students, union supporters, and unemployed urban youth (Debly, 2011). Protests against Mswati III increased and provoked a degree of violence that Swaziland had not previously experienced (Sihlongonyane, 2003: 175).

Faced with increased social and political mobilization from PUDEMO and Swaziland Youth Congress (SWAYOCO), Mswati III formed a constitutional commission in 1996 that did not ***produce*** a new constitutional document until 2005. The new Constitution was finally adopted in 2006; however, the Constitution made limited changes. The king maintained the prerogative to appoint all ministers, including the prime minister. Out of 70 members in the lower house, the monarch gets to select 10, and 20 of the 30 senators in the upper house. Political parties are still banned and the *tinkhundla* system of selection has remained in place. The Constitution contained a bill of rights along with customary laws and rights. Overall, the Constitution reinforced the monarchy’s control over government and state institutions. It formalized further the *tinkhundla* system, and, through administrative decentralization, sought to reinforce the link between the monarchy and rural chiefs. Few substantive concessions were made to urban opposition forces.

Despite the emergence of PUDEMO during this period, Mswati III’s primary objective appears to have been to reconstruct the patronage structure put into place by his father. Support for this interpretation comes by the fact that a new constitutional document was not ***produced*** until 2005. It was finally adopted in 2006; however, the Constitution made limited changes. The king maintained the prerogative to appoint all ministers, including the Prime Minister. Political parties are still banned and the *tinkhundla* system of selection has remained in place.6The new Constitution stated that the ‘the system of government for Swaziland is a democratic, participatory, *tinkhundla*-based system which emphasizes devolution of state power from central government to *tinkhundla* areas and individual merit as a basis for election or appointment to public office’.7 The country was organized into a decentralized local participatory *tinkhundla* with local chiefs as main filters on candidate selection and participation. About 80% of the population lives in the 55 *tinkhundla*, each consisting of between five and 10 chiefdoms. An *inkhundla* (plural *tinkhundla*) is a voting constituency made up of various numbers of chiefdoms. Swazi chiefs receive their authority directly from the king and have a great deal of influence over the ‘king’s subjects’. Overall, the intentionally long and drawn-out constitutional reform reinforced the monarchy’s control over the government and state institutions (Sihlongonyane, 2003: 175). Few substantive concessions were made to urban opposition forces. The powers of local chiefs were reinforced instead (Pejstrup, 2011).

**Exogenous Shocks**

Recently, the severe economic crisis in Swaziland has buttressed opposition efforts to loosen the monarch’s grip on power (Bohler-Muller and Lukhele-Olorunju, 2011). In 2009−2010 its income from the Southern African Customs Union (SACU), a region which accounts for over 90% of its export trade, fell by 60%, plunging it into a liquidity crisis that forced the government to mortgage off state assets to pay public salaries. In 2012, the IMF abruptly ended its talks with the government. It withdrew its advisory team from the country, saying it was unable to support the government’s proposed reform agenda because it did not go far enough in addressing government spending that exceeded revenue.8 Over the last decade, Swaziland has been hit with several major shocks: drought, drop in revenue from SACU following the 2008 economic crisis, and a drop in revenue from the country’s main export, sugar.

Mswati III responded to the exogenous shocks as threats to his rule. He reinforced the use of patronage, despite the obvious budget constraints that he and his government faced. He has done this in four identifiable ways. First, he sought to reinforce his traditional patrimonial legitimacy in the countryside among village chiefs and the country’s peasantry. This has been done with increased attention to land issues. Although land reform has not been put on the table, the monarch did travel to the countryside promising more support to rural ***producers***. More significantly, he shored up the ‘gatekeeping’ role of rural chiefs over land allocation. Despite demographic pressure on land and the illegal sale of state land by chiefs, the monarch refused to implement any major land reform. In fact, a national land policy reform ***plan*** that had been drafted in 2000 never materialized into anything concrete. It is ‘widely accepted that the policy was never adopted, as it would have taken power [over land matters] away from the chiefs, and the chiefs enjoy their power’ (IRIN, 2012).

Second, the monarch exploited his symbolic legitimacy by holding traditional dialogue sessions with the public. This type of open dialogue is known as *Sibaya*. In principle, *Sibaya* is an annual open parliament in which all Swazi citizens can express their concerns to the monarch and his government. The open assembly, however, had not been held annually. Over the previous four years as the economic and political crisis deepened, King Mswati relied on *Sibaya* as means to contain threats from the urban centers by ensuring that the *Sibaya* meetings were overwhelmingly made up of Swazis from the countryside. As the following observation attests regarding the 2012 meeting (Vandome, Vines and Weimer, 2013: 3), Participants in this Sibaya were largely rural, and the process showed how neo-traditional Swazi systems provide an avenue for a non-confrontational means of pressuring the governing authorities to reform. The convening of the Sibaya was in part precipitated by an impasse between the government and the Swaziland National Association of Teachers during a protracted strike.

Third, the monarchy has reinforced the role of the government in the economy through *tibiyo*. Instead of attempting to block privatization outright, the government has strongly encouraged private investors to work closely with *tibiyo* in joint ventures (Dlamini, 2005). The push for joint ventures appears to be linked to patronage appointments and rent-seeking. The most recent allegations of corruption are tied to elites close to the royal household occupying key positions in partially privatized sectors of the economy. For example, conflict over patronage and corruption erupted over cell phone privatization and market competition. The prime minister lost a vote of no confidence in the assembly over the lack of transparency in the bidding process to privatize the country’s telecommunications. At the behest of King Mswati, he ignored the vote and forced the assembly to later rescind it. Nevertheless, the Federation of Swaziland Business Federation stated that, ‘The Prime Minister must know that to ignore a vote of no confidence from Parliament sends a message to the world that Swaziland is not a country governed by laws but by an arrogant, unaccountable clique who are happy to abuse their powers and use political patronage for personal gain’.9

Finally, the monarchy has been reluctant to follow the IMF recommendation that the government cut its wage bill and the budget overall. The government wage bill accounts for more than 14% of GDP. Much of the wage cost comes from a public sector that officially employs around 36,000; however, unofficially, it is assumed that the number is much higher. In any case, the public sector accounts for about 40% of overall employment and 49% of male employment. Many of these public sector jobs have gone to young Swazis who have finished their education with few prospects of finding employment in the private sector or in South Africa. While the IMF and the World Bank have been critical of Swaziland for what some describe as a form of employment ‘clientelism’, King Mswati is all too aware that major cuts to the wage bill could threaten his hold on power, since those most affected by any reductions are concentrated in the country’s two main urban areas. After all, as McCourt (2003: 1024) reported in a detailed analysis of failed civil service reform in the past, ‘jobs are the medium of exchange in the government, just as land is the medium of exchange in the countryside, and a traditional “patron” is as likely to try to exercise patronage over one as over the other’.

Despite the severe economic crisis, public works investments are often announced in the state-controlled media. These public works projects are meant to convey a message that the monarch cares about the periphery and the imbalance in wealth and resources between rural areas and the country’s two main urban centers – Mbabane and Manzini. Road construction, in particular, has been used by the monarchy as a way to provide jobs and convey the impression of economic development. Roads are the dominant mode of transportation in this small landlocked country.10 In 2011, the government announced a major loan from South Africa to extend and improve roads. King Mswati travelled to different parts of the country to underscore the importance of road construction for the country’s economy and long-term economic development.11 The use of public investment to create jobs and provide financial benefits to the country’s governing elite has been characteristic of Mswati’s rule. The most notorious example is the long-delayed opening of a new international airport (Freedom House, 2013: 3).

**Conclusion**

This article has focused on the decision−theoretic logic that helps clarify the use of patronage resources by the monarch in power in Swaziland. Drawing on Green’s (2011) conception of patronage as ***strategic*** choices, I have explored variation in patronage use in Swaziland diachronically and synchronically. The decision−theoretic logic of patronage has largely been path-dependent. The formal and informal institutional mix that frames the decision−theoretic use of patronage by Sobhuza II has not changed much. Unlike pre-colonial monarchs in other parts of Africa, the monarchy in Swaziland never lost power. Moreover, in the transition away from British colonial rule, nationalist political parties did not emerge as key players in the distribution of government services or allocation of administrative and political positions. These resources have remained firmly in the hands of the monarchy.

The present monarch essentially inherited from his father an institutional arrangement that entailed limited threat from the periphery and a system of patronage distribution that was designed from the outset to extend and maintain the dominant position of the royal house and princes over Swaziland’s political and economic system. Patronage has served as identifiable ‘focal points’ for the ruling elite. The vertical basis of power between the monarch and the majority peasant population has been reinforced with symbolic and material resources and by allowing local and paramount chiefs to be the ‘gatekeepers’ over access to land. Land has been used symbolically as an inalienable national good that ties the Swazi family together and as a patronage good that the monarch employs to ensure control over village chiefs.

To fully appreciate the defensive and offensive aspects behind Sobhuza’s creation of what he claimed were traditional institutions from which the Swazi monarchy derived its legitimacy, Riker’s heresthetic concept comes into play. Riker’s heresthetic is the art of political manipulation (Pepinsky, 2014). It is about ‘structuring the world so you can win’. Heresthetics is also about the ***strategic*** manipulation of institutions. In certain moments of history, the introduction (or elimination) of dimensions involves the manipulation of institutional structures, as actors struggle to shape the mechanisms transforming preferences into outcomes in order to prevail in future political contests (McClean, 2002). In this respect, the neo-traditional institutions were not the outcome of inter-elite bargaining but reflective of the ***strategic*** objective of the monarchy to manage and deal with threats to its power. As Gandhi and Przeworski (2007: 1280) make clear, the setting up of ‘authoritarian institutions is not just “window dressing”’. They argue that they ‘are the result of ***strategic*** choices and have an impact on the survival of autocrats’. Sobhuza’s abolition of the British parliamentary system and the creation of what he called a more traditional form of representation should be seen in this framework. *Tinkhundla* was designed to allow the Swazi the ability to distribute access to power to different segments of the country’s political elite. Both Sobhuza and his successor have used *tinkhundla* as a means to defang the urban opposition. While threats to monarchical rule persist in the country’s two major urban centers and contestation by PUDEMO, exogenous shocks have done the most to shake the decision−theoretic calculus of the monarchy.

My analysis of the Swaziland case has provided a descriptive inferential of the variation in patronage use in an authoritarian regime (Gerring, 2012: 722). By grounding the logic of patronage use in a micro-level decision−theoretic framework, a descriptively richer conception of patronage has emerged. In other words, typical conceptions of patronage claim that its use is tied directly to regime type or the size of a winning coalition (Arriola, 2009). This article has shown that if patronage is understood within a decision−theoretic model, the type of patronage is more likely to vary with threats to those in power. And consequently, the nature of the threat will dictate the type of patronage resources deployed. The decision−theoretic assessment of threats to his hold on power explains King Mswati’s hesitancy to undertake reforms, despite the democratization drive led by urban social and political groups and the exogenous shocks that have imposed an even tighter budget constraint on the monarchy. The endogenous logic behind patronage use to stave off threats to the monarch’s hold on power trumps calls for democratic reform (Rodrik, 2014). The resistance, however, does not arise simply from a patrimonial authoritarian leader monopolizing all resources for himself and that of a narrow elite but more from the calculus of the types of threats that are more likely to threaten the king’s hold on his throne.

**Notes**

Author’s noteSub-Saharan Africa’s only national-level monarch has attracted growing international attention as his small kingdom struggles with a severe economic crisis and calls for him to undertake major constitutional reforms. See Thor Halvorssen & Alex Gladstein ‘Africa’s Game of Thrones’, *The Atlantic*, April 18 2014. [*http://m.theatlantic.com/international/archive/2014/04/africas-game-of-thrones/360864/*](http://m.theatlantic.com/international/archive/2014/04/africas-game-of-thrones/360864/); FundingThe author(s) received no financial support for the research, authorship, and/or publication of this article.; 1.A key assumption made in this analysis of patronage and power in Swaziland is that ***strategic*** choices have primacy over structural and institutional determinants. This point is influenced by Pepinsky’s (2014) observation that ‘when scholars claim to be studying an institution, they are examining the equilibrium of a game among ***strategic*** actors that has the properties of being stable, durable and robust to certain perturbations’.; 2.According to a Freedom House report: ‘an elite 10% of Swazis accounts for nearly half of total consumption. The king’s personal fortune is estimated at US$200 million, and he controls 60% of the country’s economy. In 2012, the finance minister admitted that government corruption was annually channeling US$128 million in public funds to the elite. The 2012 national budget allocated US$26 million for royal allowances. The king also draws funds from ministry budgets at will. See Freedom House, 2013: 7.; 3.A budget constraint is an accounting identity that describes the consumption options available to an agent with a limited income (or wealth) to allocate among various goods. It is important to understand that the budget constraint is an accounting identity, not a behavioral relationship. An agent may well determine his behavior by considering his budget constraint, but his budget constraint is a given element of the problem he faces.; 4.In the 1990s, Swaziland was even reported on in terms of being a kind of ‘economic miracle’, see Nevin (1999); 5.This quote and citation is taken from an earlier non-published version of the paper that was later published in 2004 without this sentence, see references for both versions.; 6.For an updated source of information on Swaziland and opposition forces, see Freedom House, 2013.; 7.Kingdom of Swaziland, 2005, Chapter VII: 79, ‘System of Government’.; 8.For a detailed account of the Swazi government’s 2011 financial crisis, see African Development Bank, 2012.; 9.For a journalistic account regarding the *tibiyo* and the mobile telephone privatization controversy, see *Swazi Media Commentary*, 2012 and Gwebu, 2013.; 10.For information on road construction projects, the author consulted African Development Bank, 2003.; 11.The loan and its use attracted a great deal of press attention in light of the fact that the government has struggled to pay wages and pensions on time. See Redvers, 2011.

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HINA Digest

27 September 2017

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**Length:** 9259 words

**Body**

Zagreb, 27 September 2017 (Hina) - Croatia, Israel discuss enhancement of defence cooperation, aircraft purchaseZAGREB, Sept26(Hina) - Croatian Defence Minister Damir Krsticevic and his Israeli counterpartAvigdor Lieberman met in Zagreb on Tuesday for the talks on the enhancement of bilateral cooperation including the ***planned*** procurement ofmulti-role fighter aircraft for the Croatian Air Force.In mid-July, Croatia's Defence Ministry sent a Request for Proposal (RfP) for the procurement of combat aircraft to Sweden (Gripen JAS-39), the US (F-16), South Korea (FA-50), Israel (F-16 Barak) and Greece (F-16), so that a decision can be made by the end of the year.Three years ago, Israel completed the upgrade ofLockheed Martin F-16C/Ds fighting falconswithin its ***programme*** called Barak 2020."We have talked aboutmulti-role fighter aircraft, training of young officers in Israel and the development of cooperation in the cyber area," Krsticevic said after the talks with Lieberman. The two have met three times so far this year.The first meeting took place in January when Krsticevic, who was a memberof Croatia's delegation led by Prime Minister Andrej Plenkovic, visited Israel and on that occasion the two countries signed an agreement on disaster management and emergency response."Our second meeting was in March when we signed a defence cooperation agreement that paves the way for cooperation in a score of sectors," Krsticevic said adding that during his current visit to ZagrebLieberman is being accompanied by executives from the military industry and IT companies.The Israeli minister said he hoped that the relations between the two countries' armed forces would be reinforced and that they exchanged opinions on many ***strategic*** issues, notably terrorism threats as one of the major challenges in the Middle East and Europe.We have been fighting against terror for years, each day.

Earlier today, three our citizens were killed, Lieberman said referring to anincident in which three security officers were shot when an armed Palestinianshot at a group of security officers who were opening the back gates of Har Adar to Palestinian labourers.Nowadays, perhaps, Islamist terrorism is the greatest challenge. In the past Israel was the target and I am sorry to say that now Europe has become the next target, the Israeli minister said.We appreciate Croatia's readiness to fight against terror, he said, recalling that Croatia's troops are engaged in peace missions in Afghanistan, Kuwait and in the coalition against the Islamic State.He said he was looking forwad to the palpable results in the Croatia-Israel cooperation.Lieberman, who arrived in Zagreb on Tuesday for a two-day visit, was received by President Kolinda Grabar-Kitarovic and Prime Minister Andrej Plenkovic.Croatian and Swedish defence ministers discuss combat aircraft procurementDefence Minister Krsticevic said on Monday that in the process of selection of the type of combat air-planes which it would buy, Croatia would take into account not only characteristics of those planes but also ***strategic*** partnership.This statement was made by Krsticevic after he received Swedish Defence Minister Peter Hultqvist for the talks on this topic.Hultqvist said that Sweden had very good combat aircraft and that the state of art generation of combat aircraft was offered.I have invited Minister Krsticevic to visit Sweden and see what we do in our defence forces and which capabilities are at our disposal, the Swedish minister said, recalling that the Czech Republic and Hungary have equipped their respective air forces with the Swedish Gripen.Croatian president receives Israeli defence ministerZAGREB, Sept26(Hina) - Croatian President and Armed Forces Commander in Chief Kolinda Grabar-Kitarovic on Tuesday received Israeli Defence MinisterAvigdor Lieberman who is on a visit to Croatia, the Office of the Croatian President said in a press release.The meeting, which was also attended by Croatian Defence Minister Damir Krsticevic, focused on good relations between Croatia and Israel.The officials particularly commended the enhancement of bilateral cooperation including the ***planned*** procurement of multi-role fighter aircraft for the Croatian Air Force.President Grabar-Kitarovic underlined Israel's important role as a NATO partner in attempts to stabilise the Middle East and intensify NATO's role in the fight against terrorism.The officials exchanged opinions about key security threats in the Middle East and Southeast Europe and underscored the need for stepping up defence and other cooperation between Croatia and Israel,the press release said.Croatian PM meets with Israeli defence ministerZAGREB, Sept26(Hina) - Relations between Croatia and Israel are excellent, Croatian Prime Minister Andrej Plenkovic and Israeli Defence Minister Avigdor Lieberman said at a meeting in Zagreb on Tuesday, expressing a wish for stronger economic and defence cooperation between the two countries.Lieberman was on a visit to Croatia and earlier in the day he met with his host, Defence Minister Damir Krsticevic. The two officials discussed ways to expand the defence cooperation and the procurement of multi-role combat aircraft for the Croatian Air Force.In mid-July, the CroatianDefence Ministry sent a request for proposal for the procurement of combat aircraft to Sweden (Gripen JAS-39), the US (F-16), South Korea (FA-50), Israel (F-16 Barak) and Greece (F-16), so that a decision could be made by the end of the year.The Israeli aircraft industry has extensive experience in upgrading military aircraft, including the F-16, which has been the country's basiccombat aircraft for 37 years.Lieberman's visit cameone day after the Swedish defence minister visited Zagreb.Plenkovic and Lieberman also discussed the two countries' cooperation in the prevention of wildfires in light of the participation of a Croatian fire-fighting squadron in fighting wildfires in Israel in November 2016 and June 2017.Ex-Serb paramilitary commander found guilty of war crimesZAGREB, Sept26(Hina) - The Split County Court on Tuesday sentenced Dragan Vasiljkovic aka Captain Dragan, a former commander of a special purposes unit within Serb paramilitary forces, to 15 years in prison for war crimes in the Knin Fortress in June and July 1991 andduring an attack on Glina, while acquitting him of the charges that he ordered the murder of two unidentified Croatian soldiers atBruska near Benkovac in February 1993.Reading out the verdict, presiding judge Damir Romac said that Vasiljkovic got five years for each of the three crimes of the first count of the indictment related to the torture and murder of captured Croatian soldiers and police, while for the attack on Jukinac, a suburb of Glina, and the villages of Gornji Vidusevac and Donji Vidusevac, where civilian properties were damaged or destroyed, the local population was forced to flee their homes, their property was plundered and civilians were killed and wounded, including a foreign reporter, he was sentenced to eight years in prison."We are handing down a single sentence of 15 years, ordering the compensation of court costs in the amount of some HRK 50,000and extending (the defendant's) detention. This trial chamber acquits Dragan Vasiljkovic on the second count of the indictment because the relevant witness gave contradictory statements and changed them, which is why the trial chamber could not consider him credible. Since in the course of the trial the defendant made unfounded objections to the duration of his detention, we note that he has been in custody in Split Prison since 9 July 2015 and that the rest of the time he spent in custody was extradition custody," said Judge Romac.The judge went on to say that aggravating circumstances in determining the sentence were the fact that Vasiljkovic did not regret his actions, that a number of people suffered due to his actions, a number of people were injured, of whom some seriously, two were killed and property was damaged.He added that during the presentation of evidence the trial chamber admitted statements by prosecution witnesses because they were almost identical and convincing, while statements by witnesses for the defence were not admitted because "it was evident that the witnesses wanted to help."Vasiljkovic listened to the judge calmly as he was reading out the verdict, turning only a few times towards a nearly full court chamber.Apart from numerous reporters, including those from Australia and Germany, sitting in the audience were members of the Serbian Embassy staff, court officials, students, members of the public, as well as the head of the Split-Dalmatia County association of former inmates of Serb-run concentration camps, Ivan Turudic.Vasiljkovic's counsel said that they would appeal againstthe verdict, adding that they did not expect such a long sentence and conveying Vasiljkovic's disappointment with it.They also noted that after the verdict became final, Vasiljkovic could ask for an early release given that he had spent slightly less than 12 years in extradition detention and in Split Prison.Vasiljkovic, who was born in Belgrade and holds the citizenship of Australia, which extradited him to Croatia in July 2015, was convicted for the tortureand killing of Croatian prisoners of war in Knin and for a Yugoslav People's Army (JNA) attack on Glina in 1991, which he commanded.It was proven during the trial that as the commander of a specialpurposes unit within Serb paramilitary forces Vasiljkovic acted contrary to the Geneva Convention by torturing and killing Croatian soldiers and police officers held prisoner in the Knin Fortress in June and July 1991.He was also found guilty of having ***planned*** in July 1991 in Glina, in agreement with the commander of a JNA tank unit, an attack on the police station in Glina, its suburb of Jukinac and the villages of Gornji Vidusevac and Donji Vidusevac, and their subsequent occupation.During the attack, civilian properties were damaged or destroyed, the local population was forced to flee their homes, their property was plundered and civilians were killed and wounded, including a foreign reporter.Veterans' minister doesn't think Vasiljkovic's sentence is adequateZAGREB, Sept26(Hina) -Croatian War Veterans' Minister Tomo Medved on Tuesday commented on the ruling against former Serb paramilitary leader Dragan Vasiljkovic aka Captain Dragan whom the Split County Court earlier in the day sentenced to 15 years in prison for war crimes in the Knin Fortress in June and July 1991 and during an attack on Glina."Knowing about all the crimes he caused and about his role in the aggression on the Republic of Croatia, I cannot accept this asan adequate sentence," the minister said, adding that he had expected "a more adequate punishment."The Split County Court on Tuesday sentenced Vasiljkovic, a former commander of a special purposes unit within Serb paramilitary forces, to 15 years in prison for war crimes in the Knin Fortress in June and July 1991 and during an attack on Glina, while acquitting him of the charges that he ordered the murder of two unidentified Croatian soldiers at Bruska near Benkovac in February 1993.Agrokor suppliers, ***producers*** support emergency administrationZAGREB, Sept 26 (Hina) - Members of the coordination of ***producers*** and suppliers toAgrokor believe that the owner Ivica Todoric is responsible for the situation in the ailing food corporation and they support the emergency administration and have called for "defusing of tension" so that the business of Agrokor's leading companies is not jeopardised."In reaction to Todoric's latest media releases, Agrokor suppliers and ***producers*** consider that it is necessary to react to certain untruthful claims even though we respect the right to free speech and the right to free choice of defence," a press release by the coordination said.Referring to Todoric's claims that at the start of 2017, Agrokor had a "firm ***plan*** for advancement and successful growth and for repayment tocreditors in according to legal obligations," and that it was fairing "better than ever," the coordination said that that "cannot be true considering the fact that the practice of openly not paying suppliers started years before the public was made aware of it."It is irresponsible and unprofessional to mention that "under the emergency administration a significant portion of Agrokor's assets have been blocked," and not as a result of previous business decisions that led to the blockade and the current situation in Agrokor.Criminal report filed byunidentified personIn the meantime media outlets reported that an unidentified person has filed a criminal reportto the State Prosecutor's Office (DORH) against Economy Minister Martina Dalic, the government-appointedemergency administratorin Agrokor, Ante Ramljakand others associated with the emergency administration, accusing them of a criminal enterprise and conspiracy totakeover Agrokor, selling it off and gaining material benefit."Martina Dalic, Ante Ramljak, Alexander Debelius, Wilheim Hemetsberger, Klaus Requat, Alastair Beveridge, Tin Dolicki, Boris SavoricandTonci Korunicand NN who represent the Knighthead Fund, have committed several criminal acts of abuse of position and all within the framework of a criminal enterprise," reads the criminal complaint as carried by the Index news portal.The criminal report was sent to about 40 addresses, including toPresident Kolinda Grabar-Kitarovic, Prime Minister Andrej Plenkovic, Parliament Speaker Gordan Jandrokovic, lawmakers, party leaders and the media.Agrokor: Why make anonymous complaint if accusations are well foundedZAGREB, Sept 26 (Hina) - If the suspicions or accusations were well-founded there would not have been any reason to cowardly hide behind an anonymous complaint, the emergency administration at the debt-laded Agrokor food and retail group said on Tuesday, commenting on an anonymous complaint made against emergency administrator Ante Ramljak."The anonymous complaint against the emergency administrator and other persons is a smokescreen to divert attention and downplay the actual situation in Agrokor and the company's financial statements for 2016 which will be published on Friday," the emergency administration said, adding that the emergency administrator is currently working with three major international consulting firms, AlixPartners, Kirkland&Ellis and Houlihan Lokey, as well as with local consultants."I am confident that theinstitutions of the state will do their job regarding this matter and I expect that the truth will eventually prevail, " Ramljak said.An unidentified person has filed a criminal complaint with the State Prosecutor's Office against Economy Minister Martina Dalic, the government-appointed emergency administrator Ante Ramljak and others associated with the emergency administration, accusing them of a conspiracy to take over Agrokor, sell it off and gain material benefit."Martina Dalic, Ante Ramljak, Alexander Debelius, Wilheim Hemetsberger, Klaus Requat, Alastair Beveridge, Tin Dolicki, Boris Savoric andTonci Korunic, as well as NN who represents the Knighthead Fund, have committed several criminal acts of abuse of position as part of the conspiracy," reads the criminal complaint carried by the Index news website.The complaint was sent to about 40 addresses, including to President Kolinda Grabar-Kitarovic, Prime Minister Andrej Plenkovic, Parliament Speaker Gordan Jandrokovic, lawmakers, party leaders and the media.Agrokor founder Ivica Todoric said in his blog on Tuesday that he was not behind the anonymous complaint against Ramljak and other persons named in the complaint.In his latest blog post he harshly criticised Finance Minister Martina Dalic.Governor says central bank did its job in connection with AgrokorresponsiblyZAGREB, Sept26(Hina) - Croatian National Bank (HNB) governor Boris Vujcic on Tuesday reiterated that the central bank did all its activities in connection with the Agrokor Group responsibly and that he had no information about any criminal reportreportedly filedagainst the central bank.In connection with the latest allegations made by Agrokor founder Ivica Todoric against the state authorities and his former close associates, reporters asked Vujcic whether Todoric could eventually raise the issue of the HNB's accountability for possible omissions, and Vujcic answered in the negative."I think that we have clearly described the HNB's role in that whole case. We did our part of the job well and responsibly in asituation in which we could not have known much," Vujcic told a news conference.This past April the HNBstated that it had conducted 27 inspections from 2012 to 2016 about lenders' exposure to the Agrokor Group and it found irregularities in 16 banks, which was why measures were ordered and limits were imposed to reduce bank exposure to that borrower by several billion kuna."That has prevented in a timely manner the current situation in Agrokor from activating systemic risk in the banking sector, with all the possible negative consequences for the economy, citizens and the state budget," the HNB said in a press release in response to inquiries about concrete supervisory measures the HNB undertook with regard to banks' exposure to Agrokor.During the inspections conducted in the past five years, 13 decisions were issued instructing banks to undertake certain measures and adequate limits were set. In two banks, the HNB appointed its commissioners with the task of supervising the implementation of those measures, the HNB said.PM meets with delegation of PBZ, Intesa Sanpaolo Bank officialsZAGREB, Sept26(Hina) - Prime Minister Andrej Plenkovic met at the government offices on Tuesday with representatives of Privredna Banka Zagreb (PBZ), a member of the Intesa Sanpoalo Group, and Intesa Sanpaolo Bank to discuss Intesa Sanpaolo Bank's activities in Croatia and further cooperation, the government said in a statement.The talks focused on the bank's activities involving households, businesses and the state.Its representatives particularly commended data on Croatia's economic growth in the last two years and expressed satisfaction with fiscal consolidation and the stability of public finance.Attending the talks with the delegation of Intesa Sanpolo Bank were also Economy Minister Martina Dalic and Finance Minister Zdravko Maric.HNB gives banks recommendation on lessening interest rate risk for householdsZAGREB, Sept26(Hina) - Croatian National Bank (HNB) Governor Boris Vujcic on Tuesday presented a list with information onhousehold loans on offer and recommended that banks offer their clientsfixed interest rates in the case of long-term loans in order to lessen the risk of possible interest growth.The HNB list will make it possible for consumers to compare lending conditions of different banks in one place.The list will contain all main groups of loans, and clients will be able to browse throughterms and conditions offered by banks regarding theloan amount, effective interest rates, fixed margins, currencies, etc.The list will be available on the HNBwebsite and it will be possible to download an application to view it on mobile phones, notepads etc.Vujcic said that the application will be expanded by an exchange rate list, and in the spring next year information will be added on fees individual banks charge for standardpayment transactions, stressing that differences in those fees were sometimes huge.Vujcic also said that the HNB had advised banks to reducethe interest and interest-induced loan risk in long-term household lending by offering clients fixed interest rates for loans with the remaining maturity of more than seven years, where the interest-induced risk is the greatest in the future."We have told the banks to offer that to their clients, and it is up to clients to decide whether it pays to opt for a fixed interest rate or not," said Vujcic.According to HNB data, about 90% of Croatian household loans are not protected against exchange rate risks, and 67% of all household loans have a variable interest rate, with as many as 81% of housing loans having such an interest rate.The Croatian Banking Association welcomed the HNB's recommendations for lessening interest risks for households, noting that Croatian banks were already implementing them.Grabar-Kitarovic replies to Kavazovic she stands by her statement about terrorism threatZAGREB, Sept 26 (Hina) - Croatian President Kolinda Grabar-Kitarovic stands by her position on the potential risk of radicalised individuals in the region posing a terrorist threat, the news agency of the Islamic community in Bosnia and Herzegovina said on Tuesday.The MINA news agency said that the Croatian president had replied to the head of the Islamic community in Bosnia and Herzegovina, Husein Kavazovic, after he asked her to clarify her statement that Bosniaks (Bosnian Muslims) posed a terrorist threat to neighbouring countries and Europe."In her letter, the President of Croatia thanked (Kavazovic) for his letter, his respect and his sincere words, but stood by her views," MINA said.The Croatian President's Office would not comment, saying that it was a private letter.Kavazovic thanked Grabar-Kitarovic for her reply, saying he agreed with her that "sincere communication is the best way to remove any doubts that might harm the relations between the two countries and peoples," according to the news agency.Last week Kavazovic addressed a letter to Grabar-Kitarovic accusing her of maliciously trying to discredit Bosniaks by associating them with terrorism. He asked her, for the sake of good neighbourly relations, to provide evidence based on which she claimed that Muslims in Bosnia and Herzegovina and the neighbourhoodposed a danger to Croatia and Europe.Kavazovic's letter was prompted by claims by the Office of the Croatian President that there were between 5,000 and 10,000 radicalised individuals in Bosnia and Herzegovina posing a potential security threat in terms of Islamic terrorism.Such claims had been previously dismissed by senior Bosnian officials, including Security Minister Dragan Mektic, but they did not specify the actual extent of terrorist threats in that country.Croatian president tells Muslim dignitary her statements weren't directed against Muslims, BosniaZAGREB, Sept 26 (Hina) - Croatian President Kolinda Grabar-KItarovic said in a recent letter to the head of the Islamic community in Bosnia and Herzegovina, Husein Kavazovic, that she had never spoken against Muslims, Bosniaks or Bosnia and Herzegovina but had only pointed out political phenomena and processes that caused anxiety and concern, regardless of where they occurred, Hina learned on Tuesday.The news agency of Bosnia and Herzegovina's Islamic community, MINA, said that the Croatian president had replied to Kavazovic, after he asked her to clarify her statement that Bosniaks (Bosnian Muslims) posed a terrorist threat to neighbouring countries and Europe."In her letter, the President of Croatia thanked (Kavazovic) for his letter, his respect and his sincere words, but stood by her views," MINA said.Grabar-Kitarovic said in her letter that none of her statements were directed against Muslims, Bosniaks or Bosnia and Herzegovina, expressing regret that a part of the public in the neighbouring country had been waging a campaign against her for months without using any arguments.She said that her political actions, including her advocacy of Bosnia and Herzegovina's speedy integration with the EU, were geared towards the well-being of its three peoples, the prosperity of relations between the two countries and the interests of peace and cooperation in Southeast Europe."Guided by a wish to prevent any similar recurrences and a duty to protect Croatia's national interests and the interests of all its citizens regardless of their religion and ethnic background, I have a duty to warn of all political - not religious - but political phenomena and processes that cause anxiety and concern, regardless of where they occur, but particularly if they occur in this part of Europe," reads the letter.Kavazovic's letter was prompted by claims by the Office of the Croatian President that there were between 5,000 and 10,000 radicalised individuals in Bosnia and Herzegovina posing a potential security threat in terms of Islamic terrorism.Such claims had been previously dismissed by senior Bosnian officials, including Security Minister Dragan Mektic, but they did not specify the actual extent of terrorist threats in that country.Croatian and Bosnian intelligence agencies deny espionage scandalZAGREB, Sept 26 (Hina) - Bosnia and Herzegovina's Security Minister Dragan Mektic said on Tuesday that the heads of the intelligence agencies of Bosnia and Croatia concluded that there had not been any illegal wire-tapping of Croatian politicians or business people and that everything else wasjust insinuation by the media.The head of the Croatian Security-Intelligence Agency (SOA), DanijelMarkic, met in Sarajevo on Tuesday with the director of the Intelligence-Security Agency of Bosnia and Herzegovina (OSA), Osman Mehmedagic after Croatian media reported that OSA had wire-tapped Croatian business people as well as politicians from Bosnia and Croatia."There is no intelligence scandal and all services are working in line withthe law," Mektic told reporters after the meeting."The cooperation between the two services is very good and will continue in the future. We also agreed that it wasnecessary to defusethis media-contrived scandal," he added.According to Mektic, the two directors agreed that there had not been anything that could be described as "offensive or unlawful" activity by either service against the other.Mektic would not give a straightforward answer when asked if documents published by the Croatian Nacional weekly were authentic, repeating that nothing illegal had been done and that there was no scandal.Nacional published copies of documents on the wire-tapping of Croatian business people and officials, claiming that OSA had been illegally wire-tappingand spying on Croatian business people and officials for quite some time.The weekly claimedthat it hadseen several secret reports by OSA indicating that the Bosnian intelligence agency "is waging special warfare against Croatia, Croatian Prime Minister Andrej Plenkovic and the Croatian government's foreign policy, as well as against Croats in Bosnia and Herzegovina."SOA and OSA clarify disputed figure of 10,000 radical IslamistsZAGREB, Sept 26 (Hina) - The figure of 10,000 radical Islamists given in a recent report by the Croatian Security and Intelligence Agency (SOA) does not apply to Bosnia and Herzegovina but to the wider region of southeastern Europe, Bosnia and Herzegovina's Intelligence and Security Agency (OSA) said in a statement on Tuesday.The disputed figure, which had prompted an angry response from the authorities in Bosnia and Herzegovina who thought it applied to their country only, was clarified at a meeting in Sarajevo between the SOA and OSA directors, Danijel Markic and Osman Mehmedagic respectively.Markic and Mehmedagic met behind closed doors to discuss the current security situation in the region, focusing on the fight against terrorism and organised crime and on strengthening the intelligence potential.They concluded that the cooperation between SOA and OSA was "very productive, open and intense in all areas," the statement said, adding that greater engagement was needed in coordinating efforts within the region in combating terrorism, including the need to continue good bilateral cooperation with SOA, the Bosnian intelligence agency said.Bosnian Security Minister Dragan Mektic said earlier that the chiefs of the Bosnian and Croatian intelligence agencies concluded that there had been no wire-tapping of Croatian politicians and business people, adding that everything else was insinuation by the media.The Croatian weekly Nacional recently published documents showing that OSA had illegally wire-tapped Croatian officials and business people for quite some time. The weekly said that the documents proved that the Bosnian intelligence agency "is conducting special warfare against Croatia, Croatian Prime Minister Andrej Plenkovic and the Croatian government's foreign policy, as well as against Croats in Bosnia and Herzegovina.""There is no intelligence scandal and all the agencies are working in accordance with the law," Mektic told reporters after the meeting.Bosnia Croat official calls for probe into OSA over his alleged wire-tappingZAGREB, Sept 26 (Hina) - The chairman and Croat member of the tripartite Bosnia and Herzegovina Presidency, Dragan Covic on Tuesday said that he was convinced that he was being wire-tapped and announced a comprehensive investigation, referring to the latest scandal in the wake of confidential Intelligence Security Agency (OSA) documents being leaked and accusations of Croatbusiness people and officials from Bosnia and Croatia, being wire-tapped."I have no doubt that I am being wire-tapped as a member of the presidency and as a representatives of a political party. I am not perturbed by that, however, state institutions have to work, in compliance withthe law," Covic said as carried by media outlets in Mostar.He rejected the explanation that OSA had wire-tapped Croatia politicians and officials to protect the country's economic interests, as had been claimed by Security Minister Dragan Mektic. Covic announced a comprehensive investigation on the possible misuse of the Intelligence-Security Agency."We will have to give a clear answerbecause such important matters most not leave room for speculation. That has to disappear from Bosnia and Herzegovina institutions. Bosnia and Herzegovina has to function as a normal system for thousands of reasons. And it can't, if that segment of the police, security, prosecution, judicial authorities are not completely functioning on democratic foundations," Covic added.The Nacional weekly from Croatia published documents about wire-tapping of Croatian businessmen and officials noting that OSA has illegally been following and wire-tapping Croatian business people and officials.Covic said that he expected Bosnia and Herzegovina to accelerate its path toward the European Union, which he was promised by European Commissioner for Foreign and Security Policy, Federica Mogherini."The doors are completely open for us but we have to completely understand the essential tasks we have to do in Bosnia and Herzegovina showing good will and political maturity and not division and dealing with only with ourselves," he said.MEP Picula talks to Commissioner Cretu about European islandsZAGREB, Sept26(Hina) - MEP Tonino Picula of Croatia on Tuesday metEuropean Commissioner for Regional Policy Corina Cretu to talk about the status of European islands in the future cohesion policy, Picula's office said in a press release.The meeting was also attended byMarie-Antoinette Maupertuis, rapporteur to the Committee of the Regions on Entrepreneurship in the Islands, and Stefano Mallia, rapporteur to theEuropean Economic and Social Committee for Islands.Picula presented the European Parliament's initiatives regarding islands, following the adoption of the European Parliament resolution on a special situation of islandsin February 2016. He called for a fairer treatment of European islands and the preservation of the cohesion policy as the main investment instrument in the EU, as well as on islands. Picula stressed that a new law on islands was underway in Croatia, adding that good examples from other countries were welcome."We cannot correct the past, but we want to influence the future of European policies on islands. We welcome the latest initiatives which includeislands, such as the establishment of the European Energy Island Forum, but we cannot be satisfied with pressures on the cohesion policy which would undo everything that has been done so far,"Picula said at the meeting.Commissioner Cretu welcomethe European Energy Island Forum, set up last week on Crete, agreeing with Picula'sstatement about the importance of the cohesion policy.The participants in the meeting agreed to hold a joint forum on the future of European islands with representatives of all European institutions and EU member states attending. The forum will be held in early 2018.European Commission assists in fight against dual quality of productsZAGREB, Sept 26 (Hina) - The European Commission on Tuesday released guidelines that will assist member states in applying EU food and consumer laws to dual quality products.For some time now, consumers in new member states, including Croatia, have been complaining that products like Nutella, Coca Cola andAriel are not of the same quality as in older member states.The usual argument by ***producers*** in defence of dual quality was that they adapted products to suit tastes in various countries.The EC has issued the guidelines after President Jean-Claude Juncker in his address on the state of the Union considered it was unacceptable for some parts of Europe, to sell food products of lower quality than in other countries, despite the packaging and branding being identical.The ECguidelines will help national authorities to determine whether a company is breaking EU laws when selling products of dual quality in different countries.The Commission is also financing further work on the collection of evidence and enforcement by offering €1 million to member states for the financing of studies or enforcement actions.On 13 October, the Commission will participate to the Consumer Summit, a high-level ministerial meeting on the topic of dual food quality organised in Bratislava by the Slovak and Czech governments.The Commission will organise workshops with consumer protection and food safety authorities in September and November.Manufacturing exports generate HRK 57.4 bn of GVAZAGREB, Sept 26 (Hina) - Croatian manufacturing industry exports directly or indirectly generate HRK 57.4 billion of Gross Value Added, or as much as 20.5% of the GVA of the economy, a study shows.The study, entitled "Sources of Export Growth and Industrial Development: Empirical Evidence from Croatia",was carried out by the Zagreb Institute of Economics and its results were presented at a round table on Tuesday.The manufacturing industry accounts for 89% of Croatia's commodity exports, project leader Goran Butorac said. Every kuna of value added, which is directly generated by the manufacturing industry, generates another 2.6 kuna of value added in the rest of the economy, and manufacturing exports considerably contribute to the creation of GVA in other sectors, he added."Manufacturing exports create 26.5% of the gross value added of ***agriculture***, 32.3% of transport and trade, and 16.6% of business services, and the research suggests that the multiplier effects of manufacturing exports have strengthened since Croatia joined the European Union," Butorac said.Manufacturing exports directly contribute to the employment of 140,000 people, which is more than 50% of the sector's workforce, and create 340,000 jobs in the total economy, which is 21.5% of the total number of employees in Croatia, he said.Butorac said that the Croatian manufacturing industry was characterised by dynamic growth since EU entry, a large foreign trade deficit, growing competitive pressure on international markets, and the technological lagging of the production structure of exports in relation to EU countries.The shipbuilding, pharmaceutical and food industries have made the largest contribution to export growth since Croatia joined the EU in mid-2013, Butorac said.GVA induced by manufacturing exports increased by 8.6% in 2014 year on year, by 11.6% in 2015 and by 5.9% in 2016. The largest trade deficits are recorded in motor vehicles (EUR 912 million), chemicals and chemical products (EUR 877 million) and food products (EUR 783 million), while surpluses are recorded in wood processing (EUR 327 million), shipbuilding (EUR 231 million) and furniture making (EUR 70 million).(EUR 1 = HRK 7.48)Construction workers union and employers support proposal for pay increaseZAGREB, Sept 26 (Hina) - The Croatian construction workers' union and the construction sector employers' association on Tuesday held a meeting urging the opening of sectoral collective bargaining on a pay increase and calling for monitoring the implementation of the collective agreement.Union leader Jasenka Vuksic said that the average gross monthly salary in the construction sector was HRK 4,900, or 18 percent lower than the national average, adding that this was the reason why construction workers were leaving for western European countries where they would be better paid and have better work conditions. She said that the Croatian construction sector had lost about 50,000 workers during the crisis.A proposal has been agreed to reduce the fiscal burden on employers by reducing taxes and other levies so that these funds would be used to increase workers' pay, Vuksic said. The government and its relevant ministries have been called upon to monitor the payment of salaries, taxes and contributions in accordance with the sectoral collective agreement. Attention has been drawn to the need to systematically address the problem of a shortage of labour andfor a more transparent and fair public procurement procedure so that contracts would not be awarded to companies unable to deliver them, she added.Vuksic recalled that the construction sector had been hit hardest by the economic crisis and that many construction companies, the latest example being Viadukt,had failed because of lack of work and unfair competition.The meeting was held on Croatian Construction Workers' Day, which is observed on September 26.Slovenian PM criticises Croatian PM's speech before UN General AssemblyZAGREB, Sept 27 (Hina) - Slovenian Prime Minister Miro Cerar said on Tuesday that his Croatian counterpart Andrej Plenkovic had "crossed all lines" in his speech in New York last week which was why he was forces to cancel their meeting, scheduled to be held in Zagreb on Wednesday.Negotiations with Croatia about the implementation of the arbitration solution will continue only after "circumstances change", namely after Croatia agrees to cooperation regarding the implementation of the arbitration ruling and once it recognises the ruling as a valid international document, Cerar told RTV Slovenia.He reiterated he had no choice but to cancel the meeting with Plenkovic after his speech at the UN General Assembly.Commenting on Plenkovic speech, in which the Croatian prime minister said that the arbitration process had been contaminated and did not set an example to other countries that could approach arbitration in their future disputes, Cerar said that Plenkovic "has crossed all lines.""Should Croatia change its position in the meantime, dialogue will resume," Cerar said.Vucic says adopting law on Croatian veterans opens Pandora's boxZAGREB, Sept 27 (Hina) - The adoption of the law on Croatian war veterans opens Pandora's box, Serbian President Aleksandar Vucic said in an interview with Radio Television Serbia on Tuesday evening, adding that the said law was unacceptable to Serbia.Serbian media cited Vucic as saying that the proposed law in which Serbia was named as the agressor opened Pandora's box because Serbia would then adopt another 500 laws about what had been done to Serbs in the WWII concentration camp Jasenovac and in the 1995 Croatian military and police Operation Storm."This is unacceptable to us. I would like if Croats would sometimes put themselves in our shoes. I put myself in their position and I understand what is bothering them, but I would like to ask them to show understanding for the problems of Serbs and for what Serbs will never accept," Vucic said.The Croatian Parliament is scheduled to discuss on Wednesday a bill on Croatian war veterans and members of their families, and the Serbian president finds contentious the definition about the Serb aggression in the Homeland War and the sentence saying that the aggression against Croatia was "executed by Serbia, Montenegro, the Yugoslav People's Army and paramilitary units from Bosnia, with the help of a large number of members of the Serb ethnic minority in Croatia."Commenting on relations in the region, Vucic said Serbia had excellent relations with Hungary and very good relations with Montenegro, Macedonia, Bulgaria and Romania. Relations with Bosnia and Herzegovina and Albania are good, although not always easy, and relations with Croatia are not bad either, Vucic said.In other news:Bernardic says has confidence of SDP presidencyZAGREB, Sept 26 (Hina) - Social Democratic Party (SDP) chief Davor Bernardic said on Tuesday that the party presidency had given him a vote of confidence, everybody but Bojan Glavasevic and SDP vice president Pedja Grbin who abstained."I would like to thank the party presidency which has given me a vote of confidence, apart from Pedja who abstained, and Bojan," Bernardic told the press in a recess of the SDP presidency session which, according to him, is expected to last another four hours."I have personally requested this and I put that on the agenda of the presidency and I received a vote of confidence," Bernardic said.He added the party presidency did not discuss the dismissal of Mirando Mrsic and Milanka Opacic from the party, as requested by the Zagreb branch of the SDP.SDP official says Mrsic and Opacic caused damage to partyZAGREB, Sept 27 (Hina) - Rajko Ostojic said on Tuesday evening that the Social Democratic Party (SDP) presidency decided that Mirando Mrsic and Milanka Opacic had caused damage to the party, announcing that the presidency would discuss possible disciplinary measures at its next session."Other names were mentioned as well, but 99% of the people clearly and explicitly mentioned those two names," Ostojic said."I am confident the presidency will adopt a unanimous decision, but nobody knows what decision that will be," Ostojic said, adding that possible disciplinary measures includes a warning, a suspension or a dismissal from the party.Croatian MEP gets new position in European ParliamentZAGREB, Sept 27 (Hina) - Croatian MEP Ruza Tomasic has become coordinator of the ECR Group in the the European Parliament's Committee on Regional Development (REGI), Tomasic's office said in a press release on Tuesday evening.Tomasic will be the main representative of the third biggest group in the European Parliament in the committee dealing with issues important to Croatia -- better EU funds absorption, quality decentralisation, cohesion policy and preservation of local communities and their economic prosperity.Bosnian media: Dodik supports Austria's FPOZAGREB, Sept26(Hina) - The leader of theFreedom Party of Austria (FPO),Heinz-Christian Strache, has openly supported the secessionist policy led by Bosnian Serb leader Milorad Dodik against Bosnia and Herzegovina's territorial integrity, and in return Dodik has urged Serbs in Austria to support the FPO in the Austrian legislative elections set for 15 October.Bosnian media outlets have reported that Strache and Dodik met in Vienna on Monday and that the Bosnian Serb entity's president will take part in the FPO campaign.Strache was quoted by the Serb entity's broadcaster (RTRS) broadcaster as saying that he shared Dodik's view on Bosnia and Herzegovina as an artificial state.State-owned Transmitters and Communications company opens refurbished office buildingZAGREB, Sept26(Hina) - The state-owned Transmitters and Communications (OiV) company on Tuesday formally opened its newly refurbished office building in Zagreb after over six million kuna (0.8 million euro) was invested in its reconstruction.In attendance at the ceremony were Transport and Infrastructure Minister Oleg Butkovic and State Property Management Minister Goran Maric.Addressing the ceremony, the OIV director Mate Botica said that one of the most important short-terms ***plans*** of the company would be toput to the test digital radio with state-of-art technology in the next two months.He also spoke about the project of detection and prevention of fires in early stages.Botica announced ***plans*** for the construction of broadband aggregation networks, andMinister Butkovic added that EU funds had been secured for that purpose in the areas where there wasno interest of commercial operators.Currently, OiV employs 298 workers and finished the first half of 2017 in the black.Number of foreign cruise ships visiting Croatia keeps fallingZAGREB, Sept26(Hina) -Croatia recorded 335visits by foreign cruise vessels to its part of the Adriatic in the first sevenmonths of this year, which is 15.2% or 60visits fewer than in the same period last year, figures from the National Bureau of Statistics (DZS) show.The ships carried 467,00passengers, or 13.1 % fewer than last year, and spent 737 days in the Croatian Adriatic, which was 20% less than in the first sevenmonths of 2016.Most of the ships sailed under the flags of the Bahamas (81) and Malta (79).The port of Dubrovnik received most of the cruise ships (267) in the first seven months of this year, followed by Split (103) and Korcula (69).In July alone, 99 cruise vessels' visits were recorded, down by 7.5% compared to July 2016.Croatian high schools included in EP Ambassador School ProgrammeZAGREB, Sept26(Hina) - The Upper Town High School Zagreb has been included in theEuropean Parliament Ambassador School ***Programme*** (EPAS), and Croatian member of the European ParliamentDubravka Suicaon Monday bestowed the certificate to the school headmaster Nenad Polondak, teacher Tajana Lovrekovic and eight students who have become Junior Ambassadors, the European People's Party stated.The European Parliament Ambassador School ***Programme*** for post-primary schools was launched in Ireland in 2015 as a pilot ***programme***.Schools are encouraged to ETwin with other schools in the ***programme*** across the EU. An optional activity is to follow the European Parliament on Facebook/Twitter and to post news, blogs etc.As many as 14 Croatian secondary schools have taken part in the EPAS ***programme***.Junior ambassadors set up an EU Info Point, which may be web-based or on school premises, and they organise, for example, Europe Day events.ZSE indices down, turnover lowZAGREB, Sept26(Hina) - The Zagreb Stock Exchange (ZSE) indices slid on Tuesday amid a modest turnover.The Crobex was down 0.39%, closing at 1,821.32 points and the specialised Crobex10 index fell by 0.36% to 1,075.80 points.Regular turnover was HRK 4.6 million or HRK 3.7 million less than on Tuesday.Not one of the stocks recorded a turnover exceeding the one million kuna mark.(EUR 1 = HRK 7.48)THIS BULLETIN INCLUDES ITEMS RELEASED BY 0830 HRS WEDNESDAY. (Hina) its Masthead Brief News Bulletin is published by the Croatian News Agency HINA Marulićev trg 1610 000 ZagrebCroatia web:[*www.hina.hr*](http://www.hina.hr) mail: [*hina@hina.hr*](mailto:hina@hina.hr) phone: (+385 1) 48 08 660; fax (+385 1) 48 08 822 Publisher: Branka Gabriela Valentić, DirectorEditor in Chief: Serđo Obratov Bulletin Editor: Marija Šestan

ZAGREB, Sept26(Hina) - Croatian President and Armed Forces Commander in Chief Kolinda Grabar-Kitarovic on Tuesday received Israeli Defence MinisterAvigdor Lieberman who is on a visit to Croatia, the Office of the Croatian President said in a press release.

ZAGREB, Sept26(Hina) - Relations between Croatia and Israel are excellent, Croatian Prime Minister Andrej Plenkovic and Israeli Defence Minister Avigdor Lieberman said at a meeting in Zagreb on Tuesday, expressing a wish for stronger economic and defence cooperation between the two countries.

ZAGREB, Sept26(Hina) - The Split County Court on Tuesday sentenced Dragan Vasiljkovic aka Captain Dragan, a former commander of a special purposes unit within Serb paramilitary forces, to 15 years in prison for war crimes in the Knin Fortress in June and July 1991 andduring an attack on Glina, while acquitting him of the charges that he ordered the murder of two unidentified Croatian soldiers atBruska near Benkovac in February 1993.

ZAGREB, Sept26(Hina) -Croatian War Veterans' Minister Tomo Medved on Tuesday commented on the ruling against former Serb paramilitary leader Dragan Vasiljkovic aka Captain Dragan whom the Split County Court earlier in the day sentenced to 15 years in prison for war crimes in the Knin Fortress in June and July 1991 and during an attack on Glina.

ZAGREB, Sept 26 (Hina) - Members of the coordination of ***producers*** and suppliers toAgrokor believe that the owner Ivica Todoric is responsible for the situation in the ailing food corporation and they support the emergency administration and have called for "defusing of tension" so that the business of Agrokor's leading companies is not jeopardised.

ZAGREB, Sept 26 (Hina) - If the suspicions or accusations were well-founded there would not have been any reason to cowardly hide behind an anonymous complaint, the emergency administration at the debt-laded Agrokor food and retail group said on Tuesday, commenting on an anonymous complaint made against emergency administrator Ante Ramljak.

ZAGREB, Sept26(Hina) - Croatian National Bank (HNB) governor Boris Vujcic on Tuesday reiterated that the central bank did all its activities in connection with the Agrokor Group responsibly and that he had no information about any criminal reportreportedly filedagainst the central bank.

ZAGREB, Sept26(Hina) - Prime Minister Andrej Plenkovic met at the government offices on Tuesday with representatives of Privredna Banka Zagreb (PBZ), a member of the Intesa Sanpoalo Group, and Intesa Sanpaolo Bank to discuss Intesa Sanpaolo Bank's activities in Croatia and further cooperation, the government said in a statement.

ZAGREB, Sept26(Hina) - Croatian National Bank (HNB) Governor Boris Vujcic on Tuesday presented a list with information onhousehold loans on offer and recommended that banks offer their clientsfixed interest rates in the case of long-term loans in order to lessen the risk of possible interest growth.

ZAGREB, Sept 26 (Hina) - Croatian President Kolinda Grabar-Kitarovic stands by her position on the potential risk of radicalised individuals in the region posing a terrorist threat, the news agency of the Islamic community in Bosnia and Herzegovina said on Tuesday.

ZAGREB, Sept 26 (Hina) - Bosnia and Herzegovina's Security Minister Dragan Mektic said on Tuesday that the heads of the intelligence agencies of Bosnia and Croatia concluded that there had not been any illegal wire-tapping of Croatian politicians or business people and that everything else wasjust insinuation by the media.

ZAGREB, Sept 26 (Hina) - The chairman and Croat member of the tripartite Bosnia and Herzegovina Presidency, Dragan Covic on Tuesday said that he was convinced that he was being wire-tapped and announced a comprehensive investigation, referring to the latest scandal in the wake of confidential Intelligence Security Agency (OSA) documents being leaked and accusations of Croatbusiness people and officials from Bosnia and Croatia, being wire-tapped.

ZAGREB, Sept26(Hina) - MEP Tonino Picula of Croatia on Tuesday metEuropean Commissioner for Regional Policy Corina Cretu to talk about the status of European islands in the future cohesion policy, Picula's office said in a press release.

ZAGREB, Sept 26 (Hina) - The European Commission on Tuesday released guidelines that will assist member states in applying EU food and consumer laws to dual quality products.

ZAGREB, Sept 26 (Hina) - Croatian manufacturing industry exports directly or indirectly generate HRK 57.4 billion of Gross Value Added, or as much as 20.5% of the GVA of the economy, a study shows.

ZAGREB, Sept 26 (Hina) - The Croatian construction workers' union and the construction sector employers' association on Tuesday held a meeting urging the opening of sectoral collective bargaining on a pay increase and calling for monitoring the implementation of the collective agreement.

ZAGREB, Sept 26 (Hina) - Social Democratic Party (SDP) chief Davor Bernardic said on Tuesday that the party presidency had given him a vote of confidence, everybody but Bojan Glavasevic and SDP vice president Pedja Grbin who abstained.

"I would like to thank the party presidency which has given me a vote of confidence, apart from Pedja who abstained, and Bojan," Bernardic told the press in a recess of the SDP presidency session which, according to him, is expected to last another four hours.

"I have personally requested this and I put that on the agenda of the presidency and I received a vote of confidence," Bernardic said.

He added the party presidency did not discuss the dismissal of Mirando Mrsic and Milanka Opacic from the party, as requested by the Zagreb branch of the SDP.

ZAGREB, Sept 27 (Hina) - Rajko Ostojic said on Tuesday evening that the Social Democratic Party (SDP) presidency decided that Mirando Mrsic and Milanka Opacic had caused damage to the party, announcing that the presidency would discuss possible disciplinary measures at its next session.

"Other names were mentioned as well, but 99% of the people clearly and explicitly mentioned those two names," Ostojic said.

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[***Farming for the Next Generation***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5RBG-HWW1-JDG9-Y3CD-00000-00&context=1516831)

Impact News Service

January 4, 2018 Thursday

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**Length:** 5645 words

**Body**

London: UK Government has issued the following news release: The age of acceleration

For anyone wondering what the focus of this year’s Oxford Farming Conference might be, The Archers provided an answer just before Christmas.

Brian Aldridge asked his step-son, Adam, whether he might be attending the conference. Adam replied wearily. ‘I think I’ll give it a miss this year. It’s probably going to be all about Brexit. I get enough of that at home.’ I know how he feels.

I suspect everyone in this room knows how he feels.

And, of course, I’ll say something in a moment about the opportunities and challenges for ***agriculture*** on leaving the European Union.

But if we’re going to make the most of those opportunities and overcome those challenges it’s critical that we recognise that there is much, much, more that is changing in our world than our relationship with the EU.

The world’s population is growing at an unprecedented rate, with a worldwide migration from rural areas to cities and a growth in the global middle class which is driving demand for more, and better quality, food.

Technological change is at an inflection point. Developments in big data, artificial intelligence and machine learning mean that processes which would have required the intellect and effort of thousands of humans over many hours in the past can be accomplished automatically by digital means in seconds.

These technological breakthroughs raise political and moral questions as we consider how we deal with the transformation of a huge range of existing jobs. And alongside these changes in the world of information technology there are bio-tech changes coming which also challenge us to think about the future, and how best to shape it. Gene editing technology could help us to remove vulnerabilities to illness, develop higher yielding crops or more valuable livestock, indeed potentially even allow mankind to conquer the diseases to which we are vulnerable.

Food in abundance, improved health, greater longevity: these are all goals to which our species has aspired since the first farmers waited for the first harvest. But in attempting to shape evolution more profoundly than any plant or animal breeder ever has done before are we biting off much more than we can ever chew?

And these are not the only changes coming. Our global environment is affected as never before by the population growth I’ve referred to, and the consequent growth in demand for nutritious food, safe drinking water, comfortable housing, reliable energy and new consumer goods.

The growth in trade which will meet those needs will depend on more careful packaging, more journeys by air, land and sea, more logistics hubs and more work by designers, marketers and, yes, regulators.

The pressures placed on our global environment by this growth I’ve sketched out will be formidable – whether it’s greenhouse gas emissions in our atmosphere contributing to global warming, desertification and soil erosion reducing the space for cultivation, deforestation leading to the disappearance of valuable carbon sinks and precious habitats, air pollution from traditional industry and intensive ***agriculture*** adding to health costs, waste poisoning our oceans or iconic landscapes under threat from the need for further development.

Without action we face the progressive loss of the natural capital on which all growth - natural, human and economic - ultimately depends.

So the imperative to husband, indeed wherever possible, enhance our natural capital - safeguarding our oceans, cleaning our rivers, keeping our soils fertile, protecting biodiversity - has to be at the heart of any ***plan*** for our country and our world.

Because we cannot expect to live prosperous and civilised lives in the future unless we recognise that we have to care for that which gives us all life - our planet.

And that knowledge is itself a catalyst for further change. The need to protect our planet better is already accelerating innovation- with entrepreneurs exploring how to develop autonomous electric vehicles, how to change the energy mix we all rely on, how to reduce our reliance on plastics, how to derive more protein from plants rather than animals, how to grow ***produce***, whether hydroponically or by other means, which leaves a lighter imprint on the earth, how to use distributed ledger technology to protect habitats and so much more. So the reality of our times is not just change as the only constant but accelerating change as the new normal. Which is why the title of this conference - Embracing Change - is so appropriate.

Because the changes which are shaping all our futures are so historically significant, technologically revolutionary and economically transformative that we have no choice but to embrace them and try to shape them in a progressive and judicious way. A state without the means of change is without the means of conservation

Now I know there is, of course, a natural human desire to stick with what we know, trust to experience and hope things can go on much as before. To prefer the tried to the untried. You hear it when some in industry, and indeed some in the farming industry, say that what we need most at the moment is certainty.

I understand that sentiment all too well. As I think does almost everyone in politics.

But the truth is that if we try to avoid change, hold the future at bay and throw up barriers to progress then we don’t stop change coming, we simply leave ourselves less equipped to deal with change as it arrives.

The history of nationalised industries, state subsidies for particular sectors, guilds to restrict access to trades, high tariff walls and all the other tools of so-called economic “protection” is a melancholy one. The road is paved with good intentions - preserving ***strategic*** assets, insulating communities from change, protecting our home market, guaranteeing a supply of essentials.

But the path inevitably involves higher costs for consumers, lower productivity from ***producers***, less pressure to husband scarce resources, less concern about sustainability, more rent-seeking and capital accumulation, less investment in innovation, less dynamism and ultimately, less security as others forge ahead economically, scientifically and socially.

If we want to preserve that which we cherish - a thriving ***agriculture*** sector, a healthy rural economy, beautiful landscapes, rich habitats for wildlife, a just society and a fair economy - then we need to be able to shape change rather than seeking to resist it.

And the best way to deal with change is to develop adaptability. As we know from the natural world, the best way to thrive in a new environment is to evolve. What we should, therefore be looking for in ***agriculture*** policy, indeed in all economic policy, is not an illusory fixity or a false sense of certainty, which by definition future events we cannot foresee will always upend.

What we should instead be seeking to cultivate are the resources, policies and people that will allow us to adapt, evolve and embrace change as an ally. Taking back control

Which takes me to Brexit.

Of course Brexit will mean change.

But, critically, what it means most of all is that we can once more decide how we shape change and how we meet the challenges ahead.

It means we don’t need any longer to follow the path dictated by the Common ***Agricultural*** Policy. We can have our own - national - food policy, our own ***agriculture*** policy, our own environment policies, our own economic policies, shaped by our own interests.

The CAP was designed, like so many aspects of the EU, for another world, the post-war period when memories of food shortages were hauntingly powerful and the desire to support a particular model of land use was wrapped up with ideas of a stable countryside that seemed reassuringly attractive after the trauma of industrial-scale conflict. Of course, the CAP has evolved, and indeed improved, over time. But it is still a fundamentally flawed design. Paying land owners for the amount of ***agricultural*** land they have is unjust, inefficient and drives perverse outcomes.

It gives the most from the public purse to those who have the most private wealth.

It bids up the price of land, distorting the market, creating a barrier to entry for innovative new farmers and entrenching lower productivity.

Indeed, perversely, it rewards farmers for sticking to methods of production that are resource-inefficient and also incentivises an approach to environmental stewardship which is all about mathematically precise field margins and not ecologically healthy landscapes.

As recent scholarship has shown, the so-called greening payments in Pillar One have scarcely brought any environmental benefits at all.

We can, and must, do better. Reform begins at home

And by we, I mean Defra most of all.

Now I don’t want anyone to get hold of the wrong end of the stick.

The Department I am privileged to lead has some of the finest public servants in the country working for it. Whether it’s the policy professionals, economic analysts, vets, IT engineers, botanists and horticulturalists or hydrologists and geologists, it is a pleasure to work with such dedicated, idealistic and passionate people. But while the people are brilliant, some of the processes have not been.

The ways in which we provide financial support to farmers have been far too bureaucratic – not helped by the ludicrous rules and red tape of the CAP that Defra must try to enforce.

The Rural Payments Agency has historically taken far too long to get money from Government to farmers. And the Countryside Stewardship schemes we have run have been dizzyingly complex to apply for – I have made my views on this clear.

All this when it’s our stated aim to allocate more funding for agri-environment schemes.

We have taken action in the last few months to drive change in these areas, and will seize opportunities to develop a different regulatory culture once we have left the European Union.

I am encouraged that the RPA paid over 91% of farmers their basic payment for this year by the end of December 2017. Encouraged but not satisfied. Which is why I am looking for a new chair of the RPA to work with the Chief Executive and his team to drive further improvement.

On Countryside Stewardship, I want schemes simplified to the extent that any farmer - any farmer - can complete an application in a working day. Starting at the computer after breakfast the whole process has to be able to be finished by six o’clock when it will be time for a well-deserved pint.

I’m pleased that Andrew Sells and his team have responded to the challenge with a set of simplified offers which have, already, received a warm response. But, again, we need to go further and develop a much more responsive and efficient model.

And that’s not all we need to change.

Related to the whole question of how we allocate support, we need to change our approach to inspection.

We inspect too often, too ineffectively and in far too many cases for the wrong things. At any moment, a farmer could be visited by the Rural Payments Agency, Natural England, The Animal Plant and Health Agency, the Environment Agency or their local authority. Each body may ask for slightly different information, or even the same information in a slightly different way. Each visit adds to the burden on farmers, yet there is much overlap and little coordination. The CAP’s inflexibilities, including the ever present fear of disallowance, means we inspect rigidly for precise field margin dimensions and the exact locations of trees in a near-pointless exercise in bureaucratic box-ticking while, at the same time, we inspect haphazardly and inefficiently for genuine lapses such as poor slurry management or inadequate animal welfare.

Which is why I hope to look at how we can reduce the number of inspections overall, make them more genuinely risk-based and have them focus on those, limited, areas where standards are not where they should be.

And there is much more we need to change across the board to make the Department more efficient and effective.

Processes far beyond support payments and inspections are ripe for modernisation.

Our guidance on the provision of export health certificates still requires the use of carbon paper. While IT systems have been improved we are still some way away from exploiting advances in data analytics to use all the information we gather to shape and refine policy and delivery.

And even at the most basic level we are not the champion we need to be for British food and farming. Despite hugely energetic efforts by my predecessors, we can still do more to improve the procurement of British food across the public sector.

But I am determined to drive that change. Energetically. And across Government.

As well as making Defra a more efficient, focused and, above all, innovative department I also want to drive change in ***agriculture*** in 4 areas.

I want to ensure we develop a coherent policy on food - integrating the needs of ***agriculture*** businesses, other enterprises, consumers, public health and the environment.

I want to give farmers and land managers time and the tools to adapt to the future, so we avoid a precipitate cliff edge but also prepare properly for the changes which are coming.

I want to develop a new method of providing financial support for farmers which moves away from subsidies for inefficiency to public money for public goods.

And I want to ensure that we build natural capital thinking into our approach towards land use and management so we develop a truly sustainable future for our countryside. A lot on our plate

On food, first of all, I want to underline that I recognise the heart of almost all farming businesses is food production. And a core element of Defra’s mission is supporting farmers in the provision of competitively-priced, healthy, sustainable and nutritious food, and pursuing greater market access.

But I believe it’s critical as we think of food production and the role of farming in the future that we develop policy which looks at the food-chain as a whole, from farm to fork, and we also recognise the economic, health and environmental forces shaping the future of food.

That’s why I’m glad that my colleague Greg Clark, the Business Secretary, announced the creation of a Food and Drink Sector Council in his recent Industrial Strategy White Paper, whose first task will be to develop the emerging proposals for a food and drink manufacturing Sector Deal. The White Paper also committed to a new challenge fund to transform food production from farm to fork. This will help support farmers and food manufacturers to improve the sustainability and nutritional benefit of food.

Food and Drink is the UK’s biggest manufacturing sector and one of its fastest growing with an increase of 8% in exports to the EU and 10% in exports outside the EU in the first three quarters of last year alone.

That success has been built on a reputation for quality and provenance, on the knowledge that we have among the highest environmental and animal welfare standards of any nation on earth. So people know when they’re buying British they’re buying food which is guaranteed to be high quality and more sustainable.

That’s why it would be foolish for us to lower animal welfare or environmental standards in any trade deal, and in so doing undercut our own reputation for quality. We will succeed in the global market place because we are competing at the top of the value chain not trying to win a race to the bottom.

And Government can help in that process by under-writing that reputation for quality.

Which is why I want us, outside the EU, to develop new approaches to food labelling. Not just badging food properly as British, but also creating a gold-standard metric for food and farming quality.

There are already a number of ways in which farmers can secure recognition for high animal welfare or environmental standards from the Red Tractor scheme to the Leaf mark. But while they’re all impressive and outstanding there’s no single, scaled, measure of how a farmer or food ***producer*** performs against a sensible basket of indicators, taking into account such things as soil health, control of pollution, contribution to water quality as well as animal welfare. We’ve been in discussion with a number of farmers and food ***producers*** about how we might advance such a scheme and I think that, outside the EU, we could establish a measure of farm and food quality which would be world-leading.

Because while price will always be a factor in the choices consumers make, they are also increasingly making choices based on other factors too. If we look at some of the fastest growing food brands, providing the most value added for both consumers and ***producers***, then it’s being able to provide certainty over origins, traceability of ingredients, integrity in production and a distinctiveness in taste which matter more and more. Whether its Belvoir soft drinks or Botanist Gin, organic milk or West Country Farmhouse Cheddar, grass-fed beef from Devon or Welsh lamb, Cumberland sausages or Melton Mowbray pork pies, Tyrell’s crisps or Forman’s London cured smoked salmon, the future profits in food production lie in quality ***produce***.

Government can help, by acting as a champion for British ***produce*** in foreign markets, operating a better procurement policy at home, keeping access to existing markets open and securing new free trade deals for ***producers***.

I understand that people in this room, and beyond, particularly want to know what will happen to access to our biggest export market - the EU 27. By definition, we cannot yet know the final outcome of a trade negotiation which is about to get underway, and Defra is preparing for every eventuality. But we are confident of building a new economic partnership with the EU that guarantees tariff-free access for agri-food goods across each other’s borders. We have a deficit in ***agricultural*** and horticultural ***produce*** with the EU 27. Irish beef farmers, French butter and cheese ***producers***, Dutch market gardeners and Spanish salad growers all have an interest just as, if not more acute, than Welsh sheep farmers or Ulster dairy farmers in securing continued tariff-free access between the UK and the EU.

But we should be, and are, more ambitious than that. Securing greater access to, and penetration of, other markets will be important to British ***agriculture***’s further success. Increasing exports to, for example, China is not just a good in itself in trade terms it also helps the business model of many farmers to work even better. There are, as we all know, parts of the pig for example which don’t find favour with the British consumer but which are delicacies in China. Satisfying that demand means other parts of the carcase can be used to meet demand at home, or indeed elsewhere in Europe, which is currently met by Danish and Dutch farmers. Pursuing new trade opportunities outside Europe can make us more competitive with Europe.

Which is why it is so encouraging that my colleague Liam Fox has made boosting our trade in food and drink a central priority for 2018.

Government can also intervene closer to home where there is market failure. When, for example some powerful players in the food chain use the scale of their market presence to demand low prices from primary ***producers*** who are much smaller and dis-aggregated. That is why my colleague George Eustice is looking at overall fairness in the supply chain.

We can ensure that our ***interventions*** designed to generate growth are applied fairly. So, for example, we can look at how the apprenticeship levy works to see how money identified for improving skills training can be spent more effectively across supply chains - helping smaller businesses as well as larger concerns.

We can, and should, invest in both technology and infrastructure. We can direct public money to the public goods of scientific innovation, technology transfer and, crucially, decent universal super-fast broadband.

And we must, of course, think about how to make sure the labour market works effectively so businesses can continue to secure a proper return on their investment. That means not just a flexible migration policy overall, but as we leave the EU, ensuring access to ***agricultural*** labour.

But while Government has a clear role to play in all of these areas in supporting food production it’s also important that we all appreciate that ultimately, quality food is ***produced*** by innovative and entrepreneurial ***producers*** responding to consumer preferences and market signals.

And the best way to ensure consumers have the full choice of quality food they want is not to try to satisfy every need with home ***produce***, but to pursue comparative advantage.

So Government must recognise that its ***interventions*** need to be targeted, proportionate and limited. Subsidies linked to the size of land holding, or headage payments, reward incumbents, restrict new thinking and ultimately hold back innovation and efficiency.

Industries which come to rely on importing cheap labour run the risk of failing to invest in the innovation required to become genuinely more productive. Labour-intensive production inevitably lags behind capital-intensive production.

And having a subsidy system which incentivises farmers to place every acre they can into food production means that public money isn’t being spent on renewing natural capital assets like forestry and wetlands.

As well as thinking about how our ***interventions*** to support food production affect the environment, we also have to consider the impact on the nation’s health.

Ours is the first generation where more people succumb to non-communicable conditions than to infectious diseases. The risk to public health from contagious conditions is diminishing, the rising dangers are obesity, diabetes, coronary failure, cancer and deteriorating mental health. And diet plays a part in all these conditions.

Helping people to make better choices in what they eat is fraught territory politically. And looking at my own waistline I should bear in mind that it is incumbent on he who talks about dietary sins to lose the first stone.

But Government does have a public health role. As Education Secretary I introduced a School Food ***Plan*** not just to ensure school meals were healthier but also to educate children about where food came from and how to make healthy choices about buying, preparing and enjoying food.

And in this role I have a responsibility to ask if public money supporting food production is contributing to improved public health.

And indeed I also have a responsibility to ask if all the incentives and Government ***interventions*** everywhere in the food chain work towards economic justice and social inclusion.

On the one hand that means asking how we can support those farmers, for example upland sheep farmers, whose profit margins are more likely to be small but whose contribution to rural life and iconic landscapes is immense. And on the other it also involves taking action to end the indefensible situation we have at the moment where food ***producers*** are incentivised to send perfectly edible and nutritious surplus stock they have not sold to waste plants rather than charities who can distribute it to individuals in need.

It is only, I believe, by looking at food policy in the round, developing an understanding of the economic, social, environmental, health and other issues at every stage in the food chain that we will develop the right strategy for the future.

And there are huge opportunities for those in ***agriculture*** to play the leading role in shaping this strategy. Rather than devoting intellectual energy and political capital to campaigning for policy ***interventions*** designed to insulate farming from change, ***agriculture***’s leaders can respond to growing public interest in debates about food, animal welfare, the environment, health and economic justice by demonstrating, as so many are doing, how their innovative and dynamic approaches are enhancing the environment, safeguarding animal welfare, ***producing*** food of the highest quality, improving public health and contributing to a fairer society. Managing change

Given the scale, and nature, of the change which is coming I recognise that farmers need to be given the time, and the tools, to become more adaptable.

We’ll be saying more about our ***plans*** in a Command Paper to be published later this spring. And of course the proposals we outline will be subject to consultation. But I want to say a little about the direction of travel I think we should take.

I believe we should help land owners and managers to make the transition from our current system of subsidy to a new approach of public money for public goods over time.

We will formally leave the EU in March of 2019 but the Government anticipates that we will agree an implementation or transition period with the EU lasting for around another two years.

We have guaranteed that the amount we allocate to farming support - in cash terms - will be protected throughout and beyond this period right up until the end of this Parliament in 2022.

We will continue support for Countryside Stewardship agreements entered into before we leave the EU and will ensure that no one in an existing scheme is unfairly disadvantaged when we transition to new arrangements. We will pay the 2019 BPS scheme on the same basis as we do now.

I then envisage guaranteeing that BPS payments continue for a transition period in England, which could last a number of years beyond the implementation period, depending on consultation.

During this time, we propose to first reduce the largest BPS payments in England. We could do this through a straight cap at a maximum level or through a sliding scale of reductions, to the largest payments first.

After the implementation period, this transitional payment could be paid to the recipient without the need to comply with all the onerous existing cross-compliance rules and procedures.

Inspections would, of course, continue but in the streamlined and risk-based fashion I described earlier.

Provided our own animal welfare, environmental and other laws were observed the payment would be guaranteed.

This should provide every existing farmer who receives BPS payments with a guaranteed income over this extended transition period.

That guaranteed income should provide time for farmers to change their business model if necessary, help to make the investment necessary for any adjustments and prepare for the future.

We will look at ways to support farmers who may choose to leave the industry.

And, after that transition, we will replace BPS with a system of public money for public goods. Paying for what we value

The principal public good we will invest in is environmental enhancement.

In thinking about how better to support farmers in the work of environmental protection and enhancement it’s critical - as everyone in this room but not everyone outside appreciates - to recognise that there is no inherent tension between productive farming and care for the natural world.

Quite the opposite.

I have seen for myself how many of our best farmers – our most productive farmers – place thoughtful environmental practice and careful husbanding of resources at the heart of their businesses.

Take the vital question of soil health. Min or no till approaches, which require less expenditure on inputs and keep more carbon in the soil, are both economically more efficient and environmentally progressive.

But under the CAP, farmers have been encouraged to focus on yield rather than productivity. This has led to decades of damage in the form of significant and destructive soil erosion – estimated in one study by Cranfield University to cost the economy around £1.2billion a year.

We now have opportunity to reverse this unhappy trend. Sustainably managed land is far more productive than land that is stressed and stripped of its nutrients.

But moving to more sustainable and, ultimately, productive farming methods can involve transitional costs and pressures. So we ***plan*** to provide new support for those who choose to farm in the most sustainable fashion. And as well as supporting progressive and productive farming methods we also want to support what economists call the provision of ecosystem services.

Building on previous countryside stewardship and agri-environment schemes, we will design a scheme accessible to almost any land owner or manager who wishes to enhance the natural environment by planting woodland, providing new habitats for wildlife, increasing biodiversity, contributing to improved water quality and returning cultivated land to wildflower meadows or other more natural states.

We will also make additional money available for those who wish to collaborate to secure environmental improvements collectively at landscape scale.

Enhancing our natural environment is a vital mission for this Government. We are committed to ensuring we leave the environment in a better condition than we found it. And leaving the European Union allows us to deliver the policies required to achieve that - to deliver a Green Brexit.

But vital as investment in our environment is, it is not the only public good I think we should invest in - I believe we should also invest in technology and skills alongside infrastructure, public access and rural resilience.

There is a tremendous opportunity for productivity improvement in our farms. We have some of the best performing farms in the world and there is no reason why our farmers cannot lead the way in achieving better levels of productivity through adoption of best practice and new technologies.

On technology, we should build on the innovations pioneered by our superb higher education institutions like Harper Adams by investing in automation and machine learning, moving from the hands-free hectare to the hands-free farm, with drilling, harvesting, picking and packaging all automated, precision mapping of every inch under cultivation with targeted laser treatment of pests and weeds and highly-focussed application of any other treatment required. We should invest more in the sensor technology that can tell where, when and how livestock should be fed, housed and bred to maximise both yield and individual animal health and welfare.

And we should ensure the next generation of farmers are equipped to make the most of technological breakthroughs by better integrating the research work being undertaken by the most innovative institutions with the ongoing training those working on the land should receive. I hope to say more about how we can reform land-based education again later in the spring.

Critical to making this new investment in tech and skills work is proper infrastructure - super-fast broadband and reliable 5G coverage. If I can get reliable and unbroken mobile phone and internet coverage in a tunnel under the Atlantic between one Faeroe Island and the next I should be able to get it in Oxfordshire. So I am delighted that my colleague Matt Hancock has made it a priority to ensure rural areas get the digital infrastructure they need and I will do whatever I can to help.

Public access I know can be contentious and I won’t get into the weeds of the debate on rights of way now. But the more the public, and especially school children, get to visit, understand and appreciate our countryside the more I believe they will appreciate, support and champion our farmers. Open Farm Sunday and other initiatives like it help reconnect urban dwellers with the earth. And they also help secure consent for investment in the countryside as well as support for British ***produce***.

Finally there is rural resilience. There are any number of smaller farm and rural businesses which help keep communities coherent and ensure the culture in ***agriculture*** is kept healthy. Whether it’s upland farmers in Wales or Cumbria, crofters in Scotland or small livestock farmers in Northern Ireland, we need to ensure support is there for those who keep rural life vital. The work of the Prince’s Countryside Fund has been invaluable here and the kind of enterprises it supports are, I believe, worthy of public support.

I recognise the list of public goods I have identified is not exhaustive. But then our budget is not unlimited. I look forward to consulting on these priorities but we must start from the presumption that we will only support clear public goods the market will not, left to itself, provide.

Which takes me to the importance of natural capital.

My starting point in thinking of our countryside, and of rural life overall, is that its overall worth to us goes far beyond its economic value alone. Natural capital is the sum of our land, soil, ecosystems, species and minerals; our freshwater, air and seas.

I am moved by the beauty of our natural landscapes, feel a sense of awe and wonder at the richness and abundance of creation, value wild life as a good in its own right, admire those who work with nature and on our land, respect the skill and passion of farmers, growers shepherds, stockmen, vets and agronomists who provide us with safe, high quality food and drink, and I want to see them prosper.

I know these feelings are shared across the country. But capturing these values in public policy can sometimes be difficult. Which is why the natural capital approach can be so valuable. It allows us to bed into policy-making a direct appreciation of the importance of field and forest, river and wetland, healthy soil and air free from pollution. It is just one tool among many in the formation of policy but a very powerful one in ensuring that we think of our responsibility to future generations to hand on a country, and a planet, in a better state than we found it.

And that has to be the aim for our policies on food, farming, the landscape and our broader environment. Embracing change which secures a more sustainable future for those who will inherit what we have built.

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[***Farming for the next generation***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5RBN-HGB1-JDG9-Y2KX-00000-00&context=1516831)

Impact News Service

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**Length:** 5707 words

**Body**

London: UK Government has issued the following news release: The age of acceleration

For anyone wondering what the focus of this year’s Oxford Farming Conference might be, it was The Archers provided an answer just before Christmas.

Brian Aldridge asked his step-son, Adam, whether he might be attending the conference. Adam replied wearily. ‘I think I’ll give it a miss this year. It’s probably going to be all about Brexit. I get enough of that at home.’

I know how he feels.

I suspect everyone in this room knows how he feels.

And, of course, I’ll say something in a moment about the specific opportunities and challenges for ***agriculture*** on leaving the European Union.

But if we’re going to make the most of those opportunities and overcome those challenges it’s critical that we recognise that there is much, much, more that is changing in our world than our relationship with the EU.

As we saw in the presentation at the beginning of this session, the world’s population is growing at an unprecedented rate, with a worldwide migration from rural areas to cities and a growth in the global middle class which is driving demand for more, and better quality, food.

Technological change is at an inflection point. Developments in big data, artificial intelligence and machine learning mean that processes which would have required the intellect and effort of thousands of humans over many hours in the past can be accomplished automatically by digital means in seconds.

These technological breakthroughs raise political and moral questions as we consider how we deal with the transformation of a huge range of existing jobs. And alongside these changes in the world of information technology there are bio-tech changes coming which also challenge us to think about the future, and how best to shape it. Gene editing technology could help us to remove vulnerabilities to illness, develop higher yielding crops or more valuable livestock, indeed potentially even allow mankind to conquer the diseases to which we are vulnerable.

Food in abundance, improved health, greater longevity: these are all goals to which our species has aspired since the first farmers waited for the first harvest. But in attempting to shape evolution more profoundly than any plant or animal breeder ever has done before are we biting off much more than we can chew? And these are not the only changes coming. Our global environment is affected as never before by the population growth I’ve referred to, and the consequent growth in demand for nutritious food, safe drinking water, comfortable housing, reliable energy and new consumer goods.

The growth in trade which will meet those needs will depend on more packaging, more journeys by air, land and sea, more logistics hubs and more work by designers, marketers and, yes, regulators.

The pressures placed on our global environment by this growth I’ve sketched briefly out will be formidable – whether it’s greenhouse gas emissions in our atmosphere contributing to global warming, desertification and soil erosion reducing the space for cultivation, deforestation leading to the disappearance of valuable carbon sinks and precious habitats, air pollution from traditional industry and intensive ***agriculture*** adding to health costs, waste poisoning our oceans or iconic landscapes under threat from the need for further development.

Without action we face the progressive loss of the natural capital on which all growth - natural, human and economic - ultimately depends.

So the imperative to husband, indeed wherever possible, enhance our natural capital - safeguarding our oceans, cleaning our rivers, keeping our soils fertile, protecting biodiversity - has to be at the heart of any ***plan*** for our country and our world.

Because we cannot expect to live prosperous and civilised lives in the future unless we recognise that we have to care for that which gives us all life - our planet.

And that knowledge is itself a catalyst for further change. The need to protect our planet better is already accelerating innovation- with entrepreneurs exploring how to develop autonomous electric vehicles, how to change the energy mix we all rely on, how to reduce our reliance on plastics, how to derive more protein from plants rather than animals, how to grow ***produce***, whether hydroponically or by other means, which leaves a lighter imprint on the earth, how to use distributed ledger technology to protect habitats and so much more.

So the reality of our times is not just change as the only constant but accelerating change as the new normal. Which is why the title of this conference - Embracing Change - is so appropriate.

Because the changes which are shaping all our futures are so historically significant, technologically revolutionary and economically transformative that we have no choice but to embrace them and try to shape them in a progressive and judicious way. A state without the means of change is without the means of conservation

Now I know there is, of course, a natural human desire to stick with what we know, trust to experience and hope things can go on much as before. To prefer the tried to the untried. You hear it when some in industry, and indeed some in the farming industry, say that what we need most at the moment is certainty.

I understand that sentiment all too well. As I think does almost everyone in politics.

But the truth is that if we try to avoid change, hold the future at bay and throw up barriers to progress then we don’t stop change coming, we simply leave ourselves less equipped to deal with change as it arrives.

The history of nationalised industries, state subsidies for particular sectors, guilds to restrict access to trades, high tariff walls and all the other tools of so-called economic “protection” is a melancholy one. The road is paved with good intentions - preserving ***strategic*** assets, insulating communities from change, protecting our home market, guaranteeing a supply of essentials.

But the path inevitably involves higher costs for consumers, lower productivity from ***producers***, less pressure to husband scarce resources, less concern about sustainability, more rent-seeking and capital accumulation, less investment in innovation, less dynamism and ultimately, less security as others forge ahead economically, scientifically and socially.

If we want to preserve that which we cherish - a thriving ***agriculture*** sector, a healthy rural economy, beautiful landscapes, rich habitats for wildlife, a just society and a fair economy - then we need to be able to shape change rather than seeking to resist it.

And the best way to deal with change is to develop adaptability. As we know from the natural world, the best way to thrive in a new environment is to evolve. What we should, therefore be looking for in ***agriculture*** policy, indeed in all economic policy, is not an illusory fixity or a false sense of certainty, which by definition future events we cannot foresee will always upend.

What we should instead be seeking to cultivate are the resources, policies and people that will allow us to adapt, evolve and embrace change as an ally. Taking back control

Which takes me to Brexit.

Of course Brexit will mean change.

But, critically, what it means most of all is that we can once more decide how we shape change and how we meet the challenges ahead.

It means we don’t need any longer to follow the path dictated by the Common ***Agricultural*** Policy. We can have our own - national - food policy, our own ***agriculture*** policy, our own environment policies, our own economic policies, shaped by our own collective interests.

TheCAPwas designed, like so many aspects of the EU, for another world, the post-war period when memories of food shortages were hauntingly powerful and the desire to support a particular model of land use was wrapped up with ideas of a stable countryside that seemed reassuringly attractive after the trauma of industrial-scale conflict.

Of course, theCAPhas evolved, and indeed improved, over time. But it is still a fundamentally flawed design.

Paying land owners for the amount of ***agricultural*** land they have is unjust, inefficient and drives perverse outcomes.

It gives the most from the public purse to those who have the most private wealth.

It bids up the price of land, distorting the market, creating a barrier to entry for innovative new farmers and entrenching lower productivity.

Indeed, perversely, it rewards farmers for sticking to methods of production that are resource-inefficient and also incentivises an approach to environmental stewardship which is all about mathematically precise field margins and not truly ecologically healthy landscapes.

As recent scholarship has shown, the so-called greening payments in Pillar One have scarcely brought any environmental benefits at all.

We can, and must, do better. Reform begins at home

And by we, I mean Defra most of all.

Now I don’t want anyone to get hold of the wrong end of the stick.

The Department I am privileged to lead has some of the finest public servants in the country working for it.

Whether it’s the policy professionals, economic analysts, vets, IT engineers, botanists and horticulturalists or hydrologists and geologists, it is a pleasure to work with such dedicated, idealistic and passionate people. But while the people are brilliant, some of the processes are not.

The ways in which we provide financial support to farmers have been far too bureaucratic – not helped by the ludicrous rules and red tape of theCAPthat Defra must try to enforce.

The Rural Payments Agency has historically taken far too long to get money from Government to farmers.

And the Countryside Stewardship schemes we have run have been dizzyingly complex to apply for – I have made my views on this clear.

All this when it’s our stated aim to allocate more funding for agri-environment schemes.

We have taken action in the last few months to drive change in these areas, and will seize opportunities to develop a different regulatory culture once we have left the European Union.

I am encouraged so far that theRPApaid over 91% of farmers their basic payment for this year by the end of December 2017. Encouraged but not satisfied. Which is why I am looking for a new chair of theRPAto work with the Chief Executive and his team to drive further improvement.

On Countryside Stewardship, I want schemes simplified to the extent that any farmer - any farmer - can complete an application in a working day. Starting at the computer after breakfast the whole process has to be able to be finished by six o’clock when it will be time for a well-deserved pint.

I’m pleased that Andrew Sells and his team have responded to the challenge with a set of simplified offers which have, already, received a warm response. But, again, we need to go further and develop a much more responsive and efficient model.

And that’s not all we need to change.

Related to the whole question of how we allocate support, we also in Defra need to change our approach to inspection.

We inspect too often, too ineffectively and in far too many cases for the wrong things. At any moment, a farmer could be visited by the Rural Payments Agency, Natural England, The Animal Plant and Health Agency, the Environment Agency or their local authority. Each body may ask for slightly different information, or even the same information in a slightly different way. Each visit adds to the burden on farmers, yet there is much overlap without proper coordination. TheCAP’s inflexibilities, including the ever present fear of disallowance, means we inspect rigidly for precise field margin dimensions and the exact locations of trees in a near-pointless exercise in bureaucratic box-ticking while, at the same time, we inspect haphazardly and inefficiently for genuine lapses such as poor slurry management or inadequate animal welfare.

That is why I hope to look at how we can reduce the number of inspections overall, make them more genuinely risk-based and have them focus on those, limited, areas where standards are not where they should be.

And there is much more we need to change across the board to make the Department more effective.

Processes far beyond support payments and inspections are ripe for modernisation.

Take our guidance on the provision of export health certificates still requires the use of carbon paper. While IT systems have been improved we are still some way away from exploiting advances in data analytics which we can use to shape and refine policy and delivery.

And even at the most basic level we are not the champion we need to be for British food and farming. Despite hugely energetic efforts by my predecessors, we can still do more to improve the procurement of British food across the public sector.

But I am determined to drive that change. Energetically. And across Government.

As well as making Defra a more efficient, focused and, above all, innovative department I also want to drive change in 4 specific areas.

I want to ensure we develop a coherent policy on food - integrating the needs of ***agriculture*** businesses, other enterprises, consumers, public health and the environment.

Second, I want to give farmers and land managers time and the tools to adapt to the future, so we avoid a precipitate cliff edge but also prepare properly for the changes which are coming.

Third, I want to develop a new method of providing financial support for farmers which moves away from subsidies for inefficiency to public money for public goods.

And finally, I want to ensure that we build natural capital thinking into our approach towards all land use and management so we develop a truly sustainable future for the countryside. A lot on our plate

On food, first of all, I want to underline that I recognise the heart of almost all farming businesses is food production. And a core element of Defra’s mission is supporting farmers in the provision of competitively-priced, healthy, sustainable and nutritious food, and pursuing greater market access.

But I believe it’s critical as we think of food production and the role of farming in the future that we develop policy which looks at the food-chain as a whole, from farm to fork, and we also recognise the economic, health and environmental forces shaping the future of food.

That’s why I’m glad that my colleague Greg Clark, the Business Secretary, announced the creation of a Food and Drink Sector Council in his recent Industrial Strategy White Paper, whose first task will be to develop the emerging proposals for a food and drink manufacturing Sector Deal. The White Paper also committed to a new challenge fund to transform food production. This will help support farmers and food manufacturers to improve the sustainability and nutritional benefit of food.

Food and Drink is the UK’s biggest manufacturing sector and one of its fastest growing with an increase of 8% in exports to the EU and 10% in exports outside the EU in the first three quarters of last year alone.

That success has been built on a reputation for quality and provenance, on the knowledge that we have among the highest environmental and animal welfare standards of any nation on earth. So people know when they’re buying British they’re buying food which is guaranteed to be high quality and more sustainable.

That’s why it would be foolish for us to lower animal welfare or environmental standards in trade deals, and in so doing undercut our own reputation for quality. We will succeed in the global market place because we are competing at the top of the value chain not trying to win a race to the bottom.

And Government can help in that process by under-writing that reputation for quality.

Which is why I want us, outside the EU, to develop new approaches to food labelling. Not just badging food properly as British, but also creating a new gold-standard metric for food and farming quality.

There are already a number of ways in which farmers can secure recognition for high animal welfare or environmental standards from the Red Tractor scheme to the Leaf mark. But while they’re all impressive and outstanding there’s still no single, scaled, measure of how a farmer or food ***producer*** performs against a sensible basket of indicators, taking into account such things as soil health, control of pollution, contribution to water quality as well as animal welfare. We’ve been in discussion with a number of farmers and food ***producers*** about how we might advance such a scheme and I think that, outside the EU, we could establish a measure of farm and food quality which would be world-leading.

Because while price will always be a factor in the choices consumers make, they are also increasingly making choices based on other factors too. If we look at some of the fastest growing food brands, providing the most value added for both consumers and ***producers***, then it’s being able to provide certainty over origins, traceability of ingredients, integrity in production and a distinctiveness in taste which matter more and more. Whether its Belvoir soft drinks or Botanist Gin, organic milk or West Country Farmhouse Cheddar, grass-fed beef from Devon or Welsh lamb, Cumberland sausages or Melton Mowbray pork pies, Tyrell’s crisps or Forman’s London cured smoked salmon, the future profits in food production lie in distinctive quality ***produce***.

And Government can help, by acting as a champion for British ***produce*** in foreign markets, operating a better procurement policy at home, keeping existing market access open and securing new free trade deals for ***producers***.

I understand that people in this room, and beyond, particularly want to know what will happen to access to our biggest export market - the EU 27. By definition, we cannot yet know the final outcome of a trade negotiation which is about to get underway, and Defra is preparing for every eventuality. But we are confident of building a new economic partnership with the EU that guarantees tariff-free access for agri-food goods across each other’s borders. We know that we have a deficit in ***agricultural*** and horticultural ***produce*** with the EU 27. Irish beef farmers, French butter and cheese ***producers***, Dutch market gardeners and Spanish salad growers all have an interest just as, if not more acute, than Welsh sheep farmers or Ulster dairy farmers in securing continued tariff-free access between the UK and the EU.

But we should be, and we are, more ambitious than that. Securing greater access to, and penetration of, other markets will be important to British ***agriculture***’s further success. Increasing exports to, for example, China is not just a good in itself in trade terms it also helps the business model of many farmers to work even better. There are, as we all know, parts of the pig for example which don’t find favour with the British consumer but which are delicacies in China. Satisfying that demand means other parts of the carcase can be used to meet demand at home, or indeed elsewhere in Europe, which is currently met by Dutch and by Danish farmers. Pursuing new trade opportunities outside Europe can make us more competitive with Europe.

Which is why it is so encouraging that my colleague Liam Fox has made boosting our trade in food and drink a central priority for 2018.

Government can also intervene closer to home where there is market failure. When, for example some powerful players in the food chain use the scale of their market presence to demand low prices from primary ***producers*** who are much smaller and dis-aggregated. That is why my colleague George Eustice is looking now at overall fairness in the supply chain.

We can ensure that our ***interventions*** as Government are designed to generate growth are applied fairly. So, for example, we can look at how the apprenticeship levy works to see how money identified for improving skills training can be spent more effectively across supply chains - helping smaller businesses as well as larger concerns.

We can, and should, invest in both technology and infrastructure. We can direct public money to the public goods of scientific innovation, technology transfer and, crucially, decent universal super-fast broadband.

And we must, of course, think about how to make sure the labour market works effectively as well, so businesses can continue to secure a proper return on their investment. That means not just a flexible migration policy overall, but as we leave the EU, ensuring access to seasonal ***agricultural*** labour.

But while Government has a clear role to play in all of these areas in supporting food production it’s also important that we all appreciate that ultimately, quality food is generated not by Government, but by innovative and entrepreneurial ***producers*** responding to consumer preferences and market signals.

And the best way to ensure consumers have the full choice of quality food they want is not to try to satisfy every need with home ***produce***, but to pursue comparative advantage.

So Government must recognise that its ***interventions*** need to be targeted, proportionate and limited.

Subsidies linked to the size of land holding, or headage payments, reward incumbents, restrict new thinking and ultimately hold back innovation and efficiency.

Industries which come to rely on importing cheap labour run the risk of failing to invest in the innovation required to become genuinely more productive. Labour-intensive production inevitably lags behind capital-intensive production.

And having a subsidy system which incentivises farmers to place every acre they can into food production means that public money isn’t always being spent on renewing natural capital assets like forestry and wetlands.

As well as thinking about how our ***interventions*** to support food production currently affect the environment, we also have to consider the impact on the nation’s health.

Ours is the first generation where more people succumb to non-communicable conditions than to infectious diseases. The risk to public health from contagious conditions is diminishing, the rising dangers are obesity, diabetes, coronary failure, cancer and deteriorating mental health. And diet plays a part in all these conditions.

Helping people to make better choices in what they eat is fraught territory politically. And looking at my own waistline I should bear in mind that it is incumbent on he who talks about dietary sins to lose the first stone.

But Government does have a public health role. As Education Secretary I introduced a School Food ***Plan*** not just to ensure school meals were healthier but also to educate children about where food came from and how to make healthy choices about buying, preparing and enjoying food.

And in this role now, I have a responsibility to ask if public money supporting food production is also contributing to improved public health.

And indeed I also have a responsibility to ask if all the incentives and Government ***interventions*** everywhere in the food chain work towards economic justice and social inclusion.

So that does mean on the one hand that means asking how we can support those farmers, for example upland sheep farmers, whose profit margins are more likely to be small but whose contribution to rural life and the maintenance of iconic landscapes is immense. And on the other it also involves taking action to end the currently indefensible situation we have at the moment where food ***producers*** are incentivised to send perfectly edible and nutritious surplus stock they have not sold to waste plants rather than charities who can distribute it to individuals in need.

It is only, I believe, by looking at food policy in the round, developing an understanding of the economic, social, environmental, health and other issues at every stage in the food chain that we will develop the right coherent strategy for the future.

And there are huge opportunities for those in ***agriculture*** to play the leading role in shaping this strategy. Rather than devoting intellectual energy and political capital to campaigning for policy ***interventions*** designed to insulate farming from change, ***agriculture***’s leaders can respond to growing public interest in debates about food, animal welfare, the environment, health and economic justice by demonstrating, as so many in this room are doing, how their innovative and dynamic approaches are enhancing the environment, safeguarding animal welfare, ***producing*** food of the highest quality, improving public health and contributing to a fairer society. Managing change

Now given the scale, and nature, of the change which is coming I recognise that farmers need to be given the time, and the tools, to become more adaptable.

We’ll be saying more about our ***plans*** in a Command Paper to be published later this spring. And of course the proposals we outline will have to be subject to consultation. But I want to say a little about the direction of travel I think we should take.

I believe we should help land owners and managers to make the transition from our current system of subsidy to a new approach of public money for public goods over time.

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And, after that transition, we will replaceBPSwith a system of public money for public goods. Paying for what we value

The principal public good we will invest in is of course environmental enhancement.

In thinking about how better to support farmers in the work of environmental protection and enhancement it’s critical - as everyone in this room but not everyone outside appreciates - to recognise that there is no inherent tension between productive farming and care for the natural world.

Quite the opposite.

I have seen for myself how many of our best farmers – our most productive and progressive farmers – place thoughtful environmental practice and careful husbanding of resources at the heart of their businesses.

Take the vital question of soil health. Min or no till approaches, which require less expenditure on inputs and of course keep more carbon in the soil, are both economically more efficient and environmentally progressive.

But under theCAP, farmers have been encouraged to focus on yield overall, rather than productivity specifically.

This has led to decades of damage in the form of significant and destructive soil erosion – estimated in one study by Cranfield University to cost the economy around £1.2 billion every year.

We now have opportunity to reverse this unhappy trend. Sustainably managed land is far more productive than land that is stressed and stripped of its nutrients.

But moving to more sustainable and, ultimately, productive farming methods can involve transitional costs and pressures. So we ***plan*** to provide new support for those who choose to farm in the most sustainable fashion.

And as well as supporting progressive and productive farming methods we also want to support what economists call the provision of ecosystem services.

Building on previous countryside stewardship and agri-environment schemes, we will design a scheme accessible to almost any land owner or manager who wishes to enhance the natural environment by planting woodland, providing new habitats for wildlife, increasing biodiversity, contributing to improved water quality and returning cultivated land to wildflower meadows or other more natural states.

We will also make additional money available for those who wish to collaborate to secure environmental improvements collectively at landscape scale.

Enhancing our natural environment is a vital mission for this Government. We are committed to ensuring we leave the environment in a better condition than we found it. And leaving the European Union allows us to deliver the policies required to achieve that - to deliver a Green Brexit.

But vital as investment in our environment is, it is not the only public good I think we should invest in - I believe we should also invest in technology and skills alongside infrastructure, public access and rural resilience.

There is a tremendous opportunity for productivity improvement in our farms. We already have some of the best performing farms in the world and there is no reason why our farmers cannot lead the way globally in achieving better levels of productivity through adoption of best practice and new technologies.

On technology, we should build on the innovations pioneered by our superb higher education institutions like Harper Adams University by investing more in automation and machine learning, moving from the hands-free hectare to the hands-free farm, with drilling, harvesting, picking and packaging all automated, precision mapping of every inch under cultivation with targeted laser treatment of pests and weeds and highly-focussed application of any other treatment required. We should invest more in the sensor technology that can tell where, when and how livestock should be fed, housed and bred to maximise both yield and individual animal health and welfare.

And we should ensure the next generation of farmers are equipped to make the most of technological breakthroughs by better integrating the research work being undertaken by the most innovative institutions with the ongoing training those working on the land should receive. I hope to say more about how we can reform land-based education again later in the spring.

Critical to making this new investment in tech and skills work is of course proper infrastructure - super-fast broadband and reliable 5G coverage. If I can get reliable and unbroken mobile phone and internet coverage in a tunnel under the Atlantic as I travel between one Faeroe Island and the next I should be able to get it in Oxfordshire. So I am delighted that my colleague Matt Hancock has made it a priority to ensure rural areas get the digital infrastructure they need and I will do whatever I can to help.

Public access I know can be contentious and I won’t get into the weeds of the debate on rights of way now. But the more the public, and especially school children, get to visit, understand and appreciate our countryside the more I believe they will appreciate, support and champion our farmers. Open Farm Sunday and other great initiatives like it help reconnect urban dwellers with the earth. And they also help secure consent for investment in the countryside as well as support for British ***produce***. So public access is a public good.

Finally there is rural resilience. There are any number of smaller farm and rural businesses which help keep communities coherent and ensure the culture in ***agriculture*** is kept healthy. Whether it’s upland farmers in Wales or Cumbria, crofters in Scotland or small livestock farmers in Northern Ireland, we need to ensure support is there for those who keep rural life vital. The work of the Prince’s Countryside Fund has been invaluable here and the kind of enterprises that it supports are, I believe, worthy of public support.

I recognise the list of public goods I have identified is not exhaustive. But then our budget is not unlimited. I look forward to consulting on these priorities but we must start from the presumption that we should only support clear public goods the market will not, left to itself, provide.

Which takes me to the importance of natural capital.

In thinking of our countryside, and of rural life overall, is that its overall worth to us goes far beyond its economic value alone.

Like everyone here, I am moved by the beauty of our natural landscapes, feel a sense of awe and wonder at the richness and abundance of creation, value wild life as a good in its own right, admire those who work with nature and on our land, respect the skill and passion of farmers, growers, shepherds, stockmen, vets and agronomists who provide us with safe, high quality food and drink, and I want to see them prosper.

I know these feelings are shared across the country. But capturing these values in public policy can sometimes be difficult. Which is why the natural capital approach can be so valuable. It allows us to bed into policy-making a direct appreciation of the importance of field and forest, river and wetland, healthy soil and air free from pollution.

It is just one tool among many in the formation of policy but a very powerful one in ensuring that we think of our responsibility to future generations to hand on a country, and a planet, in a better state than we found it.

And that has to be the aim for all our policies on food, farming, the landscape and our broader environment. We have to embrace change which secures a more sustainable future for those who will inherit what we have built.

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[***Farming for the next generation***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5RB9-6X31-F12F-F48J-00000-00&context=1516831)

UK Government News

January 4, 2018 Thursday 10:22 PM EST

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**Length:** 5937 words

**Body**

U.K., Jan. 4 -- The UK Government made the following announcement:

Secretary of State Michael Gove sets out his vision on the future of our farming industry at the Oxford Farming Conference 2018

Updated: This has now been checked against delivery.The age of acceleration

For anyone wondering what the focus of this year's &lt;a rel="external" href="[*https://www.ofc.org.uk*](https://www.ofc.org.uk)/"&gt;Oxford Farming Conference&lt;/a&gt; might be, it was The Archers provided an answer just before Christmas.

Brian Aldridge asked his step-son, Adam, whether he might be attending the conference. Adam replied wearily. 'I think I'll give it a miss this year. It's probably going to be all about Brexit. I get enough of that at home.'

I know how he feels.

I suspect everyone in this room knows how he feels.

And, of course, I'll say something in a moment about the specific opportunities and challenges for ***agriculture*** on leaving the European Union.

But if we're going to make the most of those opportunities and overcome those challenges it's critical that we recognise that there is much, much, more that is changing in our world than our relationship with the EU.

As we saw in the presentation at the beginning of this session, the world's population is growing at an unprecedented rate, with a worldwide migration from rural areas to cities and a growth in the global middle class which is driving demand for more, and better quality, food.

Technological change is at an inflection point. Developments in big data, artificial intelligence and machine learning mean that processes which would have required the intellect and effort of thousands of humans over many hours in the past can be accomplished automatically by digital means in seconds.

These technological breakthroughs raise political and moral questions as we consider how we deal with the transformation of a huge range of existing jobs. And alongside these changes in the world of information technology there are bio-tech changes coming which also challenge us to think about the future, and how best to shape it. Gene editing technology could help us to remove vulnerabilities to illness, develop higher yielding crops or more valuable livestock, indeed potentially even allow mankind to conquer the diseases to which we are vulnerable.

Food in abundance, improved health, greater longevity: these are all goals to which our species has aspired since the first farmers waited for the first harvest. But in attempting to shape evolution more profoundly than any plant or animal breeder ever has done before are we biting off much more than we can chew?

And these are not the only changes coming. Our global environment is affected as never before by the population growth I've referred to, and the consequent growth in demand for nutritious food, safe drinking water, comfortable housing, reliable energy and new consumer goods.

The growth in trade which will meet those needs will depend on more packaging, more journeys by air, land and sea, more logistics hubs and more work by designers, marketers and, yes, regulators.

The pressures placed on our global environment by this growth I've sketched briefly out will be formidable - whether it's greenhouse gas emissions in our atmosphere contributing to global warming, desertification and soil erosion reducing the space for cultivation, deforestation leading to the disappearance of valuable carbon sinks and precious habitats, air pollution from traditional industry and intensive ***agriculture*** adding to health costs, waste poisoning our oceans or iconic landscapes under threat from the need for further development.

Without action we face the progressive loss of the natural capital on which all growth - natural, human and economic - ultimately depends.

So the imperative to husband, indeed wherever possible, enhance our natural capital - safeguarding our oceans, cleaning our rivers, keeping our soils fertile, protecting biodiversity - has to be at the heart of any ***plan*** for our country and our world.

Because we cannot expect to live prosperous and civilised lives in the future unless we recognise that we have to care for that which gives us all life - our planet.

And that knowledge is itself a catalyst for further change. The need to protect our planet better is already accelerating innovation- with entrepreneurs exploring how to develop autonomous electric vehicles, how to change the energy mix we all rely on, how to reduce our reliance on plastics, how to derive more protein from plants rather than animals, how to grow ***produce***, whether hydroponically or by other means, which leaves a lighter imprint on the earth, how to use distributed ledger technology to protect habitats and so much more.

So the reality of our times is not just change as the only constant but accelerating change as the new normal. Which is why the title of this conference - Embracing Change - is so appropriate.

Because the changes which are shaping all our futures are so historically significant, technologically revolutionary and economically transformative that we have no choice but to embrace them and try to shape them in a progressive and judicious way.

A state without the means of change is without the means of conservation

Now I know there is, of course, a natural human desire to stick with what we know, trust to experience and hope things can go on much as before. To prefer the tried to the untried. You hear it when some in industry, and indeed some in the farming industry, say that what we need most at the moment is certainty.

I understand that sentiment all too well. As I think does almost everyone in politics.

But the truth is that if we try to avoid change, hold the future at bay and throw up barriers to progress then we don't stop change coming, we simply leave ourselves less equipped to deal with change as it arrives.

The history of nationalised industries, state subsidies for particular sectors, guilds to restrict access to trades, high tariff walls and all the other tools of so-called economic "protection" is a melancholy one. The road is paved with good intentions - preserving ***strategic*** assets, insulating communities from change, protecting our home market, guaranteeing a supply of essentials.

But the path inevitably involves higher costs for consumers, lower productivity from ***producers***, less pressure to husband scarce resources, less concern about sustainability, more rent-seeking and capital accumulation, less investment in innovation, less dynamism and ultimately, less security as others forge ahead economically, scientifically and socially.

If we want to preserve that which we cherish - a thriving ***agriculture*** sector, a healthy rural economy, beautiful landscapes, rich habitats for wildlife, a just society and a fair economy - then we need to be able to shape change rather than seeking to resist it.

And the best way to deal with change is to develop adaptability. As we know from the natural world, the best way to thrive in a new environment is to evolve. What we should, therefore be looking for in ***agriculture*** policy, indeed in all economic policy, is not an illusory fixity or a false sense of certainty, which by definition future events we cannot foresee will always upend.

What we should instead be seeking to cultivate are the resources, policies and people that will allow us to adapt, evolve and embrace change as an ally.

Taking back control

Which takes me to Brexit.

Of course Brexit will mean change.

But, critically, what it means most of all is that we can once more decide how we shape change and how we meet the challenges ahead.

It means we don't need any longer to follow the path dictated by the Common ***Agricultural*** Policy. We can have our own - national - food policy, our own ***agriculture*** policy, our own environment policies, our own economic policies, shaped by our own collective interests.

The &lt;abbr title="Common ***Agricultural*** Policy"&gt;CAP&lt;/abbr&gt; was designed, like so many aspects of the EU, for another world, the post-war period when memories of food shortages were hauntingly powerful and the desire to support a particular model of land use was wrapped up with ideas of a stable countryside that seemed reassuringly attractive after the trauma of industrial-scale conflict.

Of course, the &lt;abbr title="Common ***Agricultural*** Policy"&gt;CAP&lt;/abbr&gt; has evolved, and indeed improved, over time. But it is still a fundamentally flawed design.

Paying land owners for the amount of ***agricultural*** land they have is unjust, inefficient and drives perverse outcomes.

It gives the most from the public purse to those who have the most private wealth.

It bids up the price of land, distorting the market, creating a barrier to entry for innovative new farmers and entrenching lower productivity.

Indeed, perversely, it rewards farmers for sticking to methods of production that are resource-inefficient and also incentivises an approach to environmental stewardship which is all about mathematically precise field margins and not truly ecologically healthy landscapes.

As recent scholarship has shown, the so-called greening payments in Pillar One have scarcely brought any environmental benefits at all.

We can, and must, do better.

Reform begins at home

And by we, I mean Defra most of all.

Now I don't want anyone to get hold of the wrong end of the stick.

The Department I am privileged to lead has some of the finest public servants in the country working for it.

Whether it's the policy professionals, economic analysts, vets, IT engineers, botanists and horticulturalists or hydrologists and geologists, it is a pleasure to work with such dedicated, idealistic and passionate people.

But while the people are brilliant, some of the processes are not.

The ways in which we provide financial support to farmers have been far too bureaucratic - not helped by the ludicrous rules and red tape of the &lt;abbr title="Common ***Agricultural*** Policy"&gt;CAP&lt;/abbr&gt; that Defra must try to enforce.

The Rural Payments Agency has historically taken far too long to get money from Government to farmers.

And the Countryside Stewardship schemes we have run have been dizzyingly complex to apply for - I have made my views on this clear.

All this when it's our stated aim to allocate more funding for agri-environment schemes.

We have taken action in the last few months to drive change in these areas, and will seize opportunities to develop a different regulatory culture once we have left the European Union.

I am encouraged so far that the &lt;abbr title="Rural payments Agency"&gt;RPA&lt;/abbr&gt; paid over 91% of farmers their basic payment for this year by the end of December 2017. Encouraged but not satisfied. Which is why I am looking for a new chair of the &lt;abbr title="Rural payments Agency"&gt;RPA&lt;/abbr&gt; to work with the Chief Executive and his team to drive further improvement.

On Countryside Stewardship, I want schemes simplified to the extent that any farmer - any farmer - can complete an application in a working day. Starting at the computer after breakfast the whole process has to be able to be finished by six o'clock when it will be time for a well-deserved pint.

I'm pleased that Andrew Sells and his team have responded to the challenge with a set of simplified offers which have, already, received a warm response. But, again, we need to go further and develop a much more responsive and efficient model.

And that's not all we need to change.

Related to the whole question of how we allocate support, we also in Defra need to change our approach to inspection.

We inspect too often, too ineffectively and in far too many cases for the wrong things. At any moment, a farmer could be visited by the Rural Payments Agency, Natural England, The Animal Plant and Health Agency, the Environment Agency or their local authority. Each body may ask for slightly different information, or even the same information in a slightly different way. Each visit adds to the burden on farmers, yet there is much overlap without proper coordination. The &lt;abbr title="Common ***Agricultural*** Policy"&gt;CAP&lt;/abbr&gt;'s inflexibilities, including the ever present fear of disallowance, means we inspect rigidly for precise field margin dimensions and the exact locations of trees in a near-pointless exercise in bureaucratic box-ticking while, at the same time, we inspect haphazardly and inefficiently for genuine lapses such as poor slurry management or inadequate animal welfare.

That is why I hope to look at how we can reduce the number of inspections overall, make them more genuinely risk-based and have them focus on those, limited, areas where standards are not where they should be.

And there is much more we need to change across the board to make the Department more effective.

Processes far beyond support payments and inspections are ripe for modernisation.

Take our guidance on the provision of export health certificates still requires the use of carbon paper. While IT systems have been improved we are still some way away from exploiting advances in data analytics which we can use to shape and refine policy and delivery.

And even at the most basic level we are not the champion we need to be for British food and farming. Despite hugely energetic efforts by my predecessors, we can still do more to improve the procurement of British food across the public sector.

But I am determined to drive that change. Energetically. And across Government.

As well as making Defra a more efficient, focused and, above all, innovative department I also want to drive change in 4 specific areas.

I want to ensure we develop a coherent policy on food - integrating the needs of ***agriculture*** businesses, other enterprises, consumers, public health and the environment.

Second, I want to give farmers and land managers time and the tools to adapt to the future, so we avoid a precipitate cliff edge but also prepare properly for the changes which are coming.

Third, I want to develop a new method of providing financial support for farmers which moves away from subsidies for inefficiency to public money for public goods.

And finally, I want to ensure that we build natural capital thinking into our approach towards all land use and management so we develop a truly sustainable future for the countryside.

A lot on our plate

On food, first of all, I want to underline that I recognise the heart of almost all farming businesses is food production. And a core element of Defra's mission is supporting farmers in the provision of competitively-priced, healthy, sustainable and nutritious food, and pursuing greater market access.

But I believe it's critical as we think of food production and the role of farming in the future that we develop policy which looks at the food-chain as a whole, from farm to fork, and we also recognise the economic, health and environmental forces shaping the future of food.

That's why I'm glad that my colleague Greg Clark, the Business Secretary, announced the creation of a Food and Drink Sector Council in his recent &lt;a href="[*https://www.gov.uk/government/topical-events/the-uks-industrial-strategy*](https://www.gov.uk/government/topical-events/the-uks-industrial-strategy)"&gt;Industrial Strategy White Paper&lt;/a&gt;, whose first task will be to develop the emerging proposals for a food and drink manufacturing Sector Deal. The White Paper also committed to a new challenge fund to transform food production. This will help support farmers and food manufacturers to improve the sustainability and nutritional benefit of food.

Food and Drink is the UK's biggest manufacturing sector and one of its fastest growing with an increase of 8% in exports to the EU and 10% in exports outside the EU in the first three quarters of last year alone.

That success has been built on a reputation for quality and provenance, on the knowledge that we have among the highest environmental and animal welfare standards of any nation on earth. So people know when they're buying British they're buying food which is guaranteed to be high quality and more sustainable.

That's why it would be foolish for us to lower animal welfare or environmental standards in trade deals, and in so doing undercut our own reputation for quality. We will succeed in the global market place because we are competing at the top of the value chain not trying to win a race to the bottom.

And Government can help in that process by under-writing that reputation for quality.

Which is why I want us, outside the EU, to develop new approaches to food labelling. Not just badging food properly as British, but also creating a new gold-standard metric for food and farming quality.

There are already a number of ways in which farmers can secure recognition for high animal welfare or environmental standards from the Red Tractor scheme to the Leaf mark. But while they're all impressive and outstanding there's still no single, scaled, measure of how a farmer or food ***producer*** performs against a sensible basket of indicators, taking into account such things as soil health, control of pollution, contribution to water quality as well as animal welfare. We've been in discussion with a number of farmers and food ***producers*** about how we might advance such a scheme and I think that, outside the EU, we could establish a measure of farm and food quality which would be world-leading.

Because while price will always be a factor in the choices consumers make, they are also increasingly making choices based on other factors too. If we look at some of the fastest growing food brands, providing the most value added for both consumers and ***producers***, then it's being able to provide certainty over origins, traceability of ingredients, integrity in production and a distinctiveness in taste which matter more and more. Whether its Belvoir soft drinks or Botanist Gin, organic milk or West Country Farmhouse Cheddar, grass-fed beef from Devon or Welsh lamb, Cumberland sausages or Melton Mowbray pork pies, Tyrell's crisps or Forman's London cured smoked salmon, the future profits in food production lie in distinctive quality ***produce***.

And Government can help, by acting as a champion for British ***produce*** in foreign markets, operating a better procurement policy at home, keeping existing market access open and securing new free trade deals for ***producers***.

I understand that people in this room, and beyond, particularly want to know what will happen to access to our biggest export market - the EU 27. By definition, we cannot yet know the final outcome of a trade negotiation which is about to get underway, and Defra is preparing for every eventuality. But we are confident of building a new economic partnership with the EU that guarantees tariff-free access for agri-food goods across each other's borders. We know that we have a deficit in ***agricultural*** and horticultural ***produce*** with the EU 27. Irish beef farmers, French butter and cheese ***producers***, Dutch market gardeners and Spanish salad growers all have an interest just as, if not more acute, than Welsh sheep farmers or Ulster dairy farmers in securing continued tariff-free access between the UK and the EU.

But we should be, and we are, more ambitious than that. Securing greater access to, and penetration of, other markets will be important to British ***agriculture***'s further success. Increasing exports to, for example, China is not just a good in itself in trade terms it also helps the business model of many farmers to work even better. There are, as we all know, parts of the pig for example which don't find favour with the British consumer but which are delicacies in China. Satisfying that demand means other parts of the carcase can be used to meet demand at home, or indeed elsewhere in Europe, which is currently met by Dutch and by Danish farmers. Pursuing new trade opportunities outside Europe can make us more competitive with Europe.

Which is why it is so encouraging that my colleague Liam Fox has made boosting our trade in food and drink a central priority for 2018.

Government can also intervene closer to home where there is market failure. When, for example some powerful players in the food chain use the scale of their market presence to demand low prices from primary ***producers*** who are much smaller and dis-aggregated. That is why my colleague George Eustice is looking now at overall fairness in the supply chain.

We can ensure that our ***interventions*** as Government are designed to generate growth are applied fairly. So, for example, we can look at how the apprenticeship levy works to see how money identified for improving skills training can be spent more effectively across supply chains - helping smaller businesses as well as larger concerns.

We can, and should, invest in both technology and infrastructure. We can direct public money to the public goods of scientific innovation, technology transfer and, crucially, decent universal super-fast broadband.

And we must, of course, think about how to make sure the labour market works effectively as well, so businesses can continue to secure a proper return on their investment. That means not just a flexible migration policy overall, but as we leave the EU, ensuring access to seasonal ***agricultural*** labour.

But while Government has a clear role to play in all of these areas in supporting food production it's also important that we all appreciate that ultimately, quality food is generated not by Government, but by innovative and entrepreneurial ***producers*** responding to consumer preferences and market signals.

And the best way to ensure consumers have the full choice of quality food they want is not to try to satisfy every need with home ***produce***, but to pursue comparative advantage.

So Government must recognise that its ***interventions*** need to be targeted, proportionate and limited.

Subsidies linked to the size of land holding, or headage payments, reward incumbents, restrict new thinking and ultimately hold back innovation and efficiency.

Industries which come to rely on importing cheap labour run the risk of failing to invest in the innovation required to become genuinely more productive. Labour-intensive production inevitably lags behind capital-intensive production.

And having a subsidy system which incentivises farmers to place every acre they can into food production means that public money isn't always being spent on renewing natural capital assets like forestry and wetlands.

As well as thinking about how our ***interventions*** to support food production currently affect the environment, we also have to consider the impact on the nation's health.

Ours is the first generation where more people succumb to non-communicable conditions than to infectious diseases. The risk to public health from contagious conditions is diminishing, the rising dangers are obesity, diabetes, coronary failure, cancer and deteriorating mental health. And diet plays a part in all these conditions.

Helping people to make better choices in what they eat is fraught territory politically. And looking at my own waistline I should bear in mind that it is incumbent on he who talks about dietary sins to lose the first stone.

But Government does have a public health role. As Education Secretary I introduced a School Food ***Plan*** not just to ensure school meals were healthier but also to educate children about where food came from and how to make healthy choices about buying, preparing and enjoying food.

And in this role now, I have a responsibility to ask if public money supporting food production is also contributing to improved public health.

And indeed I also have a responsibility to ask if all the incentives and Government ***interventions*** everywhere in the food chain work towards economic justice and social inclusion.

So that does mean on the one hand that means asking how we can support those farmers, for example upland sheep farmers, whose profit margins are more likely to be small but whose contribution to rural life and the maintenance of iconic landscapes is immense. And on the other it also involves taking action to end the currently indefensible situation we have at the moment where food ***producers*** are incentivised to send perfectly edible and nutritious surplus stock they have not sold to waste plants rather than charities who can distribute it to individuals in need.

It is only, I believe, by looking at food policy in the round, developing an understanding of the economic, social, environmental, health and other issues at every stage in the food chain that we will develop the right coherent strategy for the future.

And there are huge opportunities for those in ***agriculture*** to play the leading role in shaping this strategy. Rather than devoting intellectual energy and political capital to campaigning for policy ***interventions*** designed to insulate farming from change, ***agriculture***'s leaders can respond to growing public interest in debates about food, animal welfare, the environment, health and economic justice by demonstrating, as so many in this room are doing, how their innovative and dynamic approaches are enhancing the environment, safeguarding animal welfare, ***producing*** food of the highest quality, improving public health and contributing to a fairer society.

Managing change

Now given the scale, and nature, of the change which is coming I recognise that farmers need to be given the time, and the tools, to become more adaptable.

We'll be saying more about our ***plans*** in a Command Paper to be published later this spring. And of course the proposals we outline will have to be subject to consultation. But I want to say a little about the direction of travel I think we should take.

I believe we should help land owners and managers to make the transition from our current system of subsidy to a new approach of public money for public goods over time.

We will formally leave the EU in March of 2019 but the Government anticipates that we will agree an implementation or transition period for the whole country with the EU lasting for around another two years.

We have guaranteed that the amount we allocate to farming support - in cash terms - will be protected throughout and beyond this period right up until the end of this Parliament in 2022.

We will continue support for Countryside Stewardship agreements entered into before we leave the EU and we will ensure that no one in an existing scheme is unfairly disadvantaged when we transition to new arrangements.

We will pay the 2019 &lt;abbr title="Basic Payment Scheme"&gt;BPS&lt;/abbr&gt; scheme on the same basis as we do now.

I then envisage guaranteeing that &lt;abbr title="Basic Payment Scheme"&gt;BPS&lt;/abbr&gt; payments continue for a transition period in England, which should last a number of years beyond the implementation period, depending on consultation.

During these years, we propose to first reduce the largest &lt;abbr title="Basic Payment Scheme"&gt;BPS&lt;/abbr&gt; payments in England. We could do this through a straight cap at a maximum level or through a sliding scale of reductions, to the largest payments first.

After the implementation period, this transitional payment could be paid to the recipient without the need to comply with all the onerous existing cross-compliance rules and procedures.

Inspections would, of course, continue but in the streamlined and risk-based fashion I described earlier.

Provided our own animal welfare, environmental and other laws were observed this payment would be guaranteed.

This should provide every existing farmer who receives a &lt;abbr title="Basic Payment Scheme"&gt;BPS&lt;/abbr&gt; payment with a guaranteed income over this extended transition period.

That guaranteed income should provide time for farmers to change their business model if necessary, help to make the investment necessary for any adjustments and prepare for the future.

We will also look at ways to support farmers who may choose to leave the industry.

And, after that transition, we will replace &lt;abbr title="Basic Payment Scheme"&gt;BPS&lt;/abbr&gt; with a system of public money for public goods.

Paying for what we value

The principal public good we will invest in is of course environmental enhancement.

In thinking about how better to support farmers in the work of environmental protection and enhancement it's critical - as everyone in this room but not everyone outside appreciates - to recognise that there is no inherent tension between productive farming and care for the natural world.

Quite the opposite.

I have seen for myself how many of our best farmers - our most productive and progressive farmers - place thoughtful environmental practice and careful husbanding of resources at the heart of their businesses.

Take the vital question of soil health. Min or no till approaches, which require less expenditure on inputs and of course keep more carbon in the soil, are both economically more efficient and environmentally progressive.

But under the &lt;abbr title="Common ***Agricultural*** Policy"&gt;CAP&lt;/abbr&gt;, farmers have been encouraged to focus on yield overall, rather than productivity specifically.

This has led to decades of damage in the form of significant and destructive soil erosion - estimated in one study by Cranfield University to cost the economy around &#163;1.2billion every year.

We now have opportunity to reverse this unhappy trend. Sustainably managed land is far more productive than land that is stressed and stripped of its nutrients.

But moving to more sustainable and, ultimately, productive farming methods can involve transitional costs and pressures. So we ***plan*** to provide new support for those who choose to farm in the most sustainable fashion.

And as well as supporting progressive and productive farming methods we also want to support what economists call the provision of ecosystem services.

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We will also make additional money available for those who wish to collaborate to secure environmental improvements collectively at landscape scale.

Enhancing our natural environment is a vital mission for this Government. We are committed to ensuring we leave the environment in a better condition than we found it. And leaving the European Union allows us to deliver the policies required to achieve that - to deliver a Green Brexit.

But vital as investment in our environment is, it is not the only public good I think we should invest in - I believe we should also invest in technology and skills alongside infrastructure, public access and rural resilience.

There is a tremendous opportunity for productivity improvement in our farms. We already have some of the best performing farms in the world and there is no reason why our farmers cannot lead the way globally in achieving better levels of productivity through adoption of best practice and new technologies.

On technology, we should build on the innovations pioneered by our superb higher education institutions like Harper Adams University by investing more in automation and machine learning, moving from the hands-free hectare to the hands-free farm, with drilling, harvesting, picking and packaging all automated, precision mapping of every inch under cultivation with targeted laser treatment of pests and weeds and highly-focussed application of any other treatment required. We should invest more in the sensor technology that can tell where, when and how livestock should be fed, housed and bred to maximise both yield and individual animal health and welfare.

And we should ensure the next generation of farmers are equipped to make the most of technological breakthroughs by better integrating the research work being undertaken by the most innovative institutions with the ongoing training those working on the land should receive. I hope to say more about how we can reform land-based education again later in the spring.

Critical to making this new investment in tech and skills work is of course proper infrastructure - super-fast broadband and reliable 5G coverage. If I can get reliable and unbroken mobile phone and internet coverage in a tunnel under the Atlantic as I travel between one Faeroe Island and the next I should be able to get it in Oxfordshire. So I am delighted that my colleague Matt Hancock has made it a priority to ensure rural areas get the digital infrastructure they need and I will do whatever I can to help.

Public access I know can be contentious and I won't get into the weeds of the debate on rights of way now. But the more the public, and especially school children, get to visit, understand and appreciate our countryside the more I believe they will appreciate, support and champion our farmers. &lt;a rel="external" href="[*https://farmsunday.org*](https://farmsunday.org)/"&gt;Open Farm Sunday&lt;/a&gt; and other great initiatives like it help reconnect urban dwellers with the earth. And they also help secure consent for investment in the countryside as well as support for British ***produce***. So public access is a public good.

Finally there is rural resilience. There are any number of smaller farm and rural businesses which help keep communities coherent and ensure the culture in ***agriculture*** is kept healthy. Whether it's upland farmers in Wales or Cumbria, crofters in Scotland or small livestock farmers in Northern Ireland, we need to ensure support is there for those who keep rural life vital. The work of the &lt;a rel="external" href="[*http://www.princescountrysidefund.org.uk*](http://www.princescountrysidefund.org.uk)/"&gt;Prince's Countryside Fund&lt;/a&gt; has been invaluable here and the kind of enterprises that it supports are, I believe, worthy of public support.

I recognise the list of public goods I have identified is not exhaustive. But then our budget is not unlimited. I look forward to consulting on these priorities but we must start from the presumption that we should only support clear public goods the market will not, left to itself, provide.

Which takes me to the importance of natural capital.

In thinking of our countryside, and of rural life overall, is that its overall worth to us goes far beyond its economic value alone.

Like everyone here, I am moved by the beauty of our natural landscapes, feel a sense of awe and wonder at the richness and abundance of creation, value wild life as a good in its own right, admire those who work with nature and on our land, respect the skill and passion of farmers, growers, shepherds, stockmen, vets and agronomists who provide us with safe, high quality food and drink, and I want to see them prosper.

I know these feelings are shared across the country. But capturing these values in public policy can sometimes be difficult. Which is why the natural capital approach can be so valuable. It allows us to bed into policy-making a direct appreciation of the importance of field and forest, river and wetland, healthy soil and air free from pollution.

It is just one tool among many in the formation of policy but a very powerful one in ensuring that we think of our responsibility to future generations to hand on a country, and a planet, in a better state than we found it.

And that has to be the aim for all our policies on food, farming, the landscape and our broader environment. We have to embrace change which secures a more sustainable future for those who will inherit what we have built.

ENDS

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**Body**

By Defra Secretary of State, Michael Gove

For anyone wondering what the focus of this year's Oxford Farming Conference might be, it was The Archers provided an answer just before Christmas.

Brian Aldridge asked his step-son, Adam, whether he might be attending the conference. Adam replied wearily. 'I think I'll give it a miss this year. It's probably going to be all about Brexit. I get enough of that at home.'

I know how he feels.

I suspect everyone in this room knows how he feels.

And, of course, I'll say something in a moment about the specific opportunities and challenges for ***agriculture*** on leaving the European Union.

But if we're going to make the most of those opportunities and overcome those challenges it's critical that we recognise that there is much, much, more that is changing in our world than our relationship with the EU.

As we saw in the presentation at the beginning of this session, the world's population is growing at an unprecedented rate, with a worldwide migration from rural areas to cities and a growth in the global middle class which is driving demand for more, and better quality, food.

Technological change is at an inflection point. Developments in big data, artificial intelligence and machine learning mean that processes which would have required the intellect and effort of thousands of humans over many hours in the past can be accomplished automatically by digital means in seconds.

These technological breakthroughs raise political and moral questions as we consider how we deal with the transformation of a huge range of existing jobs. And alongside these changes in the world of information technology there are bio-tech changes coming which also challenge us to think about the future, and how best to shape it. Gene editing technology could help us to remove vulnerabilities to illness, develop higher yielding crops or more valuable livestock, indeed potentially even allow mankind to conquer the diseases to which we are vulnerable.

Food in abundance, improved health, greater longevity: these are all goals to which our species has aspired since the first farmers waited for the first harvest. But in attempting to shape evolution more profoundly than any plant or animal breeder ever has done before are we biting off much more than we can chew? And these are not the only changes coming. Our global environment is affected as never before by the population growth I've referred to, and the consequent growth in demand for nutritious food, safe drinking water, comfortable housing, reliable energy and new consumer goods.

The growth in trade which will meet those needs will depend on more packaging, more journeys by air, land and sea, more logistics hubs and more work by designers, marketers and, yes, regulators.

The pressures placed on our global environment by this growth I've sketched briefly out will be formidable - whether it's greenhouse gas emissions in our atmosphere contributing to global warming, desertification and soil erosion reducing the space for cultivation, deforestation leading to the disappearance of valuable carbon sinks and precious habitats, air pollution from traditional industry and intensive ***agriculture*** adding to health costs, waste poisoning our oceans or iconic landscapes under threat from the need for further development.

Without action we face the progressive loss of the natural capital on which all growth - natural, human and economic - ultimately depends.

So the imperative to husband, indeed wherever possible, enhance our natural capital - safeguarding our oceans, cleaning our rivers, keeping our soils fertile, protecting biodiversity - has to be at the heart of any ***plan*** for our country and our world.

Because we cannot expect to live prosperous and civilised lives in the future unless we recognise that we have to care for that which gives us all life - our planet.

And that knowledge is itself a catalyst for further change. The need to protect our planet better is already accelerating innovation- with entrepreneurs exploring how to develop autonomous electric vehicles, how to change the energy mix we all rely on, how to reduce our reliance on plastics, how to derive more protein from plants rather than animals, how to grow ***produce***, whether hydroponically or by other means, which leaves a lighter imprint on the earth, how to use distributed ledger technology to protect habitats and so much more.

So the reality of our times is not just change as the only constant but accelerating change as the new normal. Which is why the title of this conference - Embracing Change - is so appropriate.

Because the changes which are shaping all our futures are so historically significant, technologically revolutionary and economically transformative that we have no choice but to embrace them and try to shape them in a progressive and judicious way.

A state without the means of change is without the means of conservation

Now I know there is, of course, a natural human desire to stick with what we know, trust to experience and hope things can go on much as before. To prefer the tried to the untried. You hear it when some in industry, and indeed some in the farming industry, say that what we need most at the moment is certainty.

I understand that sentiment all too well. As I think does almost everyone in politics.

But the truth is that if we try to avoid change, hold the future at bay and throw up barriers to progress then we don't stop change coming, we simply leave ourselves less equipped to deal with change as it arrives.

The history of nationalised industries, state subsidies for particular sectors, guilds to restrict access to trades, high tariff walls and all the other tools of so-called economic "protection" is a melancholy one. The road is paved with good intentions - preserving ***strategic*** assets, insulating communities from change, protecting our home market, guaranteeing a supply of essentials.

But the path inevitably involves higher costs for consumers, lower productivity from ***producers***, less pressure to husband scarce resources, less concern about sustainability, more rent-seeking and capital accumulation, less investment in innovation, less dynamism and ultimately, less security as others forge ahead economically, scientifically and socially.

If we want to preserve that which we cherish - a thriving ***agriculture*** sector, a healthy rural economy, beautiful landscapes, rich habitats for wildlife, a just society and a fair economy - then we need to be able to shape change rather than seeking to resist it.

And the best way to deal with change is to develop adaptability. As we know from the natural world, the best way to thrive in a new environment is to evolve. What we should, therefore be looking for in ***agriculture*** policy, indeed in all economic policy, is not an illusory fixity or a false sense of certainty, which by definition future events we cannot foresee will always upend.

What we should instead be seeking to cultivate are the resources, policies and people that will allow us to adapt, evolve and embrace change as an ally.

Taking back control

Which takes me to Brexit.

Of course Brexit will mean change.

But, critically, what it means most of all is that we can once more decide how we shape change and how we meet the challenges ahead.

It means we don't need any longer to follow the path dictated by the Common ***Agricultural*** Policy. We can have our own - national - food policy, our own ***agriculture*** policy, our own environment policies, our own economic policies, shaped by our own collective interests.

The CAP was designed, like so many aspects of the EU, for another world, the post-war period when memories of food shortages were hauntingly powerful and the desire to support a particular model of land use was wrapped up with ideas of a stable countryside that seemed reassuringly attractive after the trauma of industrial-scale conflict.

Of course, the CAP has evolved, and indeed improved, over time. But it is still a fundamentally flawed design.

Paying land owners for the amount of ***agricultural*** land they have is unjust, inefficient and drives perverse outcomes.

It gives the most from the public purse to those who have the most private wealth.

It bids up the price of land, distorting the market, creating a barrier to entry for innovative new farmers and entrenching lower productivity.

Indeed, perversely, it rewards farmers for sticking to methods of production that are resource-inefficient and also incentivises an approach to environmental stewardship which is all about mathematically precise field margins and not truly ecologically healthy landscapes.

As recent scholarship has shown, the so-called greening payments in Pillar One have scarcely brought any environmental benefits at all.

We can, and must, do better.

Reform begins at home

And by we, I mean Defra most of all.

Now I don't want anyone to get hold of the wrong end of the stick.

The Department I am privileged to lead has some of the finest public servants in the country working for it.

Whether it's the policy professionals, economic analysts, vets, IT engineers, botanists and horticulturalists or hydrologists and geologists, it is a pleasure to work with such dedicated, idealistic and passionate people. But while the people are brilliant, some of the processes are not.

The ways in which we provide financial support to farmers have been far too bureaucratic - not helped by the ludicrous rules and red tape of the CAP that Defra must try to enforce.

The Rural Payments Agency has historically taken far too long to get money from Government to farmers.

And the Countryside Stewardship schemes we have run have been dizzyingly complex to apply for - I have made my views on this clear.

All this when it's our stated aim to allocate more funding for agri-environment schemes.

We have taken action in the last few months to drive change in these areas, and will seize opportunities to develop a different regulatory culture once we have left the European Union.

I am encouraged so far that the RPA paid over 91% of farmers their basic payment for this year by the end of December 2017. Encouraged but not satisfied. Which is why I am looking for a new chair of the RPA to work with the Chief Executive and his team to drive further improvement.

On Countryside Stewardship, I want schemes simplified to the extent that any farmer - any farmer - can complete an application in a working day. Starting at the computer after breakfast the whole process has to be able to be finished by six o'clock when it will be time for a well-deserved pint.

I'm pleased that Andrew Sells and his team have responded to the challenge with a set of simplified offers which have, already, received a warm response. But, again, we need to go further and develop a much more responsive and efficient model.

And that's not all we need to change.

Related to the whole question of how we allocate support, we also in Defra need to change our approach to inspection.

We inspect too often, too ineffectively and in far too many cases for the wrong things. At any moment, a farmer could be visited by the Rural Payments Agency, Natural England, The Animal Plant and Health Agency, the Environment Agency or their local authority. Each body may ask for slightly different information, or even the same information in a slightly different way. Each visit adds to the burden on farmers, yet there is much overlap without proper coordination. The CAP's inflexibilities, including the ever present fear of disallowance, means we inspect rigidly for precise field margin dimensions and the exact locations of trees in a near-pointless exercise in bureaucratic box-ticking while, at the same time, we inspect haphazardly and inefficiently for genuine lapses such as poor slurry management or inadequate animal welfare.

That is why I hope to look at how we can reduce the number of inspections overall, make them more genuinely risk-based and have them focus on those, limited, areas where standards are not where they should be.

And there is much more we need to change across the board to make the Department more effective.

Processes far beyond support payments and inspections are ripe for modernisation.

Take our guidance on the provision of export health certificates still requires the use of carbon paper. While IT systems have been improved we are still some way away from exploiting advances in data analytics which we can use to shape and refine policy and delivery.

And even at the most basic level we are not the champion we need to be for British food and farming. Despite hugely energetic efforts by my predecessors, we can still do more to improve the procurement of British food across the public sector.

But I am determined to drive that change. Energetically. And across Government.

As well as making Defra a more efficient, focused and, above all, innovative department I also want to drive change in 4 specific areas.

I want to ensure we develop a coherent policy on food - integrating the needs of ***agriculture*** businesses, other enterprises, consumers, public health and the environment.

Second, I want to give farmers and land managers time and the tools to adapt to the future, so we avoid a precipitate cliff edge but also prepare properly for the changes which are coming.

Third, I want to develop a new method of providing financial support for farmers which moves away from subsidies for inefficiency to public money for public goods.

And finally, I want to ensure that we build natural capital thinking into our approach towards all land use and management so we develop a truly sustainable future for the countryside.

A lot on our plate

On food, first of all, I want to underline that I recognise the heart of almost all farming businesses is food production. And a core element of Defra's mission is supporting farmers in the provision of competitively-priced, healthy, sustainable and nutritious food, and pursuing greater market access.

But I believe it's critical as we think of food production and the role of farming in the future that we develop policy which looks at the food-chain as a whole, from farm to fork, and we also recognise the economic, health and environmental forces shaping the future of food.

That's why I'm glad that my colleague Greg Clark, the Business Secretary, announced the creation of a Food and Drink Sector Council in his recent Industrial Strategy White Paper, whose first task will be to develop the emerging proposals for a food and drink manufacturing Sector Deal. The White Paper also committed to a new challenge fund to transform food production. This will help support farmers and food manufacturers to improve the sustainability and nutritional benefit of food.

Food and Drink is the UK's biggest manufacturing sector and one of its fastest growing with an increase of 8% in exports to the EU and 10% in exports outside the EU in the first three quarters of last year alone.

That success has been built on a reputation for quality and provenance, on the knowledge that we have among the highest environmental and animal welfare standards of any nation on earth. So people know when they're buying British they're buying food which is guaranteed to be high quality and more sustainable.

That's why it would be foolish for us to lower animal welfare or environmental standards in trade deals, and in so doing undercut our own reputation for quality. We will succeed in the global market place because we are competing at the top of the value chain not trying to win a race to the bottom.

And Government can help in that process by under-writing that reputation for quality.

Which is why I want us, outside the EU, to develop new approaches to food labelling. Not just badging food properly as British, but also creating a new gold-standard metric for food and farming quality.

There are already a number of ways in which farmers can secure recognition for high animal welfare or environmental standards from the Red Tractor scheme to the Leaf mark. But while they're all impressive and outstanding there's still no single, scaled, measure of how a farmer or food ***producer*** performs against a sensible basket of indicators, taking into account such things as soil health, control of pollution, contribution to water quality as well as animal welfare. We've been in discussion with a number of farmers and food ***producers*** about how we might advance such a scheme and I think that, outside the EU, we could establish a measure of farm and food quality which would be world-leading.

Because while price will always be a factor in the choices consumers make, they are also increasingly making choices based on other factors too. If we look at some of the fastest growing food brands, providing the most value added for both consumers and ***producers***, then it's being able to provide certainty over origins, traceability of ingredients, integrity in production and a distinctiveness in taste which matter more and more. Whether its Belvoir soft drinks or Botanist Gin, organic milk or West Country Farmhouse Cheddar, grass-fed beef from Devon or Welsh lamb, Cumberland sausages or Melton Mowbray pork pies, Tyrell's crisps or Forman's London cured smoked salmon, the future profits in food production lie in distinctive quality ***produce***.

And Government can help, by acting as a champion for British ***produce*** in foreign markets, operating a better procurement policy at home, keeping existing market access open and securing new free trade deals for ***producers***.

I understand that people in this room, and beyond, particularly want to know what will happen to access to our biggest export market - the EU 27. By definition, we cannot yet know the final outcome of a trade negotiation which is about to get underway, and Defra is preparing for every eventuality. But we are confident of building a new economic partnership with the EU that guarantees tariff-free access for agri-food goods across each other's borders. We know that we have a deficit in ***agricultural*** and horticultural ***produce*** with the EU 27. Irish beef farmers, French butter and cheese ***producers***, Dutch market gardeners and Spanish salad growers all have an interest just as, if not more acute, than Welsh sheep farmers or Ulster dairy farmers in securing continued tariff-free access between the UK and the EU.

But we should be, and we are, more ambitious than that. Securing greater access to, and penetration of, other markets will be important to British ***agriculture***'s further success. Increasing exports to, for example, China is not just a good in itself in trade terms it also helps the business model of many farmers to work even better. There are, as we all know, parts of the pig for example which don't find favour with the British consumer but which are delicacies in China. Satisfying that demand means other parts of the carcase can be used to meet demand at home, or indeed elsewhere in Europe, which is currently met by Dutch and by Danish farmers. Pursuing new trade opportunities outside Europe can make us more competitive with Europe.

Which is why it is so encouraging that my colleague Liam Fox has made boosting our trade in food and drink a central priority for 2018.

Government can also intervene closer to home where there is market failure. When, for example some powerful players in the food chain use the scale of their market presence to demand low prices from primary ***producers*** who are much smaller and dis-aggregated. That is why my colleague George Eustice is looking now at overall fairness in the supply chain.

We can ensure that our ***interventions*** as Government are designed to generate growth are applied fairly. So, for example, we can look at how the apprenticeship levy works to see how money identified for improving skills training can be spent more effectively across supply chains - helping smaller businesses as well as larger concerns.

We can, and should, invest in both technology and infrastructure. We can direct public money to the public goods of scientific innovation, technology transfer and, crucially, decent universal super-fast broadband.

And we must, of course, think about how to make sure the labour market works effectively as well, so businesses can continue to secure a proper return on their investment. That means not just a flexible migration policy overall, but as we leave the EU, ensuring access to seasonal ***agricultural*** labour.

But while Government has a clear role to play in all of these areas in supporting food production it's also important that we all appreciate that ultimately, quality food is generated not by Government, but by innovative and entrepreneurial ***producers*** responding to consumer preferences and market signals.

And the best way to ensure consumers have the full choice of quality food they want is not to try to satisfy every need with home ***produce***, but to pursue comparative advantage.

So Government must recognise that its ***interventions*** need to be targeted, proportionate and limited.

Subsidies linked to the size of land holding, or headage payments, reward incumbents, restrict new thinking and ultimately hold back innovation and efficiency.

Industries which come to rely on importing cheap labour run the risk of failing to invest in the innovation required to become genuinely more productive. Labour-intensive production inevitably lags behind capital-intensive production.

And having a subsidy system which incentivises farmers to place every acre they can into food production means that public money isn't always being spent on renewing natural capital assets like forestry and wetlands.

As well as thinking about how our ***interventions*** to support food production currently affect the environment, we also have to consider the impact on the nation's health.

Ours is the first generation where more people succumb to non-communicable conditions than to infectious diseases. The risk to public health from contagious conditions is diminishing, the rising dangers are obesity, diabetes, coronary failure, cancer and deteriorating mental health. And diet plays a part in all these conditions.

Helping people to make better choices in what they eat is fraught territory politically. And looking at my own waistline I should bear in mind that it is incumbent on he who talks about dietary sins to lose the first stone.

But Government does have a public health role. As Education Secretary I introduced a School Food ***Plan*** not just to ensure school meals were healthier but also to educate children about where food came from and how to make healthy choices about buying, preparing and enjoying food.

And in this role now, I have a responsibility to ask if public money supporting food production is also contributing to improved public health.

And indeed I also have a responsibility to ask if all the incentives and Government ***interventions*** everywhere in the food chain work towards economic justice and social inclusion.

So that does mean on the one hand that means asking how we can support those farmers, for example upland sheep farmers, whose profit margins are more likely to be small but whose contribution to rural life and the maintenance of iconic landscapes is immense. And on the other it also involves taking action to end the currently indefensible situation we have at the moment where food ***producers*** are incentivised to send perfectly edible and nutritious surplus stock they have not sold to waste plants rather than charities who can distribute it to individuals in need.

It is only, I believe, by looking at food policy in the round, developing an understanding of the economic, social, environmental, health and other issues at every stage in the food chain that we will develop the right coherent strategy for the future.

And there are huge opportunities for those in ***agriculture*** to play the leading role in shaping this strategy. Rather than devoting intellectual energy and political capital to campaigning for policy ***interventions*** designed to insulate farming from change, ***agriculture***'s leaders can respond to growing public interest in debates about food, animal welfare, the environment, health and economic justice by demonstrating, as so many in this room are doing, how their innovative and dynamic approaches are enhancing the environment, safeguarding animal welfare, ***producing*** food of the highest quality, improving public health and contributing to a fairer society.

Managing change

Now given the scale, and nature, of the change which is coming I recognise that farmers need to be given the time, and the tools, to become more adaptable.

We'll be saying more about our ***plans*** in a Command Paper to be published later this spring. And of course the proposals we outline will have to be subject to consultation. But I want to say a little about the direction of travel I think we should take.

I believe we should help land owners and managers to make the transition from our current system of subsidy to a new approach of public money for public goods over time.

We will formally leave the EU in March of 2019 but the Government anticipates that we will agree an implementation or transition period for the whole country with the EU lasting for around another two years.

We have guaranteed that the amount we allocate to farming support - in cash terms - will be protected throughout and beyond this period right up until the end of this Parliament in 2022.

We will continue support for Countryside Stewardship agreements entered into before we leave the EU and we will ensure that no one in an existing scheme is unfairly disadvantaged when we transition to new arrangements. We will pay the 2019 BPS scheme on the same basis as we do now.

I then envisage guaranteeing that BPS payments continue for a transition period in England, which should last a number of years beyond the implementation period, depending on consultation.

During these years, we propose to first reduce the largest BPS payments in England. We could do this through a straight cap at a maximum level or through a sliding scale of reductions, to the largest payments first.

After the implementation period, this transitional payment could be paid to the recipient without the need to comply with all the onerous existing cross-compliance rules and procedures.

Inspections would, of course, continue but in the streamlined and risk-based fashion I described earlier. Provided our own animal welfare, environmental and other laws were observed this payment would be guaranteed.

This should provide every existing farmer who receives a BPS payment with a guaranteed income over this extended transition period.

That guaranteed income should provide time for farmers to change their business model if necessary, help to make the investment necessary for any adjustments and prepare for the future.

We will also look at ways to support farmers who may choose to leave the industry.

And, after that transition, we will replace BPS with a system of public money for public goods.

Paying for what we value

The principal public good we will invest in is of course environmental enhancement.

In thinking about how better to support farmers in the work of environmental protection and enhancement it's critical - as everyone in this room but not everyone outside appreciates - to recognise that there is no inherent tension between productive farming and care for the natural world.

Quite the opposite.

I have seen for myself how many of our best farmers - our most productive and progressive farmers - place thoughtful environmental practice and careful husbanding of resources at the heart of their businesses.

Take the vital question of soil health. Min or no till approaches, which require less expenditure on inputs and of course keep more carbon in the soil, are both economically more efficient and environmentally progressive.

But under the CAP, farmers have been encouraged to focus on yield overall, rather than productivity specifically.

This has led to decades of damage in the form of significant and destructive soil erosion - estimated in one study by Cranfield University to cost the economy around £1.2billion every year.

We now have opportunity to reverse this unhappy trend. Sustainably managed land is far more productive than land that is stressed and stripped of its nutrients.

But moving to more sustainable and, ultimately, productive farming methods can involve transitional costs and pressures. So we ***plan*** to provide new support for those who choose to farm in the most sustainable fashion.

And as well as supporting progressive and productive farming methods we also want to support what economists call the provision of ecosystem services.

Building on previous countryside stewardship and agri-environment schemes, we will design a scheme accessible to almost any land owner or manager who wishes to enhance the natural environment by planting woodland, providing new habitats for wildlife, increasing biodiversity, contributing to improved water quality and returning cultivated land to wildflower meadows or other more natural states.

We will also make additional money available for those who wish to collaborate to secure environmental improvements collectively at landscape scale.

Enhancing our natural environment is a vital mission for this Government. We are committed to ensuring we leave the environment in a better condition than we found it. And leaving the European Union allows us to deliver the policies required to achieve that - to deliver a Green Brexit.

But vital as investment in our environment is, it is not the only public good I think we should invest in - I believe we should also invest in technology and skills alongside infrastructure, public access and rural resilience.

There is a tremendous opportunity for productivity improvement in our farms. We already have some of the best performing farms in the world and there is no reason why our farmers cannot lead the way globally in achieving better levels of productivity through adoption of best practice and new technologies.

On technology, we should build on the innovations pioneered by our superb higher education institutions like Harper Adams University by investing more in automation and machine learning, moving from the hands-free hectare to the hands-free farm, with drilling, harvesting, picking and packaging all automated, precision mapping of every inch under cultivation with targeted laser treatment of pests and weeds and highly-focussed application of any other treatment required. We should invest more in the sensor technology that can tell where, when and how livestock should be fed, housed and bred to maximise both yield and individual animal health and welfare.

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Public access I know can be contentious and I won't get into the weeds of the debate on rights of way now. But the more the public, and especially school children, get to visit, understand and appreciate our countryside the more I believe they will appreciate, support and champion our farmers. Open Farm Sunday and other great initiatives like it help reconnect urban dwellers with the earth. And they also help secure consent for investment in the countryside as well as support for British ***produce***. So public access is a public good.

Finally there is rural resilience. There are any number of smaller farm and rural businesses which help keep communities coherent and ensure the culture in ***agriculture*** is kept healthy. Whether it's upland farmers in Wales or Cumbria, crofters in Scotland or small livestock farmers in Northern Ireland, we need to ensure support is there for those who keep rural life vital. The work of the Prince's Countryside Fund has been invaluable here and the kind of enterprises that it supports are, I believe, worthy of public support.

I recognise the list of public goods I have identified is not exhaustive. But then our budget is not unlimited. I look forward to consulting on these priorities but we must start from the presumption that we should only support clear public goods the market will not, left to itself, provide.

Which takes me to the importance of natural capital.

In thinking of our countryside, and of rural life overall, is that its overall worth to us goes far beyond its economic value alone.

Like everyone here, I am moved by the beauty of our natural landscapes, feel a sense of awe and wonder at the richness and abundance of creation, value wild life as a good in its own right, admire those who work with nature and on our land, respect the skill and passion of farmers, growers, shepherds, stockmen, vets and agronomists who provide us with safe, high quality food and drink, and I want to see them prosper.

I know these feelings are shared across the country. But capturing these values in public policy can sometimes be difficult. Which is why the natural capital approach can be so valuable. It allows us to bed into policy-making a direct appreciation of the importance of field and forest, river and wetland, healthy soil and air free from pollution.

It is just one tool among many in the formation of policy but a very powerful one in ensuring that we think of our responsibility to future generations to hand on a country, and a planet, in a better state than we found it.

And that has to be the aim for all our policies on food, farming, the landscape and our broader environment. We have to embrace change which secures a more sustainable future for those who will inherit what we have built.

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HINA Digest

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**Body**

Zagreb, 23 November 2017 (Hina) - Mladic sentenced to life for crimesranking among 'most heinous known to humankind'ZAGREB, Nov22(Hina) - The International Criminal Tribunal for the former Yugoslavia (ICTY) on Wednesday found Bosnian Serb wartime military leader Ratko Mladic guilty of genocide committed at Srebrenica and of crimes against humanity committed elsewhere in Bosnia and Herzegovina and sentenced him tolife imprisonment.The ICTY Trial Chamber cleared Mladic of the first count of genocide in his indictment.Mladic, perceived by his victims as "the Butcher of Bosnia", was found guilty of the remaining counts in his indictment.During the pronouncement of the verdictJudge Alphons Orie, presiding over the trial in The Hague, ordered that the accused be removed from the courtroom for obstructing the sentencing proceedings.Mladic was declared guilty of genocide committed at Srebrenica,of crimes against humanity and war crimes committedin Bosnia and Herzegovina (BiH). The Trial Chamber sentenced him to life imprisonment, saying thathe was guilty of crimes "that rank among the most heinous known to humankind.""The crimes committed rank among the most heinous known to humankind and include genocide and extermination," presiding judge Alphons Orie said delivering the verdict.Mladicwas instrumental to the commission of these crimes, the Chamber found, so much so that without his acts,they would not have been committed as they were.Mladic was found guilty on ten of the 11 counts.

He was clearedof onecharge of genocide in six municipalities of eastern BiH as the Chamber found that the crimes committed there did not constitute genocide.He was found guilty of genocide in Srebrenica, of persecution, extermination, murder, deportation and inhumane acts as crimes against humanity, and of murder, terror, unlawful attacks on civilians andhostage-taking of UN personnel.The crimes took place in BiH from 1992 to 1995.During the sentencing, Mladic had his back partly to the trial chamber, looking at the gallery and occasionally smiling and shaking his head. After a break called because of his high blood pressure, he was thrown out of the courtroom for shouting and taken to another roomfrom which he could watchthe sentencing.The Trial Chamber upheld the tribunal's earlier rulings that genocide was committed in Srebrenica in July 1995, when thousands of Muslim men were killed, and that Bosnian Serb troops intended to exterminate them.The Chamber found that the murders committed in some BiH municipalities qualified as crimes against humanity and war crimes. Many people were killed before, during and after Serb forces attacked non-Serb villages, judge Orie said."Circumstances were brutal; those who tried to defend their homes were met with ruthless force. Mass executions occurred and some victims succumbed after being beaten. Many of the perpetrators who had captured Bosnian Muslims, showed little or no respect for human life or dignity”, said Orie.Trial Chamber points to evidence of exterminationDuring the pronouncement of the verdict, Judge Orie pointed to war crimes committed in the town of Sanski Most and the Manjaca concentration camp in northeastBiH, and said that they amounted to the crime of extermination.For instance, on 25 July 1992, Bosnian Serb forces opened fire from automatic rifles at detained people in the Keraterm camp,a chemical agent was also thrown atthem, andbetween 190-220 detained persons were killed that night, according to excerpts of the verdict read today.Deportation andinhumane acts of forcible transfer of non-Serbs throughout BiHhad been committed, and in this context the cases of Banja Luka, Pale and Prijedor were underlined.The presiding judge underscored that conditions in the detention camps were inhumane and said that evidence was collected about rape and other sexual crimes committed against victims, some of whom were 12-year-old girls.Some of the cases of rape and sexual harassment resulted in the death of victims, the judge said.The three-member chamber found that in the following six municipalities --Foca, Kljuc, Kotor Varos, Prijedor, Sanski Most and Vlasenica -- war crimes were committed against the local Muslims, however, those Muslim victims accounted for a small portion of the targeted group and therefore those crimes could not amount to genocide."The Chamber further found by majority (Judge Orie dissenting), that the physical perpetrators in several municipalities intended to destroy the Bosnian Muslims in those Municipalities as a part of the protected group. However, the judges concluded that the Bosnian Muslims targeted in each municipality formed a relatively small part and were not in other ways a substantial part of the protected group. Consequently, the Chamber was not satisfied that the only reasonable inference was that the physical perpetrators possessed the required intent to destroy a substantial part of the protected group of Bosnian Muslims," according to the explanation provided on the ICTY web site.As for the 43-month-long siege of Sarajevo, the Trial Chamber found thatMladicsignificantly contributed to a joint criminal enterprise "to establish and carry out a campaign of sniping and shelling, aimed to spread terror among the civilian population of Sarajevo".During this period,Bosnian Serb forces "deliberately shelled and sniped the civilian population of Sarajevo daily, often at locations that had little or no military value, resulting in deaths and injuries of thousands of citizens.""The people of Sarajevo," presiding judge Orie said, "were made to live in a state of constant distress. Every time they or their loved ones left their homes, they wondered if they would be targeted by sniper or artillery fire".The judges concluded that Mladic was also guiltyof the crime of taking UN personnel hostage.According to the press release, "between approximately 25 May and 24 June 1995, UN personnel were detained by Bosnian Serb Forces and taken to various locations throughout BiH. Some were chained or handcuffed, at times at gunpoint, outside locations of military significance. Mladicintended to detain the UN personnel and issued threats against them during their detention in order to achieve the objective of stopping the NATO air strikes."The trial of Mladic, who was arrested in Serbia in 2011 after hiding for 16 years, started before theUN tribunal in The Hague in 2012 and lasted four years. Over 370 witnesses testified in the trial.The Trial Chamber in this case was composed of Judge Alphons Orie (presiding, The Netherlands), Judge Bakone Justice Moloto (South Africa) and Judge Christoph Fluegge (Germany).The closing arguments were held from 5 to 15 December 2016.Since its establishment, the ICTYhas indicted 161 persons for serious violations of humanitarian law committed on the territory of the former Yugoslavia between 1991 and 2001. Proceedings against 155 defendants have been concluded. Proceedings are currently ongoing for 6 accused.ICTY: Genocidecommitted in Srebrenica but not in other eastBosniatownsZAGREB, Nov 22 (Hina) - A Trial Chamber of the International Criminal Tribunal for the former Yugoslavia (ICTY) in the Hague on Wednesday confirmed that genocide was committed in Srebrenica in July 1995, but not in seven other municipalities in eastern Bosnia and Herzegovina, as alleged in the indictment against the wartime Bosnian Serb military commander Ratko Mladic.The ICTY ruled that crimes were committed against the non-Serb population in the municipalities ofFoca, Kljuc, Kotor Varos, Prijedor, SanskiMost and Vlasenica, however, the intention was not extermination.The trial chamber has established that there was an armed conflict in Bosnia and Herzegovina and that crimes committed had the characteristics of systematic, mass-scale and widespread actions.These conclusions were also adopted in the trial against former Republika Srpska president Radovan Karadzic, who was sentenced to 40 years in prison.Bosnia war crimes committed as part of joint criminal enterprisesZAGREB, Nov 22 (Hina) - A trial chamber of the International Criminal Tribunal for the former Yugoslavia (ICTY), ruling in the case of Bosnian Serb wartime army commander Ratko Mladic, found on Wednesday that genocide and war crimes had been committed during the 1992-1995 Bosnian war as part of joint criminal enterprisesinvolving Mladic.Mladic is charged with complicity, along with Bosnian Serb political leader Radovan Karadzic and Serbian security service officials, in four joint criminal enterprises: expelling Bosniaks and Croats from areas throughout Bosnia and Herzegovina claimed as Bosnian Serb territory; terrorising the civilian population of Sarajevo through a campaign of sniping and shelling; eliminating Bosnian Muslims in Srebrenica; and taking UN peacekeepers as hostages.These conclusions were also reached by a trial chamber in the Karadzic case.The trial chamber in the Mladic case limited the participants in all four joint criminal enterprises to Bosnian Serb political and military leaders without mentioning any of the officials from Serbia named in the indictment.Mladic verdict summary: Role of Serbia's leadership mentioned only twiceZAGREB, Nov22(Hina) - The verdict handed downon Wednesday by atrial chamber of the International Criminal Tribunal for the former Yugoslavia (ICTY) in the case of Bosnian Serb military leader Ratko Mladic is the second judgement of this UN tribunal to overrule the argumentof theprosecution that participants in ajoint criminal enterpriseincluded top officials of Serbia.The first timethe trial chamberquashed that argumentwas in the first-instance ruling against Bosnian Serb leader Radovan Karadzic, who was sentenced to 40 years in 2016 for war crimes during the 1992-1995 war in Bosnia and Herzegovina.The indictments issued against Karadzic and Mladic, charged with genocide and other war crimes in Bosnia and Herzegovina, also cited the other three wartime Bosnian Serb leaders --Momcilo Krajisnik, Biljana PlavsicandNikola Koljevic -- as well as Serbia's leader Slobodan Milosevic and Serbia's security officialsJovica Stanisic and Franko Simatovic,paramilitary leaderZeljko Raznatovic Arkan, and Radicals' chiefVojislav Seselj, as members of a joint criminal enterprise.According toexcerpts read during the pronouncement of the rulings there was no explicit mention ofMilosevic, Stanisic, Simatovic, Arkan or Seselj in the context of ajoint criminal enterprise.The role of Belgradewas mentioned only twice, during today's pronouncement of the verdict againstMladic, who was found guilty and givenlife imprisonment.The trial chamber's presiding judge read today that Mladic was in direct contact with members of the Serbian leadership and the members of the main staff of the army of the Federal Yugoslavia so as to ensure that theneeds of the Bosnian Serb army were met.Furthermore, the Yugoslav Army, which was under commandof Belgrade, provided military assistance to the Bosnian Serb forces during the siege of Sarajevo, according to the excerpts of the indictment.Mladic arrested in Serbia in 2011 after evading justice for 16 yearsAfter the signing of the Dayton Peace Accords in November 1995, which ended the war in Bosnia, Mladic was relieved of his duty of Bosnian Serb military leader in October 1996 by the then Bosnian Serb President Biljana Plavsic.After that, Mladic lived in Belgrade for several years. The then Serbian President Vojislav Kostunica decided in June 2001 that Mladic should be removed from the Yugoslav Army register of professional soldiers. In February 2002, the Serbian president relieved Mladic of professional military service. Mladic then went into hiding.In October 2007, Serbia issued a million euro reward for information that could lead to locating and arresting Mladic.He was arrested in May 2011 in a village 70 kilometres northeast of Belgradeafter evading justice for 16 years. He washidingin the home of his relatives. Upon his arrest, thousands of his supporters rallied in Banja Luka at a rallyorganised by an association of demobilised Serb soldiers who were under Mladic's command during the 1992-1995 war. Protests against his transfer to the Hague-based UN tribunal were also organised by the Serbian Radical Party (SRS) in Belgrade on 30 May that year, drawing a few thousands.Although he became internationally notorious for atrocities in Bosnia and Herzegovina, Mladic began his war pathin Croatia in 1991 when he was the commander of the Yugoslav People's Army (JNA) Knin Corps in the Dalmatian hinterland.The troops under his command perpetrated crimes against civilians in Kijevo near Knin, Skabrnja and in other villages in the Zadar and Sibenik hinterland at the start of the Homeland War in Croatia in 1991. In 1992, the district court in Sibenik sentenced Mladic and other six people in absentia to 20 years in prison for war crimes against civilians in Kijevo and Vrlika and for the shelling of Sinj and Sibenik and their surroundings.In 1995, the Croatian prosecution pressed charges against Mladic and three other fugitives for having destroyed a dam and hydro-power plant at Peruca with the aim of flooding the Cetina river valley, including Sinj, Trilj and Omis.Life imprisonment is fair verdict for Mladic, victims' families sayZAGREB, Nov 22 (Hina) - The families of Bosnian Muslims killed in the 1995 genocide at Srebrenica reacted to the Hague war crimes tribunal's ruling in the case of Bosnian Serb wartime military commander Ratko Mladic on Wednesday with mixed feelings, saying that the ruling only partly served the justice they had been waiting for for so long."We hail the Hague tribunal for handing down a fair verdict," one of the Bosniak women exclaimed whilewatching a live television broadcast of the sentencing proceedings at the Memorial Centre in Potocari, just outside Srebrenica, as Judge Alphons Orie announced the verdict at the International Criminal Tribunal for the former Yugoslavia (ICTY) in The Hague.Hatidza Mehmedovic, president of the Mothers of Srebrenica association, told local media from The Hague she was not satisfied with the verdict because it did not find that genocide had also been committed in other municipalities in eastern Bosnia and in the northwest of the countrywhere Bosnian Serb forces had launched a campaign to expel all non-Serbs.Lawyer Vasvija Vidovic, who has vast experience as defence counsel for ICTY indictees, said that the verdict was just, but added she was disappointed that the trial chamber did not rule that genocide had also been committed in Prijedor because there was sufficient evidence to do so."Anyway, Mladic has been found guilty of the gravest crimes - genocide and crimes against humanity. I think this is a just verdict.Justice has been served for the victims to some extent and the ICTY has justified its existence with this ruling," Vidovic told the N1 regional television channel.Emsuda Mujagic of the Prijedor-based association of war victims said that refugees who had returned to this town were satisfied that Mladic was sentenced to life imprisonment, but were not satisfied that the atrocities committed in Prijedor did not qualify as a crime of genocide.Mujagic said that all non-Serbs had been expelled from Prijedor in 1992, thousands had been killed and tens of thousands had been confined in detention camps.Skabrnja: Mladic should have been convicted for war crimes in CroatiaZAGREB, Nov 22 (Hina) - Marko Miljanic, the wartime commander of Croatian defence forces in Skabrnja, said that the sentence of life imprisonment which the Hague war crimes tribunal handed down in the case of Bosnian Serb military chief Ratko Mladic on Wednesday made the people of Skabrnja regret that Mladic was not convicted for war crimes committed in Croatia."Life imprisonment for Mladic means nothing to me. We, the people of Skabrnja, regret that he wasn't tried for war crimes committed in Croatia, notably in Skabrnja," Miljanic told Hina in a comment after the ICTY sentenced Mladic to life imprisonment for genocide at Srebrenica and forwar crimes and crimes against humanity committed during the 1992-1995 Bosnian war.Miljanic said he sympathised with the victims of the Srebrenica massacre and was glad that at least they were given satisfaction, but stressed that he would never be able to understand why no Croatian government had ever done anything to have Mladic prosecuted for war crimes committed on Croatian soil."It's sad that the Croatian government, judiciary and diplomats never did anything to press charges for Mladic's crimes committed in the Zadar and Sibenik areas. Was it so difficult to put together an indictment for everything he did in Croatia? He learned his trade here. He was awarded a general's rank for the crimes committed in Croatia. It all started here," an embittered Miljanic said."The Croatian judiciary is contaminated and hasn't changed much since the time of the former Yugoslavia, since before 1990. Croatia cannot go on like this any more. We always blame someone else, yet we ourselves are to blame," Miljanic said.Commenting on Mladic's behaviour in the courtroom during the sentencing, Miljanic said his behaviour showed his "arrogant Balkan mentality."ICTY prosecutor, UN, HRW say Mladic conviction victory for int'l justiceZAGREB, Nov22(Hina) - The conviction of Bosnian Serb wartime military leader Ratko Mladic to life imprisonment is a victory for international justice, the chief prosecutor of the Hague war crimes tribunal for the former Yugoslavia (ICTY) and international organisations said on Wednesday, including the UNwhich called Mladic "the personification of evil"."Today’s judgment is a milestone in the Tribunal's history, and international criminal justice," said ICTY Chief Prosecutor Serge Brammertz.UNHigh Commissioner for Human Rights Zeid Ra'ad al Husseinhailed the convictionas a "momentous victory for justice" andsaid Mladic was "the epitome of evil.""Today's verdict is a warning to the perpetrators of such crimes that they will not escape justice, no matter how powerful they may be nor how long it may take. They will be held accountable," Zeid said.The conviction of the "Butcher of Bosnia"shows that justice catches up with those responsible for horrific atrocities, Human Rights Watch said."The Mladic verdict should send a message to those in power around the world who are committing brutal atrocities, whether in Burma, North Korea, or Syria, that justice can find those who seem untouchable,” saidParam-Preet Singhof HRW.Brammertzdismissed possible comments that the Mladic verdict was directed against the Serbian people, or that he "is a hero and was defending his people.""My office rejects that claim in the strongest terms. Mladic‘s guilt is his and his alone," he said.As for the judgement that Mladic is a hero, Brammertz said"nothing couldbe further from the truth. Mladic will be remembered by history for the many communities and lives he destroyed.""The true heroes are the victims and survivors who never gave up on their quest for justice...On behalf of my Office, I would like to thank and recognize them."He called on the UN member states to continue supporting national prosecutors in the former Yugoslavia in prosecuting war criminals. "Survivors from all communities are still waiting for justice. And too many families still do not know the fate of their loved ones."Inzko calls for accepting verdict without politicising itZAGREB, Nov22(Hina) - The international community's High Representative to Bosnia and Herzegovinaon Wednesday called on everyone in the country to respect the life imprisonment sentence which the Hague war crimes tribunal (ICTY) delivered against Bosnian Serb wartime military commander Ratko Mladic, saying it was animportant step toward bringing to justice those individuals responsible for the most horrific crimes in BiH in 1992-95.“Crimes committed under Ratko Mladic’s command, including genocide, brought enormous pain and suffering to everyone in Bosnia and Herzegovina, the consequences of which will be felt for many generations. The direct victims and survivors of these crimes serve as a constant reminder of why the ICTY was created, why its work is so important, and why justice is crucial to the healing processes of the entire society," Valentin Inzko said in a press release.Hecalled upon all authorities in BiH and all citizens to respect the verdict and refrain from politicising it.“There are no bad nations, only bad individuals. I hope therefore that everyone will take this opportunity to recommit themselves to the reconciliation process. Justice does not per se bring reconciliation, but it is an essential first step in the quest for a shared understanding of the past and finding the full truth of the events from July 1995. This understanding is the path towards a secure and peaceful future,"said Inzko.BosnianSerb officials reject verdict; Sarajevo considers it only fair rulingZAGREB, Nov22(Hina) - After war-time Bosnian Serb military commander Ratko Mladic was sentenced to life imprisonment by theUN war crimes tribunal for the former Yugoslavia (ICTY), Bosnian Serb officials dismissed the verdict as unfairand biased, while officials in Sarajevo continued expressing support for the verdict, noting that life imprisonment was the only possible punishment for crimes as grave as those ordered by Mladic.The US embassy in the country, too, issued a statement describing the verdict as important for establishing the truth and for reconciliation.The embassy saidthe ruling wasas an important step toward holding to account those individuals responsible for the tremendous suffering of the people of Bosnia and Herzegovina."We hope this decision can provide some sense of justice and closure to victims and their families.We urge all parties to respect the court's verdict, and rededicate themselves to the continued reconciliation and peaceful coexistence essential to the future of a stable, secure Bosnia and Herzegovina that safeguards the rights of all its citizens," the embassy said.Bosnian Prime Minister Denis Zvizdic said the verdict proved that it did not pay to commit war crimes,regardless of how long the perpetrators might hide and run from their responsibility, and that the war history would be recorded on the basis of facts determined by the ICTY that would not be brought into question by any attempts to downplay them."I hope the verdict will at least be read carefully by those who keep wishing for new divisions and conflicts, if they are not willing to face their own past," said Zvizdic.The speaker of the Serb entity's parliament, Nedeljko Cubrilovic, was the first Bosnian Serb official who commented on the Mladic verdict, telling reporters in Banja Luka that the UN tribunal had continued "punishing most severely only Serbs."He complained that the ICTY had handed down sentences in cases against Serbs found guilty of war crimes in the total duration of 1,200 years, while Croats, Bosniaks and Albanians got 360 years altogether.Cubrilovic did not comment on facts from the Mladic indictment, which also refer to his involvement in a joint criminal enterprise aimed at terrorising Sarajevo residents.Verdict belated satisfaction for victims, Mladic's glorification harms SerbsAlija Hodzic, a member of an association of parents whose children were killed during the siege of Sarajevo, whose 17-year-old daughter was killed in the siege, said that nobody reasonable could have expected a verdict different than the one delivered today.Otherwise, there would be no sense in theICTY's existence, Hodzic told the public BHT 1 broadcaster, adding that it was important that the court files state that Mladic is guilty and the reasons why he is guilty.Henonetheless called for caution, given the fact that a final ruling in the case was expected.The opposition Social Democratic Party of Bosnia and Herzegovina said that Mladic's verdict was a historic event, important primarily for the victims."It is crucial for the entire world that the perpetrators of the gravest and most brutal crimes ever, including the genocide in Srebrenica, are eventually sentenced, in a fair trial. The verdict forone of the key perpetrators of crimes against all peoples and citizens of Bosnia and Herzegovina, who defended its sovereignty and the notion of the coexistence of all its citizens and peoples, bringsbelated satisfaction to victims. Wealso believe that the verdict must not serve to foment passions andtensions or to refuse to face the truth, established for the umpteenth time in a court of law," the party said.Our party (NS) said the verdict spoke about the individual responsibility of one man for the most monstrous crimes committed since World War II, noting that any generalisation of the guilt in interpretations of the verdict would be inappropriate and harmful for reconciliation to which the verdict was expected to serve."Those politicians who after this verdict continueto glorify Mladic as a hero of the Serb people should know that by doing so they will be burdening that people with what that individual has done. The UN tribunal has fulfilled its mission and thanks to it, we have the necessary resource for building a functioning peace - justice," the party said.Serb entity officials reject calls to face facts, see Mladic as heroZAGREB, Nov22(Hina) - Regardless of their mutual disputes, almost all Serb officials in the state-level government of Bosnia and Herzegovina and in the Serb entity on Wednesday defended without reservation Ratko Mladic, convicted earlier in the day to life imprisonment by a UN war crimes tribunal, thus ignoring calls to face the fact that the verdict was about individual responsibility and should serve to finally establish the truth about the war and enable reconciliation.Among those who called for such an approach was the head of the Islamic community in the country, Husein Kavazovic, who said thatMladic's verdict provided an opportunity for all, but especially Serbia and Bosnian Serb officials, to come to terms withthe past."Only the truth about what happened here can be the basis for reconciliation," Kavazovic was quoted by the Fena news agency as saying.He added that there would be no reconciliation if the glorification of criminals and policies that had resulted in crimes continued.Associations of former members of the Bosnian Serb army in East Sarajevo tried to organise a protest rally after the verdict was announced, but only five people showed up, walking in the streets almost unnoticed and carrying banners with messages reading "Europe, shame on you" and "Our hero".However, the president of the Serb entity of Republika Srpska, Milorad Dodik,who also glorified Mladic earlier, described the verdict as "shameful" and praised the now convicted war criminal anew."This verdict will reinforce the Serb people's position that Mladic is a hero and a patriot," Dodik said at a news conference in Banja Luka, adding that the verdict was a blow to Bosnia and Herzegovina and one more proof that that state was unable to survive and that now oneshould fight for "the RS and its statehood."He added that verdicts by the UN war crimes tribunal in The Hague "cannot affect the facts", adding that history rather than a court could judge Mladic.Dodik wondered how it was possible that 90 Serbs had been convicted by the ICTY for war crimes in Bosnia and Herzegovina while only "nine Bosniaks and only 28 Croats" had been indicted by that court for crimes against Serbs, which, he said, was evidence of the tribunal's unfairness.Dodik said that he would therefore ask that anything related to the ICTY and its work be removed from school books in the Serb entity.Even though he is Dodik's political rival, the Serb member of the Bosnia and Herzegovina Presidency, Mladen Ivanic, said in a similar tone that the verdict was acontinuation of a "negative policy towards Serbs."Describing the tribunal's decisions as political, Ivanic said that that would cause new political conflicts.Vukota Govedarica, president of the Serb Democratic Party (SDS), which is part of the ruling coalition atthe state level and is the biggest opposition party in the Serb entity, said the verdict could not contribute to reconciliation."Mladic is not the only Serb who has become a victim of the Hague tribunal in this or a similar way," said Govedarica.Izetbegovic: Mladic and Milosevic regime guilty of war crimes, not Serb peopleZAGREB, Nov 22 (Hina) - The International Criminal Tribunal for the former Yugoslavia's (ICTY) life imprisonment for Ratko Mladic for the gravest war crimes should be an incentive to turn a new page in history and build better relations in Bosnia and Herzegovina based on facts determined by the courts, the Bosniak member of the Bosnia and Herzegovina Presidency, Bakir Izetbegovic, said on Wednesday.Commenting on the ICTY's ruling against Mladic, Izetbegovic told reporters in Sarajevo that it was exceptionally important that the tribunal in The Hague confirmed that Mladic is the one responsible for the gravest war crimes, but he believes that it would be good if the formulation of the ruling itself removed responsibility from the Serb people as a whole as responsibility is always individual."I hope and I am convinced that the formulation about Bosnian Serbs should have been more specific and should have referred to the (wartime) leadership of Bosnian Serbs and Slobodan Milosevic's regime," Izetbegovic said.He underscored that he was convinced that the "silent majority" among Bosnian Serbs does not identify with Mladic's crimes and does not consider him to be a hero because he is a "coward who attacked civilians, women and children."Izetbegovic considers that determining individual responsibility for war crimes is essential for Bosnia's future as it removes the guilt of whole nations."I hope that the ruling will bring such a sobering up," he said and added that he believed the heated reactions to Mladic's conviction will die down in a few days and that after that it was necessary to get back to serious work to stabilise the situation in the country.A Trial Chamber of the ICTY today found Mladic guilty of genocide committed at Srebrenica and of crimes against humanity committed elsewhere in Bosnia and Herzegovina and sentenced him to life imprisonment.Serbian president says Mladic verdict as expectedZAGREB, Nov22(Hina) - Serbian President Aleksandar Vucic said on Wednesday the Hague war crimes tribunal's conviction of wartime Bosnian Serb military leader Ratko Mladic was as expected and that the outcome of his trial was no surprise in Serbia, but added that as head of state he could not comment on a non-final verdict."We knew thiswould be the outcome," he told reporters after the UN court sentencedMladic to life imprisonment. "We will have to take care of the respect for our victims ourselves," he said, adding, "today is not a day for either joy or sorrow, but for seeing what kind of future we want, withouthanging our heads in front of anyone.""Icallon Serbia's citizens to start looking at the future as of today, how to keep peace and stability in the region," Vucic said, adding that "Serbia respected all the victims of the other peoples" and that he was "not surethe same respect has been paid to Serbian victims."A reported asked him "how come no one was held accountable for the crimes of Ramush Haradinaj, Ante Gotovina and Naser Oric," to which he said, "Shame onthose who delivered such justice" and that "there is living proof of the crimes against Serbs."The three men were acquitted of war crimes by theUN tribunal."That mustn't be downplayed nor should we justify the crimes committed by some with Serb names," Vucic added.Prime Minister Ana Brnabic was quoted by Belgrade media as saying thatthe Mladic verdict "is no surprise for the Serbian people.""We should look to the future... so that we can finally have a stable state."Earlier today, before the sentencing, Justice Minister Nela Kuburovic said that, whatever the verdict, the Serbian government's guarantees for Mladic's provisional release for medical treatment still applied.Serbian, Croatian NGOs welcomejudgementZAGREB, Nov22(Hina) - The Serbian nongovernmental organisation Women In Mourning on Wednesday welcomed the decision of the UN war crimes tribunal for the former Yugoslavia (ICTY) to sentence Bosnian Serb wartime military commander Ratko Mladic to life imprisonment, describing the verdict as appropriate and calling on Serbian authorities to "face the facts and stop negating crimes and genocides."As regards victims and their families, the NGO said that "they have finally seen justice done after Mladic spent a decade in hiding.""The life term is an appropriate punishment for the ultimate crimes committed under Ratko Mladic's command," the NGO said in a statement, suggesting that the crimes Mladic was convicted of "call for deep thinking and re-examination.""Thisparticularly refers to Serbia's incumbent government, whose highest officials were part of the policies that inspired and aided in genocides," the anti-war NGO said, adding that "that fact makes their responsibility atthis moment even greater."The NGO called on Serbian authorities to "face the facts and finally stop negating crimes and genocides" and to accept rulings by the highest international judicial bodies.Documenta: Symbolicsatisfaction to victims' families, important step in condemnation of all crimesThe Croatian NGO Documenta - Centre for Dealing with the Past today welcomed the verdict of the ICTY which found Mladic guilty of the genocide in Srebrenica, crimes against humanity and war crimes in Bosnia and Herzegovina, saying that it represented symbolicsatisfaction to the victims' families and was an important step in the condemnation of all crimes committed in the 1990s wars."We welcome the ICTY's verdict sentencingto life imprisonment Ratko Mladic, who is among those most responsible for mass executions, rape, persecutions and other grave crimes committed in Bosnia and Herzegovina, as well as for the genocide in Srebrenica. Today's decision represents symbolicsatisfaction for the victims' families and is an important step in the condemnation of all crimes committed in the 1990s wars," Documenta said in a statement.Grabar-Kitarovic hopes Mladic sentence gives some satisfaction to victims' familiesZAGREB, Nov 22 (Hina) - President Kolinda Grabar-Kitarovicon Wednesday expressed hope that the life sentence in the non-final ruling against former commander of the Bosnian Serb army, Ratko Mladic, was at least partially satisfactory for the families of those killed, tortured and missing and expressed regret that Mladic was not sentenced for crimescommitted in Croatia."I know that nothing can bring back lost lives, thousands of people who were killed in such a brutal manner in Srebrenica and elsewhere in Bosnia and Herzegovina and in Croatia too. I regret that he did not answer for the crimes committed in Croatia, particularly in Skabrnja and elsewhere," Grabar-Kitarovic told reporters in Rijeka."I hope that this life sentence will at least be a partial satisfaction for the families whose members died, were killed, tortured or went missing during the time when Mladic was one of the symbols of war, brutality and genocide," she said.ATrial Chamber of the International Criminal Tribunal for the former Yugoslavia (ICTY) on Wednesday found Bosnian Serb wartime military leader Ratko Mladic guilty of genocide committed at Srebrenica,of crimes against humanity and war crimes committedin Bosnia and Herzegovina (BiH),sentencinghim to life imprisonment.Croatianpoliticians sayMladic played central role inwars in Croatia and Bosnia and HerzegovinaIn addition toCroatia's president and Prime Minister Andrej Plenkovic, other Croatian politicians also expressed regret that Mladic had not answered for the war crimes the troops under his command committed in Dalmatia in 1991 and 1992.Social Democrat leader Davor Bernardic said that the judgement offered only some satisfaction tothe families of victims of the atrocities in Bosnia and Herzegovina and added that the verdict also indicated the involvement of Serbia's leadership in the war developments.SDP lawmaker Orsat Miljenic said that Mladic played a central role in genocidal enterprise not only in Bosnia and Herzegovina but also in Croatia."Had there not been people such as Mladic, war atrocities would not have happened in Croatia and Bosnia and Herzegovina," Miljenic said.Croatian PM says ICTY verdict against Mladic appropriateZAGREB, Nov22(Hina) - Croatia's Prime Minister Andrej Plenkovic on Wednesday said that life imprisonment rendered by the UN tribunal against Bosnian Serb wartime commander Ratko Mladic for war crimes committed in Bosnia and Herzegovina was appropriate, however, the premier expressed regret that the ICTY indictment against Mladic had not incorporated war crimes committed in Croatia by Yugoslav People's Army (JNA) troops under his command in the autumn of 1991 and in early 1992.In the final Trial Judgement of the International Criminal Tribunal for the former Yugoslavia (ICTY), the Trial Chamber on Wednesdayconvicted Mladic, former Commander of the Main Staff of the Bosnian Serb Army, of genocide, crimes against humanity and violations of the laws or customs of war. These crimes were committed by Serb forces during the armed conflict in Bosnia and Herzegovina (BiH) from 1992 until 1995 and Mladicwas sentenced to life imprisonment.Having in mind the gravest crimes against humanity that were the subject matter of the indictment and thejoint criminal enterprise in which Mladic participated in Bosnia and Herzegovina and having in mind that the tribunal established that genocide was committed in Srebrenica, this judgement is appropriate, Plenkovic told the press in the parliament in Zagreb where he had outlined the 2018 draft budget.Asked by the press to comment on the fact that the trial chamber did not accept the prosecution's allegations about Serbia's leadership being involved in the joint criminal enterprise, Plenkovic said that unfortunately this verdict had not included that.The Croatian PM was also sorry to seethat the crimes committed by the units under Mladic's command had not been part of the ICTY indictment against that officer.Plenkovic believes that the extensiveness of the case was the reason why thecrimes perpetratedin Croatia had not been added to the Mladic indictment before the UN tribunal in The Hague.Croatia convicts Mladic in absentia for war crimes in Kijevo, Dalmatian hinterlandAlthough he became internationally notorious for atrocities in Bosnia and Herzegovina, Mladic began his war journey in Croatia in 1991 when he was the commander of the Yugoslav People's Army (JNA) Knin Corps in the Dalmatian hinterland.The troops under his command perpetrated crimes against civilians in Kijevo near Knin, Skabrnja and in other villages in the Zadar and Sibenik hinterland at the start of the Homeland War in Croatia in 1991. In 1992, the district court in Sibenik sentenced Mladic and other six people in absentia to 20 years in prison for war crimes against civilians in Kijevo and Vrlika and for the shelling of Sinj and Sibenik and their surroundings.In 1995 the Croatian prosecution pressed charges against Mladic and three other fugitives for having destroyed a dam and hydro-power plant at Peruca with the aim of flooding areas in the Cetina river valley, including Sinj, Trilj and Omis.However, residents of Skabrnja are angry and disappointed about the fact that he has not been charged with the crimes in that village where the infantry of the JNA Knin Corps killed 43 villagers and 15 Croatian soldiers when it raided the village on 18 November 1991. Those war crimes have not been added to the ICTY indictment against Mladic, nor has the Croatian judiciary indicted him for them.Following a cease-fire agreement in 1992, the JNA dispatched Mladic to Sarajevo where he was appointed chief of staff of the JNA Second Military District Command. In May 1992, the JNA retreated from Bosnia and Mladic was appointed commander of the the main staff of the Bosnian Serb forces. He remained in this position until December 1996.Croatian gov't says regrets Mladic was not convicted for crimes in CroatiaZAGREB, Nov 22 (Hina) - The Croatian government considers as appropriate the life imprisonment sentence handed down by the Hague war crimes tribunal on wartime Bosnian Serb army commander Ratko Mladic, but it regrets that he was not convicted for the numerous crimes committed during the aggression on Croatia, the government said in a statement on Wednesday.The International Criminal Tribunal for the former Yugoslavia (ICTY) earlier in the day sentenced Mladic to life imprisonment for the genocide in Srebrenica, crimes against humanity and war crimes in Bosnia and Herzegovina."We recall that Ratko Mladic was indicted and has now been convicted pending appeal for involvement in four joint criminal enterprises," the government said in the statement."The most severe violations of international humanitarian law were committed, such as the crime of genocide, crimes against humanity and violations of the laws and customs of war committed in Srebrenica, Sarajevo and the Manjaca, Omarska and a number of other camps," the statement says.The government believes that the verdict "once again confirms that the crime of genocide was committed in Srebrenica, where more than 7,000 Bosnian Muslim men and boys were killed.""At the same time, the Government of the Republic of Croatia regrets that Ratko Mladic was not indicted and convicted for the numerous crimes committed during the aggression on the Republic of Croatia.""We note that in this case the Republic of Croatia provided assistance through its relevant institutions to the ICTY's Office of the Prosecutor by fulfilling its requests," the government says.It also expresses dissatisfaction with the conclusions of the Trial Chamber in the part in which the involvement of the highest Serbian officials in the so-called comprehensive joint criminal enterprise was not established, given that their names were stated in the indictment, a reference to Slobodan Milosevic, Jovica Stanisic, Franko Simatovic, Zeljko Raznatovic and Vojislav Seselj.Mladic was sentenced also for involvement in a joint criminal enterprise in Bosnia and Herzegovina aimed at permanently removing Bosnian Croats and Muslims from areas to which Bosnian Serbs lay claim. The verdict identifies as participants in the joint criminal enterprise all the highest officials of the Bosnian Serb entity of Republika Srpska - Radovan Karadzic, Momcilo Krajisnik, Biljana Plavsic, Nikola Koljevic, Bogdan Subotic, Momcilo Mandic and Mico Stanisic.EU respects, NATO welcomes verdictZAGREB, Nov22(Hina) - The European Union said on Wednesday that, while it did not comment on individual judgments, it respectedthe ICTY's conviction ofBosnian Serb wartime military leader Ratko Mladic to life imprisonment, andNATO welcomed the conviction, saying it showed that "the rule of law is working.""The judgement in the case of Ratko Mladicbefore the International Criminal Tribunal for the former Yugoslavia (ICTY) pronounced today touches upon some of the darkest, most tragic events of Bosnia and Herzegovina, the Western Balkans andEuropein recent history, including the genocide in Srebrenica. Delivering justice and fighting impunity for the most horrific crimes is a fundamental human obligation. Our sympathies are with those who survived and those who lost their loved ones," EU Foreign Affairs High Representative Federica Mogherini said in a press release."While we don’t comment (on) individual judgements, we fully respect the decisions of the ICTY and support its work", she added.NATO Secretary-General Jens Stoltenberg welcomed the rulingagainst Mladic, saying it "shows that the rule of law is working and those responsible for war crimes are held to account.""As Bosnian Serb commander, General Mladic was responsible for appalling crimes against civilians, including the murder of thousands of Bosnian men and boys in Srebrenica in 1995," he said in a press release, adding that "NATO helped bring to an end this dark chapter in the history of Europe.""The Western Balkans are of ***strategic*** importance for our Alliance," he said, adding,"We see the future of the Western Balkans in Euro-Atlantic cooperation and integration for those who want it.""I hope that today’s ruling will move the region further down the path of peace and reconciliation," Stoltenberg said.The Economist expects Croatia's GDP to grow in 2018 by 2.6%ZAGREB, Nov22(Hina) - The Economist has recently unveiled the 32nd edition of its special issue "The World in 2018,"which projects Croatia's economic growth at 2.6%, which is slower than in 2017.Croatia's growthprojected by this newspaperis lowerthan the projections made by other analysts and financial institutions."Acoalition government led by the conservative Croatian Democratic Union, which took over after the collapse of its predecessor in 2017, is weak and the prime minister, Andrej Plenkovic, may call an early vote to take advantage of the party's strong polling. If he does not, economic reform will drift. If he secures a firmer mandate, the government will try to curb its hefty public debt and boost inward investment," analysts of The Economist said.In Europe, the analysts predict the biggest growth rates in central and eastern European countries -- Romania (+4.5%), Estonia (+3.5%), Hungary and Poland (+3.4% each), Bulgaria (+3.3%) and Slovenia (+3.1%).When it comes to the projections of other analysts and institutions, the European Commission has revised up its forecast of Croatian GDP growth in 2017 from 2.9 percent to 3.2 percent, saying that the national economy has proved resilient to the Agrokor crisis and growth is expected to pick up in the second half of the year.The Commission released its Autumn 2017 Economic Forecast on Thursday, expecting the Croatian economy to grow by 3.2 percent in 2017, by 2.8 percent in 2018 and by 2.7 percent in 2019.The International Monetary Fund and the World Bank expect the economic growth of 2.7% in 2018.Addiko Bank is even more optimistic, projecting economic growth at 3%.Raiffeisenbank Austria (RBA)projected a growth of 2.3% in anticipation of repercussions from Agrokor's overhaul in 2018.The Croatian government, however, based its draft budget for 2018 on the economic growth projection of 2.9%.EC says Croatia still at risk of excessive macroeconomic imbalancesZAGREB, Nov22(Hina) - Croatia is again among countries which the European Commission believes need an in-depth review to check for a possible danger of excessive macroeconomic imbalances, the EC said on Wednesday.The EC today published its annual growth survey andalert mechanism for 2018 and a draft joint employment report.The publication of those documents marks the start of a new cycle of the European Semester, a mechanism which is used to coordinate economic policies in the EU so as to avoid a repeat of the financial and debt crisis.The Alert Mechanism Report (AMR) is an integral tool of the European Semester, which aims to prevent or address imbalances that hinder the smooth functioning of member states' economies, of the euro area or of the EU as a whole.On the basis of the analyses in the Alert Mechanism Report, 12 countries have been proposed to be covered by an in-depth review in 2018. These are the same countries identified as having imbalances in the previous round of the Macroeconomic Imbalances Procedure (MIP), i.e. Bulgaria, Croatia, Cyprus, France, Germany, Ireland, Italy, the Netherlands, Portugal, Slovenia, Spain and Sweden, the EC said.The Commission will present the in-depth reviews as part of its Country Reports in February 2018.Then it will assess if the mechanism for the correction of macroeconomic imbalances should be activated, based on an assessment of whether the government's reform ***programme*** is ambitious enough to correct the imbalances.This is the fifth time Croatia is among countries that have been proposed to be covered by an in-depth review.In the previous cycle of the European Semester it was established that Croatia hadexcessive macroeconomic imbalances."In February 2017, the Commission concluded that Croatia was experiencingexcessive macroeconomic imbalances, in particular involving risks from high levels of public,corporate and external debt, all largely denominated in foreign currency, in a context of lowpotential growth," the EC says."In the updated scoreboard, a number of indicators are beyond the indicativethreshold, namely the net international investment position (NIIP), the government debt andthe unemployment rate.The NIIP is the difference between the amount of foreign investments in a country and the amount thecountry has invested abroad, and is expressed as a percentage of GDP."The NIIP is decreasing but remains athigh levels, with persistent currency-relatedrisks. The current account showsa sizeable surplus and has been positivesince 2013. While initially driven bycontracting domestic demand, it is nowincreasingly based on strong growth ofexports, boosted by improved costcompetitiveness. Gains in export marketshares accelerated in 2016. Privatesector debt decreased further amid weakcredit flows but its level is still high.Continued strong economic growthshould support thedeleveraging process,relieving pressure on credit growth," the EC says.Although decreasing, a large share of loans to non-financial corporationsremain non-performing. The government debt ratio declined further in 2016 and is projectedto continue declining, also on account of contained deficits. The unemployment rate is falling,but its reduction is to a large extent driven by a rapidly shrinking labour force, says the EC."Risks to theeconomic outlook are related to developments in the on-going restructuring of the largeconglomerate Agrokor," says the EC.Transition economies need new growth model -EBRDZAGREB, Nov 22 (Hina) -Transition economies are currently lagging behind compared to other economies in the world, the European Bank for Reconstruction and Development (EBRD) said on Wednesday in its annual "Transition Report 2017-18: Sustaining Growth", according to whichCroatia needs to improve its regulatory and legislative framework for the economy.“Having exhausted the advantages that used to underpin their strong growth performance in the past, the countries of the EBRD region now require a new growth model,” the EBRD says in thatreport.The publication focuses on three key areas that the new model needs to embrace: improving productivity of individual firms, infrastructure investment and an emphasis on green growth.Governments should help innovative young firms that want to expand their market shares and enter new markets and integrate into global value chains, the EBRD recommends.The EBRD estimates that over the next five years, it will have to invest a total of 1.9 trillion euro in infrastructure.An appropriate legislative and regulatory framework supports the rule of law, corrects market flaws, prevents abuse, guarantees equality for stakeholders and equal market opportunities in society, the EBRD explained.This year's report has updated its definition of transition according to which a sustainable market economy is "competitive, well-governed, green, inclusive, resilient and integrated."Assessing transition qualities of the economies in the region with a score from one to ten, with 10 being the best score, the best score assigned to Croatia was in the category of integration (6.85).Croatia was assessed to be the weakest in the category of appropriate legislative and regulatory framework for the economy - 'well-governed' (5.14).In the category or resilience, Croatia scored 6.61 and 6.3 for inclusiveness and green growth.As far as competitiveness is concerned, Croatia was given a score of 5.75.Estonia was given the highest score by the EBRD of 7.58 and that being for the category of 'well-governed.'PM presents draft 2018 budget inparliamentZAGREB, Nov22(Hina) - Prime Minister Andrej Plenkovic presented a draft state budget for 2018 to parliament on Wednesday, saying that next yearhis government would focus on the needs of the people and on the necessary reforms in order to raise productivity and living standards."This is why we will continue implementing the national reform ***programme*** through further reduction of non-tax contributions andadditional tax reliefs, and we will simplify regulatory requirements for businessesand prevent the introduction of new administrative burdens," the PM said in parliament.These measures will strengthen the national economy, its resilience and competitiveness, Plenkovic said."With this draft budget, the government wants to continue implementingits ***programme*** and to meet the expectations of the Croatian people," Plenkovic said.The draft budget reflects the clear government policy based on sustainable public finances with the aim to prevent us from spending more than we have and to reduce the public debt, Plenkovic said."The government is continuing with tax reliefs for citizens and business people," the prime minister said.The economy is improving, with real GDP growingat an annual rate of 2.7%in the first half of 2017, and the growth is expected to pick upin the second half of the year, Plenkovic said.We also recorded growth in industrial output, turnover, retail sales, construction, and tourism, while the registered unemploymentrate is at its lowest leveland employment continues growing, Plenkovic said.He also expects this year's economic growth to amount to 3.2%, as projected by the European Commission.We must make use of the favourable impulses from the domestic and international environment to make our economic growth more stable and permanent, to reduce excessive macroeconomic imbalances and secure further employment and job creation, Plenkovic said.Plenkovic says 2018 budget realisticZAGREB, Nov22(Hina) - Prime Minister and Croatian Democratic Union (HDZ) leader Andrej Plenkovic said on Wednesday that the 2018 draft budget was realistic and reflected the political priorities of the government's platform, stressing that he did not want to comment on empty and unfounded comments by opposition leader Davor Bernardic."The budget is realistic and in my opinion reflects all political priorities of the government's platform. I don't intend to comment or waste any time on empty, unfounded, irresponsibleand banal comments by the leader of the so-called opposition - you could see today what it looks like," Plenkovic told reporters after leaving the parliament hall, when asked to comment on Bernardic's claim that the draft budget was empty and overblown.Noting that he and Finance Minister Zdravko Maric together presented the draft 2018 budget with projections for 2019 and 2020 "as befits a responsible government and a serious parliamentary majority", Plenkovic said that they witnessed flagrant attempts to obstruct the parliament's work."We regret that. I am confident that the Croatian public and people see very clearly who is serious and responsible and who is here to score some points in an unprecedented -at least as far as this parliament is concerned -attempt to prevent the normal work of deputies...Opposition MPs breaching the Standing Orders as many times as today is neither appropriate nor befits parliamentarians," said Plenkovic.Responding toa reporter's remark that the opposition had opted for such conduct because the HDZ insisted on dissolvingthe parliamentary commission of inquiry for the ailing Agrokor corporation, Plenkovic said: "No, that is only in line with the legal provision which has been in force since Monday."Asked why HDZ members of the commission did not vote for the dissolution of the commission in line with the law but only gave awritten statementto that effect, Plenkovic said the statement was clear and that the HDZ MPs had done what should have been done.He repeated that the dissolution of the commission was in line with the law.Speaker, opposition whips reach compromiseZAGREB, Nov22(Hina) - After an hour-long consultation on Wednesday, Parliament Speaker Gordan Jandrokovic and the opposition whips reached a compromise, with HSS president Kreso Beljak getting the opportunity to speak in connection with a break which he requested in the morning and which triggered commotionin parliament lasting several hours.Beljak asked for a break because of the traffic situation, saying that while Croatia was struggling with demographic issues, citizens were getting killed in traffic. "There where lives could be saved, we are doing nothing," he said, adding that his Peasant Party would move amendments in line with the best practice in Europe.He then talked about the indebted Agrokor conglomerate and a parliamentary inquiry commission for it, accusing the ruling coalition of trying "to cover up and falsify history.""The HDZ, slaloming between laws, dissolved the parliamentary commission, which is a disgrace, and we in the opposition will work on preventing a lie repeated 100 times from becoming the truth."After that, parliament resumeda discussion on a 2018 draft budget presented today.Ruling majority MPs praise draft budget, Opposition slamsitZAGREB, Nov22(Hina) - During a parliamentary debate on adraft budget for 2018 outlined by Prime Minister Andrej Plenkovic on Wednesday, lawmakers from the ruling majority praised the proposed document, whereas the Opposition made a series of objections.The Croatian People's Party (HNS), a junior partner in the ruling coalition, praised the finance ministry's efforts to close the budget gap in the next three years, ensure higher salaries and pensions and reduce the tax burden on the economy.On the other hand, Vesna Pusic of the opposition party GLASsaid that she could not see any significant allocations for the implementation of the curriculum reform.Branimir Bunjac of the Human Shield party said that this opposition party would not vote for the budget and accused the government of favouring Croatian banks and "criminal operations" in those institutions.The Social Democratic Party's members of parliament said that the draft budget did not reflect the government's intention to work on demographic revival.The Croatian Peasant Party (HSS) welcomed efforts to reduce imbalances between budget revenues and expenses, but this opposition party expressed dissatisfaction with "the expensive state apparatus".Ruling coalition members say Agrokor inquiry commission has ceased workZAGREB, Nov 22 (Hina) - The five ruling coalition members of the nine-member parliamentary commission of inquiry into the heavily indebted Agrokor food and retail corporation issued a written statement on Wednesday saying that the commission had ceasedwork after a court decided that the judicial investigation could go ahead."Since the court ruling on the investigation has taken effect, the Commission of Inquiry into Agrokor has ceased work by virtue of law given that all the prerequisites for that under the law have been met," says the statement, which was circulated among the press in the Parliament building.The commission members cited Article 4 of the Inquiry Commissions Act which says that an inquiry commission shall immediately cease its work if judicial action has been taken on any of the issues for which the commission was established.Opposition chief says HDZ wants to cover tracks of cronyism in AgrokorZAGREB, Nov22(Hina) - Social Democratic Party (SDP) chief Davor Bernardic said Wednesday that, following the latest information about an HBOR loan and damage to the state budgetamounting to HRK 400 million, the Croatian Democratic Union (HDZ) wantedto dissolve the parliamentary commission of inquiry into Agrokor in order to cover up "the traces of cronysm which was obviously happening in the backdrop of the entire process in Agrokor.""The latest information announced yesterday regarding the HBOR loan to Agrokorindicates a clear involvement ofgovernment members in granting HRK 400 million to Agrokor, a debt-laden company, something that the HBOR management board had warned about. This shows the involvement of government members who approved the contentious HRK 400 million loan to the troubled Agrokor," Bernardic said in parliament.The media reported on Tuesday that right before the collapse ofthe food conglomerate in December 2016, Agrokor received nearly HRK 400 million from the state-owed HBOR bank whose work is monitored by Finance Minister Zdravko Maric. The loans were granted under fast track procedure, according to a special regulation for direct loans for which the state is the only guarantor.This caused direct damage to Croatia in the amount of HRK 400 million and my question is on whose order had this been expressly done," Bernardic said.He is confident that there is a clear connection between Agrokor, its owner Ivica Todoric and the government.HNS MP: Agrokor commission ceases to exist in line with law; Opposition outragedZAGREB, Nov 22 (Hina) - One of the five members from the ruling majority in the 9-member parliamentary commission of inquiry for Agrokor, HNS lawmaker Sjepan Curaj, said on Wednesday that the commission had ceased work in compliance with the legislation on inquiry commissions and that the body had not been abrogated by anybody.Curaj explained that there had been no need to sign a decision to this effectandthat the legal prerequisites for the cessation of the existence of the commission had been met.Earlier in the day, the five ruling coalition members of the parliamentary commission of inquiry into the heavily indebted Agrokor food and retail corporation issued a written statement saying that the commission had ceased work after a court decided that the judicial investigation could go ahead.Likewise, Curaj said that in the past, parliamentary commissions of inquiry also ceased to exist when legal prerequisites had been met, and also without any formal decision of the Sabor.Opposition says ruling majority members usurp the authority of parliamentOn the other hand, the chair of of the commission, Orsat Miljenic of the Social Democratic Party (SDP), criticised the five members of the commission over their written statement, and said that this was an example of usurpation of the authorities of the parliament.SDP lawmaker Gordan Maras said that this was an attack on the country's constitutionaland legal system.Miljenic finds the behaviour of those five members from the ranks of the Croatian Democratic Union and the HNS to be a breach of the Constitution.Miljenic insists on the adoption of a formal decision by the Sabor on the cessation of the work of the said commission.Task force to start drawing up electronic media law in JanuaryZAGREB, Nov 22 (Hina) - Attending a panel debate on Croatia's media strategy as part of the 10th Electronic Media Days, Culture Minister Nina Obuljen Korzinek on Wednesday announced that the ministry would start preparing a bill on electronicmedia in January.Obuljen Korzinek underscored that the incumbent Media Act had not been amended for 15 years, that the existing legislation had not been implemented in a satisfactory mannerand that there was"general dissatisfaction with the media and general situation in the media and the profession."The minister announced that a task force would be set up in December to work on the bill on electronic media and that it would commence its work in January."I call on all umbrella associationsto prepare a detailed analysis of what they think should be changed in the law," Obuljen Korzinek said and listed several topics that should be debated, from co-regulationto self-regulation, ethics and standards in journalism, as well as markets and state subsidies and non-profit media.Addressing participants of the 23rd Radio Days, 10th Television Days and 10th Internet Days via video message, President Kolinda Grabar-Kitarovic statedthat electronic media today were the "source of breaking news which impactsociety and individuals.""We all want information now and at once and that is why we turn to fast media, whether it be online, radio or television, so that we can be informed, whether it be about the weather forecasts or to form an opinion on certain political and economic issues," Grabar-Kitarovic said in her video message.Croatian, Montenegrin ministers say NATO right path for W.Balkan countriesZAGREB, Nov22(Hina) - The entry of Western Balkan countries into NATO is a guarantee of the stability of that region, and progress made by four NATO aspirant countries is visible, the Croatian and Montenegrin foreign ministers said at a NATO enlargement conference in Zagreb on Wednesday.The conference, organised by the Atlantic Council of Croatia,is aimed at providing a platform to NATO member states from the region to exchangeopinions and experience and to aspirant countries to express their expectations of NATO membership."NATO enlargement is an exceptionally encouraging transformation and reform mechanism that contributes to the stability of Croatia's neighbourhood but also to the stability of NATO as an alliance of free and peace-lovingcommunities," Croatian Foreign Minister Marija Pejcinovic Buric said at the opening of the conference.She underscored Croatia strongly advocated a fast activation of NATO's Membership Action ***Plan*** for Bosnia and Herzegovina, which would "strongly encouragethe forces in the country committed to stabilisation and to setting Bosnia on the right track."She also said Macedonia's determined moves aimed at setting the country on the track of Euro-Atlantic associations are also visibleand that Croatia encourages Macedonian leaders to continue to implement reforms and advocates the finding of an acceptable solution regarding the country's name, as the last obstacle to receiving a NATO invitation."Croatia also supports the further strengthening of NATO's relations with Kosovo as a guarantee of stability and security," the Croatian minister said, adding that recently also cooperation between NATO and Serbia had been improving on the practical level.Montenegrin Foreign Minister Srdjan Darmanovic, whose country is the youngest NATO member that joined the alliance in June,said that trends in the Western Balkans regarding the entry into Euro-Atlantic associations were getting more positive by the day."It is critical for the region to remain focused on the European Union and NATO. There is no alternative to that and everything else leads to stagnation and a nightmarish past," the Montenegrin minister said, adding that NATO's membership had already brought tangible benefits to his country. "It has additionally stabilised the Western Balkans and improved the economic climate in the country," Darmanovic said. Croatian PM to attend 5th Eastern Partnership summit in BrusselsZAGREB, Nov 22 (Hina) - Croatian Prime Minister Andrej Plenkovic will attend a European People's Party summit and the 5th Eastern Partnership summit in Brussels on Thursday and Friday, his office announced on Wednesday.The Eastern Partnership summit will be an opportunity for the heads of state or government of European Union countries and the six Partnership countries (Armenia, Azerbaijan, Belarus, Georgia, Moldova, and Ukraine) to assess the achievements brought to their citizens since the last summit in 2015.Plenkovic will be accompanied by Foreign Minister Marija Pejcinovic Buric.Turkish ambassador visits SisakZAGREB, Nov22(Hina) - The friendly Croatian and Turkish nations have still not used all the possibilities of cooperation in the economy, cultureand other fields, the newly-appointed Turkish ambassador, Mustafa Babur Hizlan, said in Sisak on Wednesday.It is not surprising that the diplomatchose Sisak for his first visit in Croatia given that several institutions in the town have been cooperating with Turkish institutions for quite some time.The Turkish International Cooperation and Development Agency (TIKA), which carries out projects in 58 countries, has donatedequipmentto the locallibrary andkindergarten worth hundreds of thousands of kuna.Deputy mayor Ivica Rendulic and principal Ljubica Ivsic said the children attending the kindergarten were of different ethnicityand faith, and that the kindergarten has a Croatian-Turkish friendship club.TIKA coordinator Hasim Koc, who visited Sisak several times, said he felt at home and that TIKA was carrying out in Vrbovac a project similar to the one in Sisakand that cooperation would continue.The ambassador said children were the real ambassadors of the friendship between the two countries, adding that the friendly cooperation would continue.Varazdin County 1st Croatian region to chair Alps Adriatic AllianceZAGREB, Nov22(Hina) - In the next two years Varazdin County head Radimir Cacic will be chairing the Alps Adriatic Alliance, the biggest and oldest regional organisation in Europe that bringstogether regions from Austria, Hungary, Slovenia and Croatia, which together have a population of six million.Cacic was unanimously elected to chair the Alps Adriatic Council in 2018 and 2019 at a regular session of that body in Klagenfurt, Austria,on Wednesday. He is to succeedPeter Kaiser, prime minister of the Austrian province of Carinthia.Varazdin County has thus become the first Croatian region to chair the Alps Adriatic Alliance.Recalling that the Alps Adriatic Alliance had become a symbol of good neighbourly cooperation over the past 39 years, Cacic said that it primarily wished to serve as an example of inter-regional cooperation and again assume arole in opening Europe to eastern neighbours.Varazdin County joined the Alliance in 2013. Its otherCroatian members are Istria, Karlovac, Koprivnica-Krizevci, Krapina-Zagorje and Medjimurje counties. Primorje-Gorski Kotar County is expected to join soon.The Austrian members of the Alliance are Carinthia, Styria and Burgenland while Vas County is the Hungarian member of the organisation and Slovenian members are all municipalities and towns that are members of the Association of Municipalities and Towns of Slovenia.Works on sewerage, water-supply system on Krk island kick offZAGREB, Nov22(Hina) - Works on a HRK 648.3 million system for the collection, drainage and treatment of waste water on the northern Adriatic island of Krk began on Wednesday and the project was presented by Environmental Protection and Energy Minister Tomislav Coric.The works include the construction of 85 km of sewerage and the reconstruction of a 40 km water-supply network, Coric said, adding that this was one of the bigger European Union-financed projects, co-financed by Croatia's Hrvatske Vode water utility,his ministry and local government.The project will be completed by December 2020, improving the quality of life on the island,the quality of tourist products, and the whole economy on the island, Coric said.The EU is co-financing the project with HRK 369.1 million as part of the 2014-20Operational ***Programme*** Competitiveness and Cohesion.Montenegro has ten days to pay compensation to more than 200 former Morinj camp inmatesZAGREB, Nov 22 (Hina) - In the next ten days, the Montenegrin government will have to pay compensation to more than 200 Croats who were detained and tortured at the Morinj camp in Boka Kotorska in 1991 and 1992, the Montenegrin media reported on Wednesday.The former Croat detainees sued the Montenegrin state and won the case, and after verdicts in those lawsuits became final, Montenegro now has to pay around 1,430,000 euros in total to the former detainees.Zdravko Begovic, an attorney for the former Morinj camp inmates, said that the payment of compensation had already started in a large number of cases.He also announced a review of the state's decision on the amount of compensation to the former prisoners before a court in Strasbourg.The state granted almost all claims by the victims, which is why a decision on the payment of compensation was adopted.Around 250 Croatian nationals were detained in the former Yugoslav People's Army (JNA) military centre of Morinj, which was converted into a prison camp following the Serbian-Montenegrin aggression on the Dubrovnik area in 1991.Bosnian citizen given 2 yrs in jail for fighting in SyriaZAGREB, Nov22(Hina) - The State Court of Bosnia and Herzegovina on Wednesday sentenced Bosnian citizen Osman Abdulaziz Kekic to two years' imprisonment for fighting in Syria.He was convictedbecause in May 2015 he wentto Syria, where he joined a unit active within the Islamic State terrorist organisation. He fought in the unit until October 2015, when he returned to Bosnia, where he was arrested.In June, atrial chamber verdict acquitted Kekic, which wasappealed by the State Prosecutor's Office. The State Courtgranted the appeal, quashing the verdict and ordering a retrial.The State Prosecutor's Office applauded today's conviction, saying it proved the determination of the Bosnian justice system to punish those joining foreign paramilitary units in Syria and Iraq.In other news:Conference on food safety and quality opensZAGREB, Nov 22(Hina) - The first Croatian congress on food safety and quality, with participants from 20 countries, started in Opatija on Wednesday.The event focuses on food quality and safety,protection of originality and geographical origin of products,adulteration of food andthe effects of food on human health.A State Secretary atthe Ministry of ***Agriculture***, Tugomir Majdak, recalled that last week parliament had adopted a law banning unfair trade practices in the food supply chain, addingthat although some EU member states hadadopted a code in thatregard, Croatia had opted for a law as a stricter measure.The Croatian Competition Agency will monitor trade practices to prevent unfairness and the law will enterinto force on April 1.The European Commission will prepare a legal framework to adopt legislation at the EU level that will put ***producers*** on a moreequal footing with other stakeholders in the food supply chain and prevent retail chains from blackmailingproducers with regard to the distribution of their products, he said.Majdak said that the ministry hadinvested a lot into the alert system in order to remove any irregularities in product distribution.The head of the "Andrija Stampar" public health institute, Zvonimir Sostar, explained that food production wasthe second most important economic branch in the EU, with aturnover of about 800 billion euro and more than 48 million employed.Because of this, it is important, in therace for profit, toprotect food quality and safety and enable Croatian ***producers*** to be competitive, said Sostar.The Opatija congress on food safety and quality ends on November 24.Croatia's registered unemployment rate at 11.6% in OctoberZAGREB, Nov 22 (Hina) - Croatia's registered unemployment rate in October 2017 was 11.6%, which was 0.8 percentage points higher than in September 2017 and 2.4 percentage points lower than in October 2016, according to initial figures released by the National Bureau of Statistics (DZS) on Wednesday.The increase was indicated earlier by figures from the Croatian Employment Service (HZZ)which showed a total of 180,404 unemployed persons registered at the end of October, an increase of 6.8% compared with the previous month.The number of unemployed persons continued in November with 186,109 people registered with the HZZ as unemployed and 16,087 vacancies advertised.Croatian average net monthly pay for September at EUR 788ZAGREB, Nov 22 (Hina) - The average net monthly salary in Croatia paid for September 2017 was HRK 5,958 (EUR 788), according to initial data released by the National Bureau of Statistics (DZS) on Wednesday.The average net monthly salary for September 2017 was0.99% lower than in August 2017 and 5.9% higher than in September 2016, the DZS said.Airports, seaports record passenger, cargo transport increaseZAGREB, Nov 23 (Hina) - In the first nine months of 2017 Croatian airports and seaports recorded an increase in passenger and cargo transport compared to the same period of 2016, show figures released by the national statistical office (DZS).There were 8.1 million passengers at airports across the country in the first nine months, which is 18.1% more than in the same period of last year. In September, passenger transport increased 19.5% to 1.3 million.Airports also saw an increase in cargo transport of 12.2% to slightly more than 6,000 tonnes. In September, cargo transport increased as much as 63.3% compared to September 2016, with 768 tonnes of cargo transported.Seaports saw an increase in passenger transport of 5.6% from the first nine months of 2016, with 28.5 million passengers. Close to 279,000 vessels visited those ports, an increase of 2.6%.Cargo transport in seaports increased 16.3% to 15.5 million tonnes.ZSE: Crobex up slightlyZAGREB, Nov 22 (Hina) - The main Zagreb Stock Exchange (ZSE) indices went in opposite directions on Wednesday, with the Crobex increasing by 0.1% to 1,857.65 points and the specialised Crobex10slipping by 0.26% to 1,087.54 points.Regular turnover amounted to HRK 6.5 million, which was about HRK 1.7 million more than on Tuesday.The most traded stock was the Atlantska Plovidbashipping company, with a turnover of HRK 1.4 million. The price of its shares soared by 5.8% to HRK 547.98.Not one other stock crossed the million kuna mark.(EUR 1 = HRK 7.558411)THIS BULLETIN INCLUDES ITEMS RELEASED BY 0800HRS THURSDAY. (Hina) rml ms Masthead Brief News Bulletin is published by the Croatian News Agency HINA Marulićev trg 1610 000 ZagrebCroatia web:[*www.hina.hr*](http://www.hina.hr) mail: [*hina@hina.hr*](mailto:hina@hina.hr) phone: (+385 1) 48 08 660; fax (+385 1) 48 08 822 Publisher: Branka Gabriela Valentić, DirectorEditor in Chief: Serđo Obratov Bulletin Editor: Marija Šestan

ZAGREB, Nov22(Hina) - The International Criminal Tribunal for the former Yugoslavia (ICTY) on Wednesday found Bosnian Serb wartime military leader Ratko Mladic guilty of genocide committed at Srebrenica and of crimes against humanity committed elsewhere in Bosnia and Herzegovina and sentenced him tolife imprisonment.

Mladic was declared guilty of genocide committed at Srebrenica,of crimes against humanity and war crimes committedin Bosnia and Herzegovina (BiH). The Trial Chamber sentenced him to life imprisonment, saying thathe was guilty of crimes "that rank among the most heinous known to humankind."

ZAGREB, Nov 22 (Hina) - A Trial Chamber of the International Criminal Tribunal for the former Yugoslavia (ICTY) in the Hague on Wednesday confirmed that genocide was committed in Srebrenica in July 1995, but not in seven other municipalities in eastern Bosnia and Herzegovina, as alleged in the indictment against the wartime Bosnian Serb military commander Ratko Mladic.

ZAGREB, Nov 22 (Hina) - A trial chamber of the International Criminal Tribunal for the former Yugoslavia (ICTY), ruling in the case of Bosnian Serb wartime army commander Ratko Mladic, found on Wednesday that genocide and war crimes had been committed during the 1992-1995 Bosnian war as part of joint criminal enterprisesinvolving Mladic.

ZAGREB, Nov22(Hina) - The verdict handed downon Wednesday by atrial chamber of the International Criminal Tribunal for the former Yugoslavia (ICTY) in the case of Bosnian Serb military leader Ratko Mladic is the second judgement of this UN tribunal to overrule the argumentof theprosecution that participants in ajoint criminal enterpriseincluded top officials of Serbia.

ZAGREB, Nov 22 (Hina) - The families of Bosnian Muslims killed in the 1995 genocide at Srebrenica reacted to the Hague war crimes tribunal's ruling in the case of Bosnian Serb wartime military commander Ratko Mladic on Wednesday with mixed feelings, saying that the ruling only partly served the justice they had been waiting for for so long.

ZAGREB, Nov 22 (Hina) - Marko Miljanic, the wartime commander of Croatian defence forces in Skabrnja, said that the sentence of life imprisonment which the Hague war crimes tribunal handed down in the case of Bosnian Serb military chief Ratko Mladic on Wednesday made the people of Skabrnja regret that Mladic was not convicted for war crimes committed in Croatia.

ZAGREB, Nov22(Hina) - The international community's High Representative to Bosnia and Herzegovinaon Wednesday called on everyone in the country to respect the life imprisonment sentence which the Hague war crimes tribunal (ICTY) delivered against Bosnian Serb wartime military commander Ratko Mladic, saying it was animportant step toward bringing to justice those individuals responsible for the most horrific crimes in BiH in 1992-95.

ZAGREB, Nov22(Hina) - Serbian President Aleksandar Vucic said on Wednesday the Hague war crimes tribunal's conviction of wartime Bosnian Serb military leader Ratko Mladic was as expected and that the outcome of his trial was no surprise in Serbia, but added that as head of state he could not comment on a non-final verdict.

ZAGREB, Nov22(Hina) - The Serbian nongovernmental organisation Women In Mourning on Wednesday welcomed the decision of the UN war crimes tribunal for the former Yugoslavia (ICTY) to sentence Bosnian Serb wartime military commander Ratko Mladic to life imprisonment, describing the verdict as appropriate and calling on Serbian authorities to "face the facts and stop negating crimes and genocides."

ZAGREB, Nov 22 (Hina) - President Kolinda Grabar-Kitarovicon Wednesday expressed hope that the life sentence in the non-final ruling against former commander of the Bosnian Serb army, Ratko Mladic, was at least partially satisfactory for the families of those killed, tortured and missing and expressed regret that Mladic was not sentenced for crimescommitted in Croatia.

ZAGREB, Nov22(Hina) - Croatia's Prime Minister Andrej Plenkovic on Wednesday said that life imprisonment rendered by the UN tribunal against Bosnian Serb wartime commander Ratko Mladic for war crimes committed in Bosnia and Herzegovina was appropriate, however, the premier expressed regret that the ICTY indictment against Mladic had not incorporated war crimes committed in Croatia by Yugoslav People's Army (JNA) troops under his command in the autumn of 1991 and in early 1992.

ZAGREB, Nov22(Hina) - The European Union said on Wednesday that, while it did not comment on individual judgments, it respectedthe ICTY's conviction ofBosnian Serb wartime military leader Ratko Mladic to life imprisonment, andNATO welcomed the conviction, saying it showed that "the rule of law is working."

ZAGREB, Nov22(Hina) - The Economist has recently unveiled the 32nd edition of its special issue "The World in 2018,"which projects Croatia's economic growth at 2.6%, which is slower than in 2017.

ZAGREB, Nov22(Hina) - Croatia is again among countries which the European Commission believes need an in-depth review to check for a possible danger of excessive macroeconomic imbalances, the EC said on Wednesday.

ZAGREB, Nov 22 (Hina) -Transition economies are currently lagging behind compared to other economies in the world, the European Bank for Reconstruction and Development (EBRD) said on Wednesday in its annual "Transition Report 2017-18: Sustaining Growth", according to whichCroatia needs to improve its regulatory and legislative framework for the economy.

ZAGREB, Nov22(Hina) - Prime Minister Andrej Plenkovic presented a draft state budget for 2018 to parliament on Wednesday, saying that next yearhis government would focus on the needs of the people and on the necessary reforms in order to raise productivity and living standards.

ZAGREB, Nov22(Hina) - Prime Minister and Croatian Democratic Union (HDZ) leader Andrej Plenkovic said on Wednesday that the 2018 draft budget was realistic and reflected the political priorities of the government's platform, stressing that he did not want to comment on empty and unfounded comments by opposition leader Davor Bernardic.

ZAGREB, Nov22(Hina) - After an hour-long consultation on Wednesday, Parliament Speaker Gordan Jandrokovic and the opposition whips reached a compromise, with HSS president Kreso Beljak getting the opportunity to speak in connection with a break which he requested in the morning and which triggered commotionin parliament lasting several hours.

ZAGREB, Nov22(Hina) - During a parliamentary debate on adraft budget for 2018 outlined by Prime Minister Andrej Plenkovic on Wednesday, lawmakers from the ruling majority praised the proposed document, whereas the Opposition made a series of objections.

ZAGREB, Nov 22 (Hina) - The five ruling coalition members of the nine-member parliamentary commission of inquiry into the heavily indebted Agrokor food and retail corporation issued a written statement on Wednesday saying that the commission had ceasedwork after a court decided that the judicial investigation could go ahead.

ZAGREB, Nov22(Hina) - Social Democratic Party (SDP) chief Davor Bernardic said Wednesday that, following the latest information about an HBOR loan and damage to the state budgetamounting to HRK 400 million, the Croatian Democratic Union (HDZ) wantedto dissolve the parliamentary commission of inquiry into Agrokor in order to cover up "the traces of cronysm which was obviously happening in the backdrop of the entire process in Agrokor."

ZAGREB, Nov 22 (Hina) - One of the five members from the ruling majority in the 9-member parliamentary commission of inquiry for Agrokor, HNS lawmaker Sjepan Curaj, said on Wednesday that the commission had ceased work in compliance with the legislation on inquiry commissions and that the body had not been abrogated by anybody.

ZAGREB, Nov 22 (Hina) - Attending a panel debate on Croatia's media strategy as part of the 10th Electronic Media Days, Culture Minister Nina Obuljen Korzinek on Wednesday announced that the ministry would start preparing a bill on electronicmedia in January.

Obuljen Korzinek underscored that the incumbent Media Act had not been amended for 15 years, that the existing legislation had not been implemented in a satisfactory mannerand that there was"general dissatisfaction with the media and general situation in the media and the profession."

ZAGREB, Nov22(Hina) - The entry of Western Balkan countries into NATO is a guarantee of the stability of that region, and progress made by four NATO aspirant countries is visible, the Croatian and Montenegrin foreign ministers said at a NATO enlargement conference in Zagreb on Wednesday.

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The Eastern Partnership summit will be an opportunity for the heads of state or government of European Union countries and the six Partnership countries (Armenia, Azerbaijan, Belarus, Georgia, Moldova, and Ukraine) to assess the achievements brought to their citizens since the last summit in 2015.

Plenkovic will be accompanied by Foreign Minister Marija Pejcinovic Buric.

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Impact News Service

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**Body**

London: UK Government has issued the following news release:

For anyone wondering what the focus of this year’s Oxford Farming Conference might be, it was The Archers provided an answer just before Christmas.

Brian Aldridge asked his step-son, Adam, whether he might be attending the conference. Adam replied wearily. ‘I think I’ll give it a miss this year. It’s probably going to be all about Brexit. I get enough of that at home.’

I know how he feels.

I suspect everyone in this room knows how he feels.

And, of course, I’ll say something in a moment about the specific opportunities and challenges for ***agriculture*** on leaving the European Union.

But if we’re going to make the most of those opportunities and overcome those challenges it’s critical that we recognise that there is much, much, more that is changing in our world than our relationship with the EU.

As we saw in the presentation at the beginning of this session, the world’s population is growing at an unprecedented rate, with a worldwide migration from rural areas to cities and a growth in the global middle class which is driving demand for more, and better quality, food.

Technological change is at an inflection point. Developments in big data, artificial intelligence and machine learning mean that processes which would have required the intellect and effort of thousands of humans over many hours in the past can be accomplished automatically by digital means in seconds.

These technological breakthroughs raise political and moral questions as we consider how we deal with the transformation of a huge range of existing jobs. And alongside these changes in the world of information technology there are bio-tech changes coming which also challenge us to think about the future, and how best to shape it. Gene editing technology could help us to remove vulnerabilities to illness, develop higher yielding crops or more valuable livestock, indeed potentially even allow mankind to conquer the diseases to which we are vulnerable.

Food in abundance, improved health, greater longevity: these are all goals to which our species has aspired since the first farmers waited for the first harvest. But in attempting to shape evolution more profoundly than any plant or animal breeder ever has done before are we biting off much more than we can chew? And these are not the only changes coming. Our global environment is affected as never before by the population growth I’ve referred to, and the consequent growth in demand for nutritious food, safe drinking water, comfortable housing, reliable energy and new consumer goods.

The growth in trade which will meet those needs will depend on more packaging, more journeys by air, land and sea, more logistics hubs and more work by designers, marketers and, yes, regulators.

The pressures placed on our global environment by this growth I’ve sketched briefly out will be formidable – whether it’s greenhouse gas emissions in our atmosphere contributing to global warming, desertification and soil erosion reducing the space for cultivation, deforestation leading to the disappearance of valuable carbon sinks and precious habitats, air pollution from traditional industry and intensive ***agriculture*** adding to health costs, waste poisoning our oceans or iconic landscapes under threat from the need for further development.

Without action we face the progressive loss of the natural capital on which all growth - natural, human and economic - ultimately depends.

So the imperative to husband, indeed wherever possible, enhance our natural capital - safeguarding our oceans, cleaning our rivers, keeping our soils fertile, protecting biodiversity - has to be at the heart of any ***plan*** for our country and our world.

Because we cannot expect to live prosperous and civilised lives in the future unless we recognise that we have to care for that which gives us all life - our planet.

And that knowledge is itself a catalyst for further change. The need to protect our planet better is already accelerating innovation- with entrepreneurs exploring how to develop autonomous electric vehicles, how to change the energy mix we all rely on, how to reduce our reliance on plastics, how to derive more protein from plants rather than animals, how to grow ***produce***, whether hydroponically or by other means, which leaves a lighter imprint on the earth, how to use distributed ledger technology to protect habitats and so much more.

So the reality of our times is not just change as the only constant but accelerating change as the new normal. Which is why the title of this conference - Embracing Change - is so appropriate.

Because the changes which are shaping all our futures are so historically significant, technologically revolutionary and economically transformative that we have no choice but to embrace them and try to shape them in a progressive and judicious way. A state without the means of change is without the means of conservation

Now I know there is, of course, a natural human desire to stick with what we know, trust to experience and hope things can go on much as before. To prefer the tried to the untried. You hear it when some in industry, and indeed some in the farming industry, say that what we need most at the moment is certainty.

I understand that sentiment all too well. As I think does almost everyone in politics.

But the truth is that if we try to avoid change, hold the future at bay and throw up barriers to progress then we don’t stop change coming, we simply leave ourselves less equipped to deal with change as it arrives.

The history of nationalised industries, state subsidies for particular sectors, guilds to restrict access to trades, high tariff walls and all the other tools of so-called economic “protection” is a melancholy one. The road is paved with good intentions - preserving ***strategic*** assets, insulating communities from change, protecting our home market, guaranteeing a supply of essentials.

But the path inevitably involves higher costs for consumers, lower productivity from ***producers***, less pressure to husband scarce resources, less concern about sustainability, more rent-seeking and capital accumulation, less investment in innovation, less dynamism and ultimately, less security as others forge ahead economically, scientifically and socially.

If we want to preserve that which we cherish - a thriving ***agriculture*** sector, a healthy rural economy, beautiful landscapes, rich habitats for wildlife, a just society and a fair economy - then we need to be able to shape change rather than seeking to resist it.

And the best way to deal with change is to develop adaptability. As we know from the natural world, the best way to thrive in a new environment is to evolve. What we should, therefore be looking for in ***agriculture*** policy, indeed in all economic policy, is not an illusory fixity or a false sense of certainty, which by definition future events we cannot foresee will always upend.

What we should instead be seeking to cultivate are the resources, policies and people that will allow us to adapt, evolve and embrace change as an ally. Taking back control

Which takes me to Brexit.

Of course Brexit will mean change.

But, critically, what it means most of all is that we can once more decide how we shape change and how we meet the challenges ahead.

It means we don’t need any longer to follow the path dictated by the Common ***Agricultural*** Policy. We can have our own - national - food policy, our own ***agriculture*** policy, our own environment policies, our own economic policies, shaped by our own collective interests.

TheCAPwas designed, like so many aspects of the EU, for another world, the post-war period when memories of food shortages were hauntingly powerful and the desire to support a particular model of land use was wrapped up with ideas of a stable countryside that seemed reassuringly attractive after the trauma of industrial-scale conflict.

Of course, theCAPhas evolved, and indeed improved, over time. But it is still a fundamentally flawed design.

Paying land owners for the amount of ***agricultural*** land they have is unjust, inefficient and drives perverse outcomes.

It gives the most from the public purse to those who have the most private wealth.

It bids up the price of land, distorting the market, creating a barrier to entry for innovative new farmers and entrenching lower productivity.

Indeed, perversely, it rewards farmers for sticking to methods of production that are resource-inefficient and also incentivises an approach to environmental stewardship which is all about mathematically precise field margins and not truly ecologically healthy landscapes.

As recent scholarship has shown, the so-called greening payments in Pillar One have scarcely brought any environmental benefits at all.

We can, and must, do better. Reform begins at home

And by we, I mean Defra most of all.

Now I don’t want anyone to get hold of the wrong end of the stick.

The Department I am privileged to lead has some of the finest public servants in the country working for it.

Whether it’s the policy professionals, economic analysts, vets, IT engineers, botanists and horticulturalists or hydrologists and geologists, it is a pleasure to work with such dedicated, idealistic and passionate people. But while the people are brilliant, some of the processes are not.

The ways in which we provide financial support to farmers have been far too bureaucratic – not helped by the ludicrous rules and red tape of theCAPthat Defra must try to enforce.

The Rural Payments Agency has historically taken far too long to get money from Government to farmers.

And the Countryside Stewardship schemes we have run have been dizzyingly complex to apply for – I have made my views on this clear.

All this when it’s our stated aim to allocate more funding for agri-environment schemes.

We have taken action in the last few months to drive change in these areas, and will seize opportunities to develop a different regulatory culture once we have left the European Union.

I am encouraged so far that theRPApaid over 91% of farmers their basic payment for this year by the end of December 2017. Encouraged but not satisfied. Which is why I am looking for a new chair of theRPAto work with the Chief Executive and his team to drive further improvement.

On Countryside Stewardship, I want schemes simplified to the extent that any farmer - any farmer - can complete an application in a working day. Starting at the computer after breakfast the whole process has to be able to be finished by six o’clock when it will be time for a well-deserved pint.

I’m pleased that Andrew Sells and his team have responded to the challenge with a set of simplified offers which have, already, received a warm response. But, again, we need to go further and develop a much more responsive and efficient model.

And that’s not all we need to change.

Related to the whole question of how we allocate support, we also in Defra need to change our approach to inspection.

We inspect too often, too ineffectively and in far too many cases for the wrong things. At any moment, a farmer could be visited by the Rural Payments Agency, Natural England, The Animal Plant and Health Agency, the Environment Agency or their local authority. Each body may ask for slightly different information, or even the same information in a slightly different way. Each visit adds to the burden on farmers, yet there is much overlap without proper coordination. TheCAP’s inflexibilities, including the ever present fear of disallowance, means we inspect rigidly for precise field margin dimensions and the exact locations of trees in a near-pointless exercise in bureaucratic box-ticking while, at the same time, we inspect haphazardly and inefficiently for genuine lapses such as poor slurry management or inadequate animal welfare.

That is why I hope to look at how we can reduce the number of inspections overall, make them more genuinely risk-based and have them focus on those, limited, areas where standards are not where they should be.

And there is much more we need to change across the board to make the Department more effective.

Processes far beyond support payments and inspections are ripe for modernisation.

Take our guidance on the provision of export health certificates still requires the use of carbon paper. While IT systems have been improved we are still some way away from exploiting advances in data analytics which we can use to shape and refine policy and delivery.

And even at the most basic level we are not the champion we need to be for British food and farming. Despite hugely energetic efforts by my predecessors, we can still do more to improve the procurement of British food across the public sector.

But I am determined to drive that change. Energetically. And across Government.

As well as making Defra a more efficient, focused and, above all, innovative department I also want to drive change in 4 specific areas.

I want to ensure we develop a coherent policy on food - integrating the needs of ***agriculture*** businesses, other enterprises, consumers, public health and the environment.

Second, I want to give farmers and land managers time and the tools to adapt to the future, so we avoid a precipitate cliff edge but also prepare properly for the changes which are coming.

Third, I want to develop a new method of providing financial support for farmers which moves away from subsidies for inefficiency to public money for public goods.

And finally, I want to ensure that we build natural capital thinking into our approach towards all land use and management so we develop a truly sustainable future for the countryside. A lot on our plate

On food, first of all, I want to underline that I recognise the heart of almost all farming businesses is food production. And a core element of Defra’s mission is supporting farmers in the provision of competitively-priced, healthy, sustainable and nutritious food, and pursuing greater market access.

But I believe it’s critical as we think of food production and the role of farming in the future that we develop policy which looks at the food-chain as a whole, from farm to fork, and we also recognise the economic, health and environmental forces shaping the future of food.

That’s why I’m glad that my colleague Greg Clark, the Business Secretary, announced the creation of a Food and Drink Sector Council in his recent Industrial Strategy White Paper, whose first task will be to develop the emerging proposals for a food and drink manufacturing Sector Deal. The White Paper also committed to a new challenge fund to transform food production. This will help support farmers and food manufacturers to improve the sustainability and nutritional benefit of food.

Food and Drink is the UK’s biggest manufacturing sector and one of its fastest growing with an increase of 8% in exports to the EU and 10% in exports outside the EU in the first three quarters of last year alone.

That success has been built on a reputation for quality and provenance, on the knowledge that we have among the highest environmental and animal welfare standards of any nation on earth. So people know when they’re buying British they’re buying food which is guaranteed to be high quality and more sustainable.

That’s why it would be foolish for us to lower animal welfare or environmental standards in trade deals, and in so doing undercut our own reputation for quality. We will succeed in the global market place because we are competing at the top of the value chain not trying to win a race to the bottom.

And Government can help in that process by under-writing that reputation for quality.

Which is why I want us, outside the EU, to develop new approaches to food labelling. Not just badging food properly as British, but also creating a new gold-standard metric for food and farming quality.

There are already a number of ways in which farmers can secure recognition for high animal welfare or environmental standards from the Red Tractor scheme to the Leaf mark. But while they’re all impressive and outstanding there’s still no single, scaled, measure of how a farmer or food ***producer*** performs against a sensible basket of indicators, taking into account such things as soil health, control of pollution, contribution to water quality as well as animal welfare. We’ve been in discussion with a number of farmers and food ***producers*** about how we might advance such a scheme and I think that, outside the EU, we could establish a measure of farm and food quality which would be world-leading.

Because while price will always be a factor in the choices consumers make, they are also increasingly making choices based on other factors too. If we look at some of the fastest growing food brands, providing the most value added for both consumers and ***producers***, then it’s being able to provide certainty over origins, traceability of ingredients, integrity in production and a distinctiveness in taste which matter more and more. Whether its Belvoir soft drinks or Botanist Gin, organic milk or West Country Farmhouse Cheddar, grass-fed beef from Devon or Welsh lamb, Cumberland sausages or Melton Mowbray pork pies, Tyrell’s crisps or Forman’s London cured smoked salmon, the future profits in food production lie in distinctive quality ***produce***.

And Government can help, by acting as a champion for British ***produce*** in foreign markets, operating a better procurement policy at home, keeping existing market access open and securing new free trade deals for ***producers***.

I understand that people in this room, and beyond, particularly want to know what will happen to access to our biggest export market - the EU 27. By definition, we cannot yet know the final outcome of a trade negotiation which is about to get underway, and Defra is preparing for every eventuality. But we are confident of building a new economic partnership with the EU that guarantees tariff-free access for agri-food goods across each other’s borders. We know that we have a deficit in ***agricultural*** and horticultural ***produce*** with the EU 27. Irish beef farmers, French butter and cheese ***producers***, Dutch market gardeners and Spanish salad growers all have an interest just as, if not more acute, than Welsh sheep farmers or Ulster dairy farmers in securing continued tariff-free access between the UK and the EU.

But we should be, and we are, more ambitious than that. Securing greater access to, and penetration of, other markets will be important to British ***agriculture***’s further success. Increasing exports to, for example, China is not just a good in itself in trade terms it also helps the business model of many farmers to work even better. There are, as we all know, parts of the pig for example which don’t find favour with the British consumer but which are delicacies in China. Satisfying that demand means other parts of the carcase can be used to meet demand at home, or indeed elsewhere in Europe, which is currently met by Dutch and by Danish farmers. Pursuing new trade opportunities outside Europe can make us more competitive with Europe.

Which is why it is so encouraging that my colleague Liam Fox has made boosting our trade in food and drink a central priority for 2018.

Government can also intervene closer to home where there is market failure. When, for example some powerful players in the food chain use the scale of their market presence to demand low prices from primary ***producers*** who are much smaller and dis-aggregated. That is why my colleague George Eustice is looking now at overall fairness in the supply chain.

We can ensure that our ***interventions*** as Government are designed to generate growth are applied fairly. So, for example, we can look at how the apprenticeship levy works to see how money identified for improving skills training can be spent more effectively across supply chains - helping smaller businesses as well as larger concerns.

We can, and should, invest in both technology and infrastructure. We can direct public money to the public goods of scientific innovation, technology transfer and, crucially, decent universal super-fast broadband.

And we must, of course, think about how to make sure the labour market works effectively as well, so businesses can continue to secure a proper return on their investment. That means not just a flexible migration policy overall, but as we leave the EU, ensuring access to seasonal ***agricultural*** labour.

But while Government has a clear role to play in all of these areas in supporting food production it’s also important that we all appreciate that ultimately, quality food is generated not by Government, but by innovative and entrepreneurial ***producers*** responding to consumer preferences and market signals.

And the best way to ensure consumers have the full choice of quality food they want is not to try to satisfy every need with home ***produce***, but to pursue comparative advantage.

So Government must recognise that its ***interventions*** need to be targeted, proportionate and limited.

Subsidies linked to the size of land holding, or headage payments, reward incumbents, restrict new thinking and ultimately hold back innovation and efficiency.

Industries which come to rely on importing cheap labour run the risk of failing to invest in the innovation required to become genuinely more productive. Labour-intensive production inevitably lags behind capital-intensive production.

And having a subsidy system which incentivises farmers to place every acre they can into food production means that public money isn’t always being spent on renewing natural capital assets like forestry and wetlands.

As well as thinking about how our ***interventions*** to support food production currently affect the environment, we also have to consider the impact on the nation’s health.

Ours is the first generation where more people succumb to non-communicable conditions than to infectious diseases. The risk to public health from contagious conditions is diminishing, the rising dangers are obesity, diabetes, coronary failure, cancer and deteriorating mental health. And diet plays a part in all these conditions.

Helping people to make better choices in what they eat is fraught territory politically. And looking at my own waistline I should bear in mind that it is incumbent on he who talks about dietary sins to lose the first stone.

But Government does have a public health role. As Education Secretary I introduced a School Food ***Plan*** not just to ensure school meals were healthier but also to educate children about where food came from and how to make healthy choices about buying, preparing and enjoying food.

And in this role now, I have a responsibility to ask if public money supporting food production is also contributing to improved public health.

And indeed I also have a responsibility to ask if all the incentives and Government ***interventions*** everywhere in the food chain work towards economic justice and social inclusion.

So that does mean on the one hand that means asking how we can support those farmers, for example upland sheep farmers, whose profit margins are more likely to be small but whose contribution to rural life and the maintenance of iconic landscapes is immense. And on the other it also involves taking action to end the currently indefensible situation we have at the moment where food ***producers*** are incentivised to send perfectly edible and nutritious surplus stock they have not sold to waste plants rather than charities who can distribute it to individuals in need.

It is only, I believe, by looking at food policy in the round, developing an understanding of the economic, social, environmental, health and other issues at every stage in the food chain that we will develop the right coherent strategy for the future.

And there are huge opportunities for those in ***agriculture*** to play the leading role in shaping this strategy. Rather than devoting intellectual energy and political capital to campaigning for policy ***interventions*** designed to insulate farming from change, ***agriculture***’s leaders can respond to growing public interest in debates about food, animal welfare, the environment, health and economic justice by demonstrating, as so many in this room are doing, how their innovative and dynamic approaches are enhancing the environment, safeguarding animal welfare, ***producing*** food of the highest quality, improving public health and contributing to a fairer society. Managing change

Now given the scale, and nature, of the change which is coming I recognise that farmers need to be given the time, and the tools, to become more adaptable.

We’ll be saying more about our ***plans*** in a Command Paper to be published later this spring. And of course the proposals we outline will have to be subject to consultation. But I want to say a little about the direction of travel I think we should take.

I believe we should help land owners and managers to make the transition from our current system of subsidy to a new approach of public money for public goods over time.

We will formally leave the EU in March of 2019 but the Government anticipates that we will agree an implementation or transition period for the whole country with the EU lasting for around another two years.

We have guaranteed that the amount we allocate to farming support - in cash terms - will be protected throughout and beyond this period right up until the end of this Parliament in 2022.

We will continue support for Countryside Stewardship agreements entered into before we leave the EU and we will ensure that no one in an existing scheme is unfairly disadvantaged when we transition to new arrangements. We will pay the 2019BPSscheme on the same basis as we do now.

I then envisage guaranteeing thatBPSpayments continue for a transition period in England, which should last a number of years beyond the implementation period, depending on consultation.

During these years, we propose to first reduce the largestBPSpayments in England. We could do this through a straight cap at a maximum level or through a sliding scale of reductions, to the largest payments first.

After the implementation period, this transitional payment could be paid to the recipient without the need to comply with all the onerous existing cross-compliance rules and procedures.

Inspections would, of course, continue but in the streamlined and risk-based fashion I described earlier. Provided our own animal welfare, environmental and other laws were observed this payment would be guaranteed.

This should provide every existing farmer who receives aBPSpayment with a guaranteed income over this extended transition period.

That guaranteed income should provide time for farmers to change their business model if necessary, help to make the investment necessary for any adjustments and prepare for the future.

We will also look at ways to support farmers who may choose to leave the industry.

And, after that transition, we will replaceBPSwith a system of public money for public goods. Paying for what we value

The principal public good we will invest in is of course environmental enhancement.

In thinking about how better to support farmers in the work of environmental protection and enhancement it’s critical - as everyone in this room but not everyone outside appreciates - to recognise that there is no inherent tension between productive farming and care for the natural world.

Quite the opposite.

I have seen for myself how many of our best farmers – our most productive and progressive farmers – place thoughtful environmental practice and careful husbanding of resources at the heart of their businesses.

Take the vital question of soil health. Min or no till approaches, which require less expenditure on inputs and of course keep more carbon in the soil, are both economically more efficient and environmentally progressive.

But under theCAP, farmers have been encouraged to focus on yield overall, rather than productivity specifically.

This has led to decades of damage in the form of significant and destructive soil erosion – estimated in one study by Cranfield University to cost the economy around £1.2billion every year.

We now have opportunity to reverse this unhappy trend. Sustainably managed land is far more productive than land that is stressed and stripped of its nutrients.

But moving to more sustainable and, ultimately, productive farming methods can involve transitional costs and pressures. So we ***plan*** to provide new support for those who choose to farm in the most sustainable fashion.

And as well as supporting progressive and productive farming methods we also want to support what economists call the provision of ecosystem services.

Building on previous countryside stewardship and agri-environment schemes, we will design a scheme accessible to almost any land owner or manager who wishes to enhance the natural environment by planting woodland, providing new habitats for wildlife, increasing biodiversity, contributing to improved water quality and returning cultivated land to wildflower meadows or other more natural states.

We will also make additional money available for those who wish to collaborate to secure environmental improvements collectively at landscape scale.

Enhancing our natural environment is a vital mission for this Government. We are committed to ensuring we leave the environment in a better condition than we found it. And leaving the European Union allows us to deliver the policies required to achieve that - to deliver a Green Brexit.

But vital as investment in our environment is, it is not the only public good I think we should invest in - I believe we should also invest in technology and skills alongside infrastructure, public access and rural resilience.

There is a tremendous opportunity for productivity improvement in our farms. We already have some of the best performing farms in the world and there is no reason why our farmers cannot lead the way globally in achieving better levels of productivity through adoption of best practice and new technologies.

On technology, we should build on the innovations pioneered by our superb higher education institutions like Harper Adams University by investing more in automation and machine learning, moving from the hands-free hectare to the hands-free farm, with drilling, harvesting, picking and packaging all automated, precision mapping of every inch under cultivation with targeted laser treatment of pests and weeds and highly-focussed application of any other treatment required. We should invest more in the sensor technology that can tell where, when and how livestock should be fed, housed and bred to maximise both yield and individual animal health and welfare.

And we should ensure the next generation of farmers are equipped to make the most of technological breakthroughs by better integrating the research work being undertaken by the most innovative institutions with the ongoing training those working on the land should receive. I hope to say more about how we can reform land-based education again later in the spring.

Critical to making this new investment in tech and skills work is of course proper infrastructure - super-fast broadband and reliable 5G coverage. If I can get reliable and unbroken mobile phone and internet coverage in a tunnel under the Atlantic as I travel between one Faeroe Island and the next I should be able to get it in Oxfordshire. So I am delighted that my colleague Matt Hancock has made it a priority to ensure rural areas get the digital infrastructure they need and I will do whatever I can to help.

Public access I know can be contentious and I won’t get into the weeds of the debate on rights of way now. But the more the public, and especially school children, get to visit, understand and appreciate our countryside the more I believe they will appreciate, support and champion our farmers. Open Farm Sunday and other great initiatives like it help reconnect urban dwellers with the earth. And they also help secure consent for investment in the countryside as well as support for British ***produce***. So public access is a public good.

Finally there is rural resilience. There are any number of smaller farm and rural businesses which help keep communities coherent and ensure the culture in ***agriculture*** is kept healthy. Whether it’s upland farmers in Wales or Cumbria, crofters in Scotland or small livestock farmers in Northern Ireland, we need to ensure support is there for those who keep rural life vital. The work of the Prince’s Countryside Fund has been invaluable here and the kind of enterprises that it supports are, I believe, worthy of public support.

I recognise the list of public goods I have identified is not exhaustive. But then our budget is not unlimited. I look forward to consulting on these priorities but we must start from the presumption that we should only support clear public goods the market will not, left to itself, provide.

Which takes me to the importance of natural capital.

In thinking of our countryside, and of rural life overall, is that its overall worth to us goes far beyond its economic value alone.

Like everyone here, I am moved by the beauty of our natural landscapes, feel a sense of awe and wonder at the richness and abundance of creation, value wild life as a good in its own right, admire those who work with nature and on our land, respect the skill and passion of farmers, growers, shepherds, stockmen, vets and agronomists who provide us with safe, high quality food and drink, and I want to see them prosper.

I know these feelings are shared across the country. But capturing these values in public policy can sometimes be difficult. Which is why the natural capital approach can be so valuable. It allows us to bed into policy-making a direct appreciation of the importance of field and forest, river and wetland, healthy soil and air free from pollution.

It is just one tool among many in the formation of policy but a very powerful one in ensuring that we think of our responsibility to future generations to hand on a country, and a planet, in a better state than we found it.

And that has to be the aim for all our policies on food, farming, the landscape and our broader environment. We have to embrace change which secures a more sustainable future for those who will inherit what we have built.

**Load-Date:** January 5, 2018

**End of Document**



[***VinaCapital Vietnam Opportunity Fund Ltd - Half-year Report***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5RYW-V501-DXP3-R2P9-00000-00&context=1516831)

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VINACAPITAL VIETNAM OPPORTUNITY FUND LIMITED

INTERIM REPORT AND UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2017

LEI: 2138007UD8FBBVAX9469

(Classified Regulated Information, under DTR 6 Annex 1 section 1.2)

The Company has today, in accordance with DTR 6.3.5, released its Interim Report and Unaudited Condensed Interim Financial Statements for the period ended 31 December 2017. The Report will shortly be available from the Company's website[*http://www.vof.vinacapital.comand*](http://www.vof.vinacapital.comand) will shortly be available for inspection online at   [*http://www.morningstar.co.uk/uk/NSM*](http://www.morningstar.co.uk/uk/NSM).

CHAIRMAN'S STATEMENT

The six months from the end of June to the end of December 2017 were generally quite benign for investors in equities around the world, and this was manifested in some strong market returns, not least in Vietnam where the benchmark VN Index ***produced*** a total return of some 26.8% over the period.

To reiterate my previous statements, in seeking to achieve VinaCapital Vietnam Opportunity Fund Limited's (the "Company") Investment Objective, our strategy has been and remains:

-      To retain the largest part of the portfolio in listed assets;

-      To continue to add to unlisted securities¹ and private equity investments as and when attractive opportunities arise;

-      To reduce holdings in direct real estate and directly owned operating assets; and

-      To reduce the discount to Net Asset Value ("NAV") at which the Company's shares trade.

Portfolio Review

In the six months under review the NAV per share increased by 18.0% in US dollar terms. While this did not match the very high returns achieved by the VN Index, which rose by 26.8%, it is nevertheless a good level of absolute return. The gap between the two numbers reflects two factors: the first is that the VOF portfolio holds a number of private equity holdings which are not marked to market, but valued by the Board of Directors, who use a number of valuation techniques. These private equity assets (which include some residual real estate holdings) are held because the Manager believes that they will generate a return over time in excess of that available in public markets. By necessity, and as has been the case in the past, these returns will be 'lumpy', as they will mostly reflect exits from investments at prices which may not be reflected in the Directors' valuation. The weighting to these assets means that in strongly rising markets, the portfolio may underperform in aggregate, even when the capital markets portfolio out performs the benchmark index, as was the case during this reporting period; the second factor is that the portfolio held a higher than usual cash position in anticipation of making investments in a number of private equity and equitisation opportunities. This 'cash drag' can weigh on the NAV when a market is rising strongly, and was the case here.

Our Investment Manager has been successful in recent years in investments in unlisted and private equity transactions, usually in the expectation of a full listing by the company concerned. During the half year under review we announced four significant additions to the unlisted portfolio: Tasco (HUT), a toll road operator and real estate development company in northern Vietnam; FPT Retail, a leading mobile phone distributor; Orient Commercial Bank (OCB); and finally, Ho Chi Minh Development Joint Stock Commercial Bank (HDBank). OCB and HDBank are active in the retail banking arena. Experienced investors in emerging markets will recognise these as the type of investments which are attractive in a rapidly developing emerging economy with a growing and increasingly affluent middle class.

At the end of December some 11.0% of the Company's assets were in cash (5% of which was held by subsidiaries and associates). After the half year end the Investment Manager took advantage of the strong listed equity market in January to take some profits, deploying the proceeds of these sales and some of the uninvested cash in two further equitisations and one private equity investment with attractive valuations, namely Binh Son Refinery (BSR), PV Power (POW) and Ba Huan Poultry. This reduced the cash portion to 2.3% of the portfolio at the time of writing.

As previously explained, we have sought to reduce significantly the Company's exposure to direct real estate and this process is now largely complete, with only 2.3% of the portfolio valuation in real estate projects and a further 1.1% in operating assets. There is a distinction between these residual direct investments in real estate and exposure to the sector through listed companies, and we retain an important exposure here, of which the investment in Tasco mentioned above is the most recent example. Significantly, during the period we announced the successful receipt of the full proceeds from a divestment first announced in November 2016 with a final payment of USD64 million.

¹ Unlisted securities include companies that have not yet commenced public trading on any of Vietnam's major bourses. These may be state-owned enterprises which are going through the process of privatisation (known as "equitisation" in Vietnam) and companies that are traded on the Unlisted Public Company Market ("UPCoM") of the Hanoi Stock Exchange, as well as stocks traded over-the-counter ("OTC").

Dividends

In August 2017 we announced the commencement of a dividend ***programme*** and two interim dividends, each of 4.8 cents per share, for 9.6 cents in total, which were paid during the period under review (in August and October 2017 respectively). The 9.6 cents per share paid represented approximately 2% of the NAV per share as at 30 June 2017. The Board intends that the Company will pay a dividend representing approximately 1% of NAV twice each year, normally declared in March and October.

The Board declared an interim dividend of 5.5 cents per share in respect of the half year ended 31 December 2017 on 27 March 2018. The dividend is payable on or around 27 April 2018 to shareholders on record at 6 April 2018.

Discount Control

As at the end of December 2017 the share price discount to NAV was 19.6%, a small increase from the 19.3% at the financial year end.

The initiative to start paying dividends was part of our continuing strategy to try to reduce the discount at which your Company's shares trade to NAV, a discount which your Board feels does not fairly reflect the strong absolute returns which the Company has made, or its prospects over the medium and long terms. Our efforts to reduce the discount concentrate both in attempting to increase demand for shares and, where necessary, reduce supply.

In recent years, we have:

-      changed the Company's listing venue to the premium section of the London Stock Exchange;

-      changed the domicile to Guernsey;

-      commenced the payment of dividends; and

-      changed our arrangement with our Investment Manager so that management of our assets is delegated to a regulated entity in Vietnam.

We believe that each of these initiatives has had a beneficial effect on demand for the Company's shares and that some investors who previously were not able to buy are now shareholders, but we would like to make further progress in narrowing the level of discount.

As part of this initiative, our Investment Manager continues to make great efforts to promote the Company's shares to existing and potential investors in key areas of the world. Recognising the importance of the UK market for a London listed company; on 6 November we announced the appointment of Frostrow Capital LLP as UK Marketing and Distribution Partner. Frostrow are working closely with our brokers Numis Securities and UK PR agency Camarco to raise the Company's profile. We are already seeing some success in an increase in the number of shares held by self-directed private investors and by the clients of wealth managers in the UK.

On 5 March 2018, the Company was admitted to the FTSE 250 Index, which we hope will add to these efforts.

We continue to exercise the power to buy back shares when this is considered to be in the best interests of continuing shareholders. In total during the six month period some 2.4 million shares were bought back for a total consideration of USD9.5 million at an average discount of 20.1%.

The Board

The Board has in place a long-term succession ***plan*** and has recently begun the process of recruiting a new non-executive director using a professional recruitment consultant. We will report further in due course.

Annual General Meeting

The Company's Annual General Meeting was held on 14 December 2017. All resolutions were passed, each by a large majority, and I would like to thank shareholders for their continuing support.

Outlook

Rises in equity markets around the world continued into January 2018 but were then tempered by more volatile conditions in February. The immediate trigger for the correction was thought to be rising interest rates in response to concerns of higher inflation, predominantly in the US. In practice, market valuations were also stretched, and market participants were complacent about potential risks. In these circumstances, and after a very long bull run, a correction was probably inevitable at some point. In early 2018 we have duly entered a period of increased volatility and would expect markets to remain alert for problems of overheating as global economies experience a co-ordinated upswing for the first time since the 2008 financial crisis. As set out in the Investment Manager's Report, there are reasons for a balanced approach, both to be optimistic about the potential for further strong investment returns in Vietnam this year, yet also remain cautious, given current market valuation levels. Your Board continues to encourage the Investment Manager to seek attractive investment returns while remaining disciplined in their approach.

The long term arguments for investment in Vietnam remain, in your Board's view, intact. The Vietnamese economy is growing at a good pace, led by substantial foreign direct investment and strong performance in particular in exporting manufactured goods. While there was undoubtedly some effect on trade from the US withdrawal from the Trans Pacific Partnership, this has largely been absorbed and the Vietnamese economy remains vibrant. As I said in the Company's annual report which was released in October, Vietnam remains one of the most interesting investment stories available and we are encouraged by evidence of increasing awareness of Vietnam as an attractive market for international investors.

Steven Bates

Chairman

VinaCapital Vietnam Opportunity Fund Limited

27 March 2018

INVESTMENT MANAGER'S REPORT

In the six months ended 31 December 2017, the NAV of the Company delivered an 18.0% return on a per share basis, while the share price increased by 17.4% in USD terms (or 12.7% in GBP terms).

On a calendar year basis (January to December 2017), the Company ended the 12 months delivering a 33.4% return on NAV, with the share price increasing by 32.6% in USD terms (or 21.1% in GBP terms).

This compares with an increase of 26.8% in the benchmark Vietnam Index (VN Index) over the six months ending 31 December 2017 or 48.4% over the 2017 calendar year, in USD terms, while the MSCI Vietnam Index returned 44.1% and 61.1% over the same periods, respectively.

The strong performance of the VN Index during 2017 was driven by record investments from domestic and foreign investors into the stock markets, which helped boost valuations up to a point where they are now approximately in line with regional averages, increasing overall trading liquidity and expanding market capitalisation.

VOF's focus is to invest in opportunities typically not available to the broader market, where we are able to seek privately negotiated and private equity type terms. Given our bias towards unlisted, pre-IPO and private equity investments, there may be instances in times of strong capital market performance that the Company's performance will lag that of the VN Index on a short term basis.

The main reason for this difference in performance was that as at 30 June 2017, VOF's capital markets portfolio represented only 68.8% of total NAV and as at 31 December 2017, this increased to 81.9% of NAV owing to the strong performance in the capital markets. In addition, we were holding 11.0% of NAV in cash at the calendar year end which was earmarked for private equity and equitization opportunities which, in January to early March of 2018 we had deployed into several opportunities as discussed further on in this report. As such the Company's cash position has reduced to 2.3% of NAV at the time of writing. Looking at performance over a three to five year period however, the Company has historically outperformed the market average and going forward we strive to achieve long term returns in excess of the benchmark.

Portfolio Review

The Company invests with a medium-term view across a range of sectors and asset classes, including listed and unlisted equity, private equity and operating assets. Investments are selected to generate high risk-adjusted returns. Over the years, the Company has invested in many pre-IPOs, privatisations, placements and privately negotiated deals, most of which have listed on the stock exchanges thereby increasing the weight of the Capital Markets portion of the portfolio in conjunction with expanding P/E multiples.

The Capital Markets component of the portfolio, which accounted for 81.9% of NAV as at 31 December 2017 and consists of quoted investments in listed and unlisted securities², contributed the most to the Company's return. In the six months to 31 December 2017, the Capital Markets portfolio increased by 27.4%, outperforming the VN Index which increased by 26.8%, while for the 12-month calendar year, the Capital Markets portfolio increased by 51.3% compared to a 48.4% increase for the VN Index.

Several factors accounted for the Company's strong performance in the Capital Markets sub-portfolio. First, our high conviction approach focusing on top businesses in the sectors contributing to and/or benefiting from the growth of the domestic economy and taking a meaningful stake in those businesses distinguishes us from passive, index-replicating strategies. Additionally, we tend to target investments that are not available to the general market. When evaluating investment opportunities, we focus on those that enable us to take large minority positions with substantive downside protections, such as drag-along rights and performance commitments. Targeted companies must demonstrate sound investment fundamentals, be able to deliver strong earnings growth in excess of the market average, and occupy dominant, market leading positions.

Second, our ability to invest into pre-IPO companies, private equity deals, or SOE privatisations allows us to seek opportunities outside traditional asset types. However, the Company always invests based on corporate fundamentals, and not on a speculative basis. The Company would like to see a potential exit route before investing in private opportunities, and typically seeks a price discount to equivalent listed companies. This long-term strategy has enabled the Company to gain exposure to fundamentally good companies with large upside potential.

In fact, the top five contributors to performance from listed companies this half-year, Airports Corporation of Vietnam (ACV), Hoa Phat Group (HPG), Vinamilk (VNM), Vietjet (VJC), and Phu Nhuan Jewelry (PNJ), were all previously private investments before commencing trading on the main bourses. The average return of these five stocks in the first six months of the year was 62.4%.

²Unlisted securities include companies that have not yet commenced publicly trading on any of Vietnam's major bourses. These may be state-owned enterprises which are going through the process of privatisation (known as "equitisation" in Vietnam) and companies that are traded on the Unlisted Public Company Market ("UPCoM") of the Hanoi Stock Exchange as well as stocks traded over-the-counter ("OTC").

Table - top 10 listed holdings and total returns

|  |  |  |  |
| --- | --- | --- | --- |
| **Top ten holdings** |  |  |  |
| **Investee company** | **% of NAV** | **Sector** | **FY2018 YTD\***  **total return** |
| Hoa Phat Group (HPG) | 13.3 | Construction materials | 46.6% |
| Vinamilk (VNM) | 10.8 | Food & beverage | 28.7% |
| Airports Corporation of Vietnam (ACV) | 8.9 | Infrastructure | 112.4% |
| Khang Dien House (KDH) | 6.3 | Real estate & construction | 16.2% |
| Phu Nhuan Jewelry (PNJ) | 6.0 | Consumer discretionary | 36.6% |
| Vietjet Air (VJC) | 4.6 | Industrials | 87.8% |
| Quang Ngai Sugar (QNS) | 3.2 | Food & beverage | -33.0% |
| Eximbank (EIB) | 3.1 | Financial services | -1.8% |
| Coteccons (CTD) | 3.0 | Real estate & construction | 7.4% |
| PetroVietnam Technical Services Corporation (PVS) | 2.6 | Mining, oil & gas | 41.0% |
|  | **61.8** |  |  |

\* Performance for the six months from 1 July 2017 to 31 December 2017.

Although private equity and unlisted equities currently represent a relatively small proportion of the Company (due to the fact that these tend to rapidly transition to public equities in times of strong equity markets), the Company has generated good returns from these assets. With a potential private investment pipeline of more than USD165 million the Company is also looking to increase the allocation to private equity. Private equity is defined as off-market investments in tightly held businesses, which the Company typically holds for 3-5 years as a ***strategic*** investor. Unlisted equity investments are holdings in SOE companies that have taken the first step towards privatisation. This involves a share allotment resulting in at least 100 shareholders, after which the company has six months to list on one of the country's three bourses. In our experience, shares often earn a premium upon listing on UPCoM, as well as on subsequent listing on a main exchange.

In the last quarter of 2017, the Company invested in Orient Commercial Bank (OCB), a mid-tier retail bank in Vietnam, via a privately negotiated deal, and in Ho Chi Minh Development Joint Stock Commercial Bank (commonly referred to as "HDBank"), a leading private retail bank in Vietnam, by participating in its pre-IPO placement. The investments not only increased our weighting in the financial sector, but also provided an unrealised average return of 25.6% in the last quarter of 2017, and we expect further upside potential when they list on the stock exchange. At the time of writing this report, HDBank has already listed on the Ho Chi Minh Stock Exchange, one of Vietnam's main bourses.

The strong market and high trailing P/E valuations in the last quarter of 2017 allowed the Company significantly to divest a few of its holdings and redeploy money into some of the government's SOE privatisations at the start of 2018. While the Company had ample cash to invest in all five of the IPOs scheduled for January 2018, the Company was very selective and took part in two opportunities: Binh Son Refinery (BSR) and PV Power (POW). Binh Son Refinery is the only operating oil refinery in Vietnam, controlling 33% of market share with estimated 2017 revenue and net profit of: USD3.5 billion and USD350 million, respectively. PV Power is the second-largest power generator in Vietnam, providing 10% of national capacity with 2017 estimated revenue and net profits of USD1.3 billion and USD85 million, respectively. We believe the combination of a reasonable valuation and significant medium-term growth potential of these two companies offers a substantial upside to the starting IPO price.

COMPANY HIGHLIGHTS

Hoa Phat Group (HPG) - Listed on HOSE

HPG is the largest steel manufacturer in Vietnam, and is the Company's largest holding as at 31 December 2017, representing about 16.2% of the Capital Markets portfolio and 13.3% of total NAV. Its 2017 earnings were USD350 million, an increase of 21% over 2016 on the back of 45% construction steel revenue growth (an increase of 22% in volume, and a 19% increase in average selling price). The company has expanded its construction steel market share from 22% (2016) to 24% (2017) and maintained its leading position. A fully integrated value chain operating at maximum capacity generated an outstanding gross profit margin of 23%.

The main driver of 2018 growth is expected to be higher selling prices (11% higher than in 2017) and capacity expansion, which includes a new steel sheet line (increase of 400k tons). Meanwhile, construction of the new Dung Quat mega project, an addition of 4 million tons of total capacity, remains on track; phase one will add 2 million tons of capacity for construction steel and is due to be operational in early 2019. In addition, China is clamping down on steel production and the global sector outlook is supportive of steel prices.

The current valuation of this steelmaker is 8.8x trailing P/E.  With 2018 earnings growth expected to be 21% leading to a forecast P/E of 7.3x, HPG continues to trade at a significant discount to peers, and at this current valuation we feel the stock is undervalued; the average trailing P/E ratio of the VN Index is currently at between 19x and 20x.

We note that in the past, HPG has attracted little interest from foreign investors, but recently it has appeared on the radar screens of many funds given its size and liquidity (USD7.2 million daily turnover), contributing to its stock price rising by 20.3% and a major pickup in net foreign buying of USD 49 million in the last quarter of 2017. All of this said, steel is a cyclical sector and we will monitor HPG closely.

Vinamilk (VNM) - Listed on HOSE

Market Capitalisation as at 31 December 2017: USD3.1 billion

Vinamilk is the leading dairy company with 57 per cent of Vietnam's dairy market and is the largest listed company in the country by market capitalisation at as 31 December 2017.

This stock rose sharply in November after the State Capital and Investment Corporation (SCIC) sold 3.3% of VNM to Jardine Matheson at a 14% premium to the market price, or VND 186,000 per share. Subsequently, the share price rose even more as the market anticipated a possible bidding war between Jardine and Fraser & Neave, which had previously acquired a significant stake in the dairy company. With a P/E based on estimated 2017 earnings of 32.7x, VNM's valuation is even higher than the regional average of 22x, and we took the opportunity to sell down a significant part of our position. At the time of our sale, VNM accounted for 15% of the portfolio's NAV (USD140 million); as at the end of 2017, the holding in VNM is 10.8% of the Company's total NAV of USD1.1 billion.

For 2017, revenues and earnings were USD 2.3 billion (an increase of 9% year-on-year) and USD 450 million (10% increase), respectively. For 2018, analysts are forecasting revenues and profit of USD2.5 billion and USD 490 million, equating to growth of 11% and 8%, respectively. In terms of input prices, whole milk powder increased by 5% in 2018. VNM has not increased selling prices in the past, and we do not expect them to do so in 2018 given such a small increase in input prices. Though this may hurt margins in the short term, this is a strategy that VNM has used effectively and successfully in the past to increase market share and thus we expect VNM to further consolidate its position.

Airports Corporation of Vietnam (ACV) - Listed on UpCom

Market Capitalisation as at 31 December 2017: USD10.4 billion

ACV is the largest airport operator, as well as aviation infrastructure developer in Vietnam. For 2017, the company reported revenue of USD603 million and net profits to shareholders of USD184 million, representing a like-for-like revenue growth of 17% and core profit growth of 37% and for 2018 we expect core revenue and profit to increase by 25% and 51% respectively.

The stock trades at a substantial premium to other large cap stocks in Vietnam but we think this is deserved given its monopolistic position, and the strong secular tail wind with high airline passenger growth coming from both international tourists (up by 28% to 13 million people) and from domestic passengers as lower ticket prices, greater convenience and new low-cost airlines have made air travel the favoured choice for many people. This can be seen in the results of another of our holdings Vietjet, whose profit was up 81% in 2017.

With a high degree of visibility of earnings and a position unlikely to be challenged in the next 3-5 years, we think that ACV earnings can grow in the 25-30% range during that period, which is extremely rare for any company (and unique in large listed companies). Compared to regional peers such as Thailand Airports, ACV's multiples (both on earnings and cash flow) are almost comparable but we think the Vietnamese aviation industry will grow faster and hence the stock could trade at a premium once more international investors take interest. At the moment, as the stock trades on UpCom and liquidity is modest (just over USD1 million/day), a number of large funds are unable to access the stock. It is expected that ACV will apply to list on HOSE in the next six months, after its 2017 audited accounts are published. Upon doing so, it will become one of the ten largest stocks in the market, which should appeal to large foreign investors. As at 31 December 2017, ACV accounted for 8.9% of total NAV or 10.9% of the Capital Markets portfolio.

Phu Nhuan Jewelry (PNJ)- Listed on HOSE

Market Capitalisation as at 31 December 2017: USD0.6 billion

PNJ is the largest jewelry manufacturer and retailer in Vietnam. PNJ's proven store expansion strategy continues to yield strong results, but even long-term investors were surprised by reported core earnings growth of 44%, far outpacing what analysts were expecting.

For 2017, revenue and earnings were USD484 million (28% year on year increase) and USD 32 million (61% increase), respectively, with 51 new stores opening over the twelve-month period, an increase of 23% over 2016. The company is still targeting to have 500 stores in the next five years, or an increase of 13% per annum over a five-year period. PNJ is by far the dominant player in its category with market share of 28%, nearly equalling its next three competitors combined. For its growth rate, PNJ's valuation is not rich, with a 2017 P/E of 20.4x, compared to the market's trailing P/E of 20x, and still much lower than regional peers' trailing P/E of 27x with much lower earnings growth than that of PNJ.

In addition, one of the big attractions of PNJ for us is the management team. The two ladies who serve as Chairwoman/CEO and CFO, Ms Dung Cao and Ms Cuc Nguyen respectively, have unparalleled experience in the sector and are passionate about the company and the business. PNJ has set high targets for 2018, with revenue and earnings growth of 30% and 22%, respectively. As at 31 December 2017, PNJ accounted for 6.0% of total NAV or 7.4% of the Capital Markets portfolio.

Ho Chi Minh Development Joint Stock Commercial Bank (HDBank)-Unlisted equities as at 31 December 2017; listed on HOSE in Q1 2018

Market Capitalisation as at 5 January 2018: USD1.7 billion

HDBank is one of the most innovative and fastest-growing retail banks in Vietnam. Established in 1989, HDBank ranks among the top ten Vietnamese banks by asset base. The bank focuses on the retail segment, with in-depth exposure to consumer lending via its 50%-owned subsidiary HD Saison, the third-largest consumer finance company in Vietnam, as well as leveraging the customer base of its partner Vietjet Air.

At present, the bank has 4.5 million individual customers and approximately 25,000 small to medium-sized business clients. HDBank currently has 236 branches and offices nationwide and is targeting to have 400 locations nationwide serving 15 million customers by 2021.

HDBank posted very strong results in 2017 with pre-provision profit  increase of 62%, pre-tax profit of USD105.7 million (up 2.1x vs 2016), and net profit after paying minority shareholders of USD74.8 million (which was 2.4x higher than in 2016). We expect 2018 to be another outstanding year for HDBank, with pre-provision profit rising by 57% and net profit after payment to minority shareholders up by 54% to USD 119 million.

Orient Commercial Bank (OCB) - Unlisted equities

Market Capitalisation as at 31 December 2017: USD 348million

Established in 1996, OCB currently ranks 17th out of 34 banks in terms of total assets. The bank has been rapidly expanding over the past four years, with CAGR of 23%, and expects earnings growth of approximately 100% and 30% in 2017 and 2018, respectively.

OCB currently has 122 branches nationwide and aspires to become a leading retail bank targeting affluent individual customers as well as small and medium-sized enterprises. The bank expects to list on HOSE before the end of 2018.

OCB expects stellar profit growth in 2017 - 2018, averaging 40% supported by strong credit growth (35% on average), a declining bad debt level and slower increases in operating costs. Credit growth accelerated to 38% in 2016 from its low of 13-17% in 2013-2014 as OCB completed a restructuring process. The bank also has a cleaner loan book than many of its peers, and there are no non-performing loans among the bank's top 20 borrowers. Fee income increased by an estimated 141% in 2017 thanks to fees from internet-banking, banc-assurance, and cross-selling.

At year end, the bank's total assets stood at USD 3.7 billion, up 33% year on year, while total deposits increased to USD 2.8 billion, a 35% year on year rise. Outstanding loans were USD 3.9 billion, with NPLs at 1.8%

FPT Retail - Unlisted equities

Market Capitalisation as at 31 December 2017: USD186 million

FPT Retail is the second largest mobile phone retailer in Vietnam with an 18% market share nationwide and 473 stores covering all 63 provinces. With two retail chains, FPT shops and F-studio, FPT Retail enjoyed healthy same-store-sales growth (4Q2016: 12%, 1Q2017: 4%, 4Q2017: 2%). Retail sales of smartphones continue to show growth potential, with volume growth of 8% and sales growth of 11% in 2017-2020, largely due to Vietnam's lower smartphone penetration in rural areas (53% vs urban 72%), the introduction of 3G/4G technology (3G subscriptions are still low at 47%), booming e-commerce and consumer finance (30% growth).

FPT Retail reported revenue growth of 20% to USD 570 million and profit growth of 40% to USD 12.8 million in 2017 on the back of high mobile sales growth of 30% and laptop sales growth of 5%. Revenue growth was driven by store expansion (23%), high sales growth of Apple products (38%, mainly iPhones), strong accessories sale (30%), and lower old phone sales.

ECONOMIC AND INVESTMENT ENVIRONMENT

Vietnam's GDP growth accelerated from 5.7% year on year growth in first half 2017 (1H17) to 7.6% in 2H17, but inflation only edged up from 2.5% to a 2.6% increase in the country's headline CPI at the end of 2017.  These ideal "Goldilocks" economic conditions, characterised by high growth and low inflation (i.e., not too hot and not too cold), propelled the VN Index 27% higher in the second half of the year, as did a steep fall in the country's benchmark 5-year Vietnam Government Bond (VGB) yield by 1.5 percentage points to 4.4%.

The single biggest factor that drove the acceleration in Vietnam's GDP growth as 2017 progressed was the continuous but dramatic rise in the pace of manufacturing activity, growing from 8% year on year in the first quarter (1Q2017) to 18% in 4Q2017. A significant portion of the country's manufactured goods are exported (exports equated to 97% of Vietnam's GDP in 2017), so the acceleration in manufacturing activity also helped flip Vietnam's 2.3% of GDP trade deficit in H1 to a 1.3% of GDP trade surplus for the whole year, which in turn boosted the country's overall growth.

The retooling of Samsung's production lines to manufacture the new Galaxy 8 line of smartphones partly explains the dramatic improvement of Vietnam's manufacturing growth. The recall of the Galaxy S7 phone at the end of 2016 caused Samsung's Vietnam-based production to plunge by 38% in Q1, but the output of the company's mega-factory surged by 46% in 3Q2017, which had a meaningful impact on Vietnam's overall economy (we estimate that Samsung contributes 2-3% of Vietnam's overall economy, and note that FDI companies account for 18% of Vietnam's economy).

One consequence of this acceleration was a record high level of Vietnam's average Purchasing Managers Index ("PMI") during the year; the  country's PMI has now been above the 50 "expansion-contraction" threshold for over two years. Also, the growth in the manufacturing sector's output (which contributes 18% to the country's overall GDP) improved from 11.9% in 2016 to 14.4% in 2017. This improvement, coupled with an estimated increase in household consumption (64% of GDP) from 8.3% yoy growth in 2016 to 9.5% in 2017, led to an improvement in the country's overall GDP growth from 6.2% in 2016 to 6.8% in 2017.

The only notable factor that held back growth in 2017 was an 11% decline in oil production volume, which knocked about one-half a point from GDP growth last year (note that a 15% fall in oil production in 2016 reduced GDP growth by about 0.6 of a percentage point). In contrast, electricity production grew by 9% in 2017, steel production by 14%, and both passenger and freight traffic grew by about 10% yoy; all of these data points serve as useful and objective confirmations of the government's robust official GDP and industrial production growth numbers.

Remarkably, inflation remained stable despite this increasingly robust growth as 2017 progressed. Vietnam's headline inflation fell from 4.7% at the end of 2016 to a 2.6% year on year increase at the end of 2017, despite a 15% increase in petrol prices during the year. Core CPI, excluding energy and food prices, fell from 1.9% in 2016 to 1.7% in 2017. The biggest contributor to this drop was a deceleration in medical price inflation (6% of Vietnam's CPI basket) from 56% in 2016 to 28% in 2017, which reduced the overall CPI by 1.7 percentage points. In addition, a reversal of food price inflation (36% of CPI) from a 2% increase of food prices in 2016 to a 1.8% drop in 2017, reduced the overall headline CPI by 0.7 percentage points.

This drop in inflation in turn supported a 0.3% strengthening of the Vietnamese Dong in the interbank market, and enabled the State Bank of Vietnam to cut policy interest rates by 25 bps, to 6.25% on 10 July. The stability of the currency was also bolstered by a reasonably strong balance of payments surplus of approximately 2% of GDP as of the first nine months of 2017 (9M2017) down from 4% in 2016, which enabled the central bank to boost its FX reserves by USD13 billion to a record high of USD52 billion as at the end of 2017. That said, FX reserves expressed in terms of imports only edged up from 2.7 months at the end of 2016 to 2.9 months at the end of 2017, because Vietnam's imports grew by 21% last year.

The drop in inflation was also one of the factors that helped drive bond yields down by approximately 120 bps in 2017. Other factors included an approximately 3x surge in the amount of money Vietnam's State Treasury (VST) deposited into local commercial banks last year to nearly USD11 billion, which was attributable to the fact that the VST raised roughly USD7 billion by issuing Vietnam Government Bonds (VGBs), although a much lower-than-expected proportion of those funds was deployed into the various infrastructure and other ***planned*** government investment projects due to administrative issues.

Those issues are now being addressed, but as a result of this slow disbursement, the government's overall expenditures grew by 7% in 2017, versus a 17% increase in revenues, which was driven by tariffs and other fees on Vietnam's booming imports and exports. In addition to helping constrain VGB issuance, the relatively slow pace of government spending growth enabled the government to achieve its 3.5% of GDP budget deficit target last year. The VST's 2017 issuance of VGBs represented a 40% drop from the previous year.

At the very end of 2017, the government raised nearly USD5 billion by selling a 54% stake in state-owned beer maker Sabeco to ThaiBev, leading market participants to expect another year of reduced VGB issuance in 2018, given the plethora of new privatisations and sales of state stakes in other previously privatised companies. VinaCapital's research team expects the government to raise a total of USD10 billion in 2018 by selling additional ownership stakes in listed SOEs such as Airports Corporation of Vietnam (ACV), PetroVietnam Gas, and Vietnam National Petroleum Group.

Bank lending rates were essentially unchanged in the second half of 2017, owing to strong demand for loans, especially from consumers. The amount of loans (including mortgages) that banks extended to consumers grew by 65% in 2017, and the contribution of loans to banks' overall loan books increased from 12% of outstanding loans at the end of 2016 to 18% at the end of 2017.

Next, another metric that improved from 1H17 to 2H17 was the growth in Vietnam's all-important foreign direct investment (FDI) inflows. In the first half of the year, FDI inflows grew by a muted 6.5% year on year following the withdrawal of the US from the Trans Pacific Partnership (TPP) trade pact and owing to concerns about the possibility of trade tensions with the US, given various protectionist pronouncements made by Donald Trump when he campaigned for president (Vietnam runs a 7% of GDP trade surplus with the US).

However, Vietnam's Prime Minister Nguyen Xuan Phuc was seemingly able to defuse potential trade tensions with the US during his meetings with President Trump in Washington in May 2017, at which time Vietnamese companies signed several large import orders from US companies such as General Electric and Caterpillar. In the second half of the year, FDI inflows accelerated, and ended the year up by 11% year on year to USD18 billion or 8% of GDP. Newly registered FDI soared by 44% year on year to USD36 billion, with roughly three-quarters of newly ***planned*** investments earmarked for manufacturing and other production-related projects, including electricity generation. About half of those newly registered FDI inflows originate from Japan and Korea (in roughly equal proportions).

The vast majority of FDI inflows to the manufacturing sector fund the construction of factories that ***produce*** exports, so nearly three-quarters of Vietnam's exports in 2017 were made by FDI companies. For that reason, the 11% increase in FDI inflows in 2017, and the prior 9% growth in FDI inflows in 2016 (which reached 7.7% of GDP) directly drove Vietnam's 21% export growth in 2017. The US continued to be Vietnam's largest export destination, representing 19% of Vietnam's overall exports last year, but export growth to the US slowed to 8% in 2017 from 15% in 2016.

Exports to the EU, which accounted for 18% of Vietnam's overall exports last year, grew by 13% year on year, while exports to China surged by 61% in 2017, so the proportion of Vietnam's exports sold to the Chinese market increased to 17% of overall exports last year. That surge was reflective of the Chinese government's vigorous efforts to stimulate its economy in 2017, which propelled 10% export growth in the rest of Asia (versus 21% growth in Vietnam).

Finally, Vietnam's high-tech exports continued to power ahead in 2017, especially with the recovery of Samsung's smartphone production which was described above (Samsung accounts for over 20% of Vietnam's overall exports). High tech exports surged by 33% in 2017 and contributed one-third of the country's overall exports last year.

Market risks

Although market valuations significantly increased, they are in-line with the regional peer average, and they are reasonable compared to rates. For that reason, the economy is poised to repeat last year's strong performance and will continue to rise in 2018. We do see some risks that require monitoring, when the significant increase in valuations was seen to be similar to the market conditions in 2006.

However, market conditions in 2018 differ from 2006 in several important ways, namely:

1.   External volatility: in early 2018 we witnessed how US market volatility can have a negative impact in Vietnam's stock markets, which had been driven up over the previous few months primarily on the back of foreign investments. As such, external volatility could force some of these foreign investors to retreat putting pressure on the Vietnamese markets.

2.   Margin lending: currently at an all-time high (approximately USD1.7 billion, or 1.4% of the total market capitalisation of Vietnam's three stock exchanges), any volatility could have a downward spiral effect. Lenders or brokers are sensitive to any negative signs to call in the loans; there is a risk that if share prices begin to fall, margin lending will be squeezed, and margin calls will force further selling.

3.   Inflation and interest rates: Although this risk is on the lower side, it is one that we are nevertheless acutely aware of.

Earnings growth will drive the market in 2018

In summary, 2018 promises to be another exciting and unpredictable year. We estimate the average earnings growth for Vietnam listed equities to be around 15-17% per annum. As the Company's listed holdings investment strategy seeks annual returns of at least 15% to 20%, we will only hold those listed equities where we see potential for outperformance in EPS growth against the average as well as the possibility of P/E expansion.

Given the remarkable increase in the size and liquidity of Vietnam's stock markets over the past two years, we think that more global investors will recognise Vietnam's potential as an attractive place to invest, compared with many other emerging markets. This trend will increase demand for Vietnamese listed equities, particularly in larger companies which tend to enjoy a higher level of liquidity.

We have also been taking part in SOE equitisations and privately negotiated deals. At the beginning of 2018, we participated in and disbursed a significant amount (approximately USD80 million) into three investments that potentially will boost portfolio performance for the rest of the year and beyond.

The Company has demonstrated its ability over time to move large blocks of listed equity shares to ***strategic*** investors at a significant premium to the prevailing market price and, in the past, the Company has enjoyed ample opportunities to divest stakes where valuations, and effectively, the P/E ratios, were significantly higher than the market prices; we hope to see more of these transactions in 2018.

Andy Ho

Managing Director and Chief Investment Officer

27 March 2018

INTERIM REPORT OF THE BOARD OF DIRECTORS

The Board of Directors (the "Board") submits its report together with the condensed interim financial statements of VinaCapital Vietnam Opportunity Fund Limited (the "Company") for the six-month period from 1 July 2017 to 31 December 2017 (the "six-month period").

The Company is registered in Guernsey as a non-cellular company with limited liability. The registered office of the Company is PO Box 255, Trafalgar Court, Les Banques, St Peter Port, Guernsey, GY1 3QL.

INVESTING POLICY

Investment Objective

The Company's objective is to achieve medium to long-term returns through investment either in Vietnam or in companies with a substantial majority of their assets, operations, revenues or income in, or derived from, Vietnam.

Investment Policy

All of the Company's investments will be in Vietnam or in companies with at least 75% of their assets, operations, revenues or income in, or derived from, Vietnam at the time of investment.

No single investment may exceed 20% of the Net Asset Value ("NAV") of the Company at the time of investment.

The Company may from time to time invest in other funds focused on Vietnam. This includes investments in other funds managed by VinaCapital Investment Management Limited (the "Investment Manager"). Any investment or divestment of funds managed by the Investment Manager will be subject to prior approval by the Board. No more than 10%, in aggregate, of the value of the Company's total assets may be invested in other listed closed-ended investment funds. The restriction on investment in other listed closed-ended investment funds does not apply to investments in closed-ended investment funds which themselves have published investment policies to invest no more than 15% of their total assets in other listed closed-ended investment funds.

The Company may from time to time make co-investments alongside other investors in private equity, real estate or similar assets. This includes, but is not restricted to, co-investments alongside other funds managed by the Investment Manager.

The Company may gear its assets through borrowings which may vary substantially over time according to market conditions and any or all of the assets of the Company may be pledged as security for such borrowings. Borrowings are not to exceed 10% of the Company's total assets at the time that any debt is drawn down.

From time to time the Company may hold cash or low risk instruments such as government bonds or cash funds denominated in either Vietnamese Dong ("VND") or US Dollars ("USD"), either in Vietnam or outside Vietnam.

Principal Risks

The process which the Company follows in order to identify and mitigate its key risks is set out on Financial Risk Management of the Annual Report and Financial Statements for the year ended 30 June 2017 (the "Annual Report"), a copy of which is available on the Company's web site[*http://www.vof.vinacapital.comThe*](http://www.vof.vinacapital.comThe) Directors have reviewed the key risks and have confirmed that the list as set out in the Annual Report remains appropriate except that we have added a cautionary note on market levels in the list of risks which are summarised below.

Vietnamese Market Risk

Opportunities for the Company to invest in Vietnam have come about through the liberalisation of the Vietnamese economy. Were the pace or direction of change to the economy to alter in the future, the interests of the Company could be damaged. The economy could also be affected by any escalation in geopolitical tensions in the region and elsewhere.

Furthermore, the performance of the Vietnamese Stock Exchanges has been particularly strong over the reporting period as there has been significantly more domestic and international demand for stock than has been available.  If this trend were to reverse, the values of Vietnamese equities could fall significantly from their current levels.

Changing Investor Sentiment

As a Company investing mainly in Vietnam, changes in investor sentiment towards Vietnam and/or frontier markets in general may lead to the Company becoming unattractive to investors leading to reduced demand for shares and a widening discount.

Investment Performance

The performance of the Company's investment portfolio could be poor, either absolutely or in relation to the Company's peers.

Fair Valuation

The risks associated with the fair valuation of the portfolio could result in the Net Asset Value of the Company being misstated.

Investment Management Agreement

The Investment Management Agreement requires the Investment Manager to provide competent, attentive and efficient services to the Company. If the Investment Manager was not able to do this or if the Investment Management Agreement were terminated, there is no assurance that a suitable replacement could be found in Vietnam and, under those circumstances, the Company could suffer.

Operational

The Company is dependent on third parties for the provision of all systems and services (in particular, those of the Investment Manager) and any control failures and gaps in these systems and services could result in a loss or damage to the Company.

Legal and Regulatory

Failure to comply with relevant regulation and legislation in Vietnam, Guernsey or the UK may have an impact on the Company.

Life of the Company

The Company does not have a fixed life but the Board considers it desirable that Shareholders should have the opportunity to review the future of the Company at appropriate intervals. Accordingly, the Board intends that every fifth year a special resolution will be proposed that the Company ceases to continue. If the resolution is not passed, the Company will continue to operate as currently constituted. If the resolution is passed, the Directors will be required to formulate proposals to be put to Shareholders to reorganise, unitise or reconstruct the Company or for the Company to be wound up. The Board tabled such a special resolution in 2008 and in 2013 and on both occasions it was not passed, allowing the Company to continue as currently constituted. The next shareholder vote on the continuation of the Company is ***planned*** to be held at the AGM in December 2018.

Results and Dividend

The results of the Company for the six-month period and the state of its financial affairs as at that date are set out in the Condensed Interim Financial Statements.

The Board intends that the Company will pay a dividend representing approximately 1% of NAV twice each year, normally declared in March and October. A dividend of 5.5 cents per share in respect of the half year ended 31 December 2017 was declared on 27 March 2018. The dividend is payable on or around 27 April 2018 to shareholders on record at 6 April 2018.

Performance

The Chairman's Statement and the Investment Manager's Report provide details of the Company's activities and performance during the six-month period.

The key performance indicators ("KPIs") used to measure the progress of the Company during the six-month period include:

· the movement in the Company's NAV;

· the movement in the Company's share price; and

· discount of the share price in relation to the NAV.

A discussion of progress against the KPIs is included in the Chairman's Statement.

Related Parties

Details of the fees paid to the Investment Manager and to the Directors are set out in Note 19 of the Condensed Interim Financial Statements.

Share repurchase ***programme***

Details of the Company's share repurchase ***programme*** are set out in Note 11 of the Condensed Interim Financial Statements.

Annual General Meeting

The Company held its Annual General Meeting (AGM) on 14 December 2017. All resolutions set out in the notice of the AGM were carried with a substantial majority.

Board of Directors

The members of the Board during the six-month period and up to the date of this report were:

|  |  |  |
| --- | --- | --- |
| **Name** | **Position** | **Date of appointment** |
| Steven Bates | Chairman | 5 February 2013 |
| Martin Adams | Director | 5 February 2013 |
| Thuy Bich Dam | Director | 7 March 2014 |
| Huw Evans | Director | 27 May 2016 |

Directors' interests in the Company

As at 31 December 2017 and 30 June 2017, the interests of the Directors in shares of the Company were as follows:

|  |  |  |  |
| --- | --- | --- | --- |
|  |  | **Shares held** | **Shares held** |
|  |  | **as at 31 December 2017** | **as at 30 June 2017** |
| Steven Bates |  | 25,000 | 25,000 |
| Martin Adams |  | - | - |
| Thuy Bich Dam |  | - | - |
| Huw Evans |  | 17,500 | 17,500 |

There have been no changes to any holdings between 31 December 2017 and the date of this report.

Going Concern

Under the UK Corporate Governance Code and applicable regulations, the Directors are required to satisfy themselves that it is reasonable to assume that the Company is a going concern. The Directors have undertaken a rigorous review of the Company's ability to continue as a going concern including reviewing the on-going cash flows and level of cash balances as of the reporting date as well as taking forecasts of future cash flows into consideration. After making enquiries of the Investment Manager and having reassessed the principal risks, the Directors consider it appropriate to adopt the going concern basis of accounting in preparing the Interim Report and Unaudited Condensed Interim Financial Statements.

On behalf of the Board

Steven Bates

Chairman

VinaCapital Vietnam Opportunity Fund

27 March 2018

STATEMENT OF DIRECTORS' RESPONSIBILITY IN RESPECT OF THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

 To the best of their knowledge, the Directors confirm that:

- the Unaudited Condensed Interim Financial Statements have been prepared in accordance with IAS 34, "Interim Financial Reporting"; and

- the Interim Report, comprising the Chairman's Statement, the Investment Manager's Report and the Interim Report of the Board of Directors, meets the requirements of an interim management report and includes a fair review of information required by DTR 4.2.4 R of the UK Disclosure and Transparency Rules:

(i) DTR 4.2.7R of the UK Disclosure and Transparency Rules, being an indication of important events which have occurred during the first six months and their impact on the Unaudited Condensed Interim Financial Statements, and a description of the principal risks and uncertainties for the remaining six months of the year; and

(ii) DTR 4.2.8R of the UK Disclosure and Transparency Rules, being related party transactions which have taken place in the first six months and which have materially affected the financial position or performance of the Company during that period, and any material changes in the related party transactions disclosed in the last Annual Report.

Signed on behalf of the board by:

Huw Evans

Director

27 March 2018

INDEPENDENT INTERIM REVIEW REPORT

to vinacapital vietnam opportunity fund limited

Our conclusion

We have reviewed the accompanying condensed interim financial information of VinaCapital Vietnam Opportunity Fund Limited (the "Company") as of 31 December 2017. Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34, 'Interim Financial Reporting' and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

What we have reviewed

The accompanying condensed interim financial statements comprise:

-      the unaudited condensed statement of financial position as of 31 December 2017;

-      the unaudited condensed statement of comprehensive income for the six-month period then ended;

-      the unaudited condensed statement of changes in equity for the six-month period then ended;

-      the unaudited condensed statement of cash flows for the six-month period then ended; and

-      the notes, comprising a summary of significant accounting policies and other explanatory information.

The condensed interim financial information has been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting' and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

Our responsibilities and those of the directors

The Directors are responsible for the preparation and presentation of this condensed interim financial information in accordance with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

Our responsibility is to express a conclusion on this condensed interim financial information based on our review. This report, including the conclusion, has been prepared for and only for the Company for the purpose of complying with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority and for no other purpose. We do not, in giving this conclusion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements  2410, 'Review of interim financial information performed by the independent auditor of the entity' issued by the International Auditing and Assurance Standards Board. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

We have read the other information contained in the Interim Report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the interim financial statements.

PricewaterhouseCoopers CI LLP

Chartered Accountants

Guernsey, Channel Islands

27 March 2018

(a)   The maintenance and integrity of the VinaCapital Vietnam Opportunity Fund Limited website is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

(b)   Legislation in Guernsey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

UNAUDITED CONDENSED STATEMENT OF FINANCIAL POSITION

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  |  |  | **31 December 2017** |  | **30 June 2017** |
|  |  | **Notes** | **USD'000** |  | **USD'000** |
|  |  |  | **(Unaudited)** |  | **(Audited)** |
| **ASSETS** |  |  |  |  |  |
| Cash and cash equivalents |  | 6 | 61,218 |  | 7,512 |
| Receivables |  | 10 | 6 |  | 265 |
| Financial assets at fair value through profit or loss |  | 8 | 1,090,565 |  | 974,581 |
| **Total assets** |  |  | **1,151,789** |  | **982,358** |
|  |  |  |  |  |  |
| **CURRENT LIABILITIES** |  |  |  |  |  |
| Accrued expenses and other payables |  | 12 | 19,832 |  | 20,546 |
|  |  |  |  |  |  |
| **NON-CURRENT LIABILITIES** |  |  |  |  |  |
| Deferred incentive fees |  | 15(b) | 25,846 |  | 12,137 |
| **Total liabilities** |  |  | **45,678** |  | **32,683** |
|  |  |  |  |  |  |
| **EQUITY** |  |  |  |  |  |
| Share capital |  | 11 | 446,885 |  | 456,419 |
| Retained earnings |  |  | 659,226 |  | 493,256 |
| **Total Shareholders' equity** |  |  | **1,106,111** |  | **949,675** |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
| **Total liabilities and equity** |  |  | **1,151,789** |  | **982,358** |
|  |  |  |  |  |  |
| **Net asset value, USD per share** |  | 17 | **5.58** |  | **4.73** |
| **Net asset value, GBP per share** |  |  | **4.12** |  | **3.64** |

The Unaudited Condensed Interim Financial Statements were approved and signed by the Board of Directors on 27 March 2018.

Steven Bates

Chairman

Huw Evans

Director

The accompanying notes are an integral part of these Unaudited Condensed Interim Financial Statements.

UNAUDITED CONDENSED STATEMENT OF CHANGES IN EQUITY

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  | **Share capital** |  | **Retained earnings** |  | **Total Equity** |
|  |  |  |  |  |  |  |  |  |
| **For the six months ended 31 December 2016** |  |  | **Note** | **USD'000** |  | **USD'000** |  | **USD'000** |
| **Balance at 1 July 2016** |  |  |  | **483,829** |  | **302,707** |  | **786,536** |
| Profit for the period |  |  |  | - |  | 85,483 |  | **85,483** |
| **Total comprehensive income** |  |  |  | **-** |  | **85,483** |  | **85,483** |
|  |  |  |  |  |  |  |  |  |
| **Transactions with Shareholders** |  |  |  |  |  |  |  |  |
| Shares repurchased |  |  |  | (2,811) |  | - |  | **(2,811)** |
| **Balance at 31 December 2016** |  |  |  | **481,018** |  | **388,190** |  | **869,208** |
|  |  |  |  |  |  |  |  |  |
| **For the six months ended 31 December 2017** |  |  |  |  |  |  |  |  |
| **Balance at 1 July 2017** |  |  |  | **456,419** |  | **493,256** |  | **949,675** |
| Profit for the period |  |  |  | - |  | 185,070 |  | **185,070** |
| **Total comprehensive income** |  |  |  | **-** |  | **185,070** |  | **185,070** |
|  |  |  |  |  |  |  |  |  |
| **Transactions with Shareholders** |  |  |  |  |  |  |  |  |
| Shares repurchased |  |  | 11 | (9,534) |  | - |  | **(9,534)** |
| Dividends paid |  |  | 9 | - |  | (19,100) |  | **(19,100)** |
| **Balance at 31 December 2017** |  |  |  | **446,885** |  | **659,226** |  | **1,106,111** |

The accompanying notes are an integral part of these Unaudited Condensed Interim Financial Statements.

UNAUDITED CONDENSED STATEMENT OF COMPREHENSIVE INCOME

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  | **Six months ended** |  |  |
|  |  |  |  |  |  | **31 December 2017** |  | **31 December 2016** |
|  |  |  |  |  | **Notes** | **USD'000** |  | **USD'000** |
| Dividend income |  |  | 13 | 31,748 |  | 23,920 |  |  |
| Net gains on financial assets at fair value through profit or loss | 14 | 189,147 |  | 76,896 |  |  |  |  |
| General and administration expenses |  | 15(a) | (8,820) |  | (7,932) |  |  |  |
| Finance costs |  |  |  |  | (1,161) |  | - |  |
| Accrued incentive fee |  |  | 3, 15(b), 19 | (25,846) |  | (7,673) |  |  |
| Other income |  |  |  |  | 2 |  | 272 |  |
| **Operating profit** |  |  |  | 185,070 |  | 85,483 |  |  |
|  |  |  |  |  |  |  |  |  |
| **Profit before tax** |  |  |  | **185,070** |  | **85,483** |  |  |
| Corporate income tax |  |  | 16 | - |  | - |  |  |
| **Profit for the period** |  |  |  | **185,070** |  | **85,483** |  |  |
|  |  |  |  |  |  |  |  |  |
| **Total comprehensive income for the period** |  | **185,070** |  | **85,483** |  |  |  |  |
|  |  |  |  |  |  |  |  |  |
| **Earnings per share** |  |  |  |  |  |  |  |  |
| **- basic and diluted (USD per share)** |  | 17 | **0.93** |  | **0.41** |  |  |  |
| **- basic and diluted (GBP per share)** |  |  | **0.71** |  | **0.32** |  |  |  |

All items were derived from continuing activities.

The accompanying notes are an integral part of these Unaudited Condensed Interim Financial Statements.

UNAUDITED CONDENSED STATEMENT OF CASH FLOWS

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  | **Six months ended** |  |  |
|  |  | **31 December 2017** |  | **31 December 2016** |
|  | **Notes** | **USD'000** |  | **USD'000** |
| **Operating activities** |  |  |  |  |
| Income before tax |  | 185,070 |  | 85,483 |
| Adjustments for: |  |  |  |  |
| Dividend income |  | (31,748) |  | (23,920) |
| Net gains on financial assets |  |  |  |  |
| at fair value through profit or loss | 14 | (189,147) |  | (76,896) |
|  |  | **(35,825)** |  | **(15,333)** |
|  |  |  |  |  |
| Change in receivables |  | 259 |  | 4,859 |
| Change in accrued expenses and other payables |  | 12,995 |  | 1,393 |
| Dividend receipts |  | 31,748 |  | 23,920 |
| **Net cash inflow from operating activities** |  | **9,177** |  | **14,839** |
|  |  |  |  |  |
| **Investing activities** |  |  |  |  |
| Purchases of financial assets at fair value through profit or loss |  | (131,657) |  | (82,165) |
| Return of capital from financial assets at fair value through profit or loss |  | 204,820 |  | 160,392 |
| **Net cash generated from investing activities** |  | **73,163** |  | **78,227** |
|  |  |  |  |  |
| **Financing activities** |  |  |  |  |
| Purchases of shares into treasury | 11 | (9,534) |  | (2,811) |
| Dividends paid |  | (19,100) |  | - |
| **Net cash used in financing activities** |  | **(28,634)** |  | **(2,811)** |
|  |  |  |  |  |
| **Net change in cash and cash equivalents for the period** |  | 53,706 |  | 90,255 |
| Cash and cash equivalents at the beginning of the period | 6 | 7,512 |  | 1,570 |
| **Cash and cash equivalents at the end of the period** | 6 | 61,218 |  | 91,825 |

The accompanying notes are an integral part of these Unaudited Condensed Interim Financial Statements.

1. GENERALINFORMATION

VinaCapital Vietnam Opportunity Fund Limited ("the Company") is a Guernsey domiciled closed-ended investment company. The Company was previously a limited liability company incorporated in the Cayman Islands. After an Extraordinary General Meeting on 27 October 2015, Shareholders approved proposals to change the Company's domicile to Guernsey. This change took place on 22 March 2016. The Company is classified as a registered closed-ended Collective Investment Scheme under the Protection of Investors (Bailiwick of Guernsey) Law 1987 and is subject to the Companies (Guernsey) Law, 2008.

The Company's objective is to achieve medium to long-term returns through investment either in Vietnam or in companies with a substantial majority of their assets, operations, revenues or income in, or derived from, Vietnam.

The Company has a Premium Listing on the London Stock Exchange's ("LSE's") Main Market, under the ticker symbol VOF, after being previously listed on the LSE's AIM market. The change occurred on 30 March 2016 following the change of domicile described above.

The Company does not have a fixed life but the Board has determined that it is desirable that Shareholders should have the opportunity to review the future of the Company at appropriate intervals. Accordingly, the Board intends that every fifth year a special resolution will be proposed that the Company ceases to continue. If the resolution is not passed, the Company will continue to operate as currently constituted. If the resolution is passed, the Directors will be required to formulate proposals to be put to Shareholders to reorganise, unitise or reconstruct the Company or for the Company to be wound up. The Board tabled such resolutions in 2008 and 2013 and on both occasions the resolution was not passed, allowing the Company to continue as currently constituted. The next shareholder vote on the continuation of the Company is ***planned*** to be held at the AGM in December 2018.

The Unaudited Condensed Interim Financial Statements for the six-month period ended 31 December 2017 were approved for issue by the Board on 27 March 2018.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The Company has prepared these Unaudited Condensed Interim Financial Statements on a going concern basis in accordance with the Disclosure and Transparency Rules of the United Kingdom Financial Conduct Authority and IAS 34 "Interim Financial Reporting". These Unaudited Condensed Interim Financial Statements do not comprise statutory Financial Statements within the meaning of The Companies (Guernsey) Law, 2008, and should be read in conjunction with the Financial Statements of the Company as at and for the year ended 30 June 2017, which were prepared in accordance with International Financial Reporting Standards. The statutory Financial Statements for the year ended 30 June 2017 were approved by the Board of Directors on 25 October 2017. The opinion of the Auditors on those Financial Statements was unqualified and did not contain an emphasis of matter. The accounting policies adopted in these Unaudited Condensed Interim Financial Statements are unchanged since 30 June 2017. These Unaudited Condensed Interim Financial Statements for the period ended 31 December 2017 have been reviewed by the Auditors but not audited.

2.2        Going concern

The Directors believe that, having considered the Company's investment objective, financial risk management and associated risks (see note 19 to the Annual Report) and in view of the liquidity of investments, the income deriving from those investments and its holding in cash and cash equivalents, the Company has adequate financial resources and suitable management arrangements in place to continue as a going concern.

2.3 Changes in accounting policy and disclosures

These Unaudited Condensed Interim Financial Statements have been prepared in accordance with the accounting policies, methods of computation and presentation adopted in the Audited Financial Statements for the year ended 30 June 2017.

2.4 Subsidiaries and associates

The Company meets the definition of an Investment Entity within IFRS 10 and therefore does not consolidate its subsidiaries but measures them instead at fair value through profit or loss.

Any gain or loss arising from a change in the fair value of investments in subsidiaries and associates is recognised in the Condensed Statement of Comprehensive Income.

Refer to note 3 on further disclosure on accounting for subsidiaries and associates.

2.5 Segment reporting

In identifying its operating segments, management follows the subsidiaries' sectors of investment which are based on internal management reporting information. The operating segments by investment portfolio include: capital markets, real estate projects and operating assets, private equity and cash (including cash and cash equivalents, bonds, and short-term deposits).

Each of the operating segments is managed and monitored individually by the Investment Manager as each requires different resources and approaches. The Investment Manager assesses segment profit or loss using a measure of operating profit or loss from the underlying investment assets of the subsidiaries. Expenses and liabilities which are common to all segments are allocated based on each segment's share of total assets.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

When preparing the Unaudited Condensed Interim Financial Statements, the Company relies on a number of judgements, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. Actual results may differ from the judgements, estimates and assumptions.

Information about significant judgements, estimates and assumptions which have the greatest effect on the recognition and measurement of assets, liabilities, income and expenses were the same as those that applied to the Annual Report and Financial Statements for the year ended 30 June 2017.

3.1 Eligibility to qualify as an investment entity

The Company has determined that it is an investment entity under the definition of IFRS 10 as it meets the following criteria:

a)  The Company has obtained funds from investors for the purpose of providing those investors with investment management services;

b)  The Company's business purpose is to invest funds solely for returns from capital appreciation, investment income or both; and

c)  The performance of investments made by the Company is substantially measured and evaluated on a fair value basis.

The Company has the typical characteristics of an investment entity:

-    it holds more than one investment;

-    it has more than one investor;

-    it has investors that are not its related parties; and

-    it has ownership interests in the form of equity or similar interests.

As a consequence, the Company does not consolidate its subsidiaries and accounts for them at fair value through profit or loss.

3.2 Fair value of subsidiaries and associates and their underlying investments

The Company holds its investments through a number of subsidiaries and associates which were established for this purpose. At the end of each half of the financial year, the fair values of investments in subsidiaries and associates are reviewed and the fair values of all material investments held by these subsidiaries and associates are assessed. As at 31 December 2017, 100% (30 June 2017: 100%) of the financial assets at fair value through profit and loss relate to the Company's investments in subsidiaries and associates that have been fair valued in accordance with the policies set out below.

The underlying investments include listed and unlisted securities, private equity and real estate assets. Where an active market exists (for example, for listed securities), the fair value of the subsidiary or associate reflects the valuation of the underlying holdings. Where no active market exists, valuation techniques are used.

As at 30 June 2017, the fair values of the subsidiaries and associates holding the Company's principal real estate and private equity investments were estimated by a qualified independent professional services firm (the "independent valuer"). The valuations by the independent valuer were prepared using a number of approaches such as adjusted net asset valuations, discounted cash flows, income-related multiples and price-to-book ratio.

In cases where the underlying investments of a subsidiary or associate were real estate projects or operating assets, the independent valuer determined their fair value based on valuations provided by specialised independent professional appraisers ("specialised appraisers"). These valuations were used by the independent valuer as the primary basis for estimating each subsidiary's or associate's fair value as at that date.

The estimated fair values provided by the independent valuer were used by the Audit Committee as the primary basis for estimating the fair value of real estate and private equity investments as at 30 June 2017 for recommendation to the Board.

As at 31 December, 2017, the Investment Manager reviewed the valuations carried out by the independent valuer as at 30 June 2017 and considered whether there were any changes to performance or the circumstances of the underlying investments which would affect the fair values.  The Investment Manager then made recommendations to the Audit Committee of the fair values as at 31 December 2017 and the Audit Committee, having considered these then made recommendations for approval by the Board.

Information about the significant judgements, estimates and assumptions that are used in the valuation of the investments is discussed below.

The shares of the subsidiaries and associates are not publicly traded; return of capital to the Company can only be made by divesting the underlying investments of the subsidiaries and associates. As a result, the carrying value of the subsidiaries and associates may not be indicative of the value ultimately realised on divestment.

As at 31 December 2017 and 30 June 2017, the Company classified its investments in subsidiaries and associates as Level 3 within the fair value hierarchy, because they are not publicly traded, even when the underlying assets may be readily realisable.

(a) Valuation of assets that are traded in an active market

The fair values of listed securities and government bonds are based on quoted market prices at the close of trading on the reporting date. The fair values of unlisted securities which are traded on UPCoM are based on published prices at the close of business on the reporting date. For other unlisted securities which are traded in an active market, fair value is the average quoted price at the close of trading obtained from a minimum sample of three reputable securities companies at the reporting date. Other relevant measurement bases are used if broker quotes are not available or if better and more reliable information is available.

(b) Valuation of assets that are not traded in an active market

The fair value of assets that are not traded in an active market (for example, private equities and real estate where market prices are not readily available) is determined by using valuation techniques. At each year end the independent valuer uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at each reporting date. At the half year, the valuations are reviewed by the Investment Manager. The valuations may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

(b.1) Valuation of investments in private equities

The Company's underlying investments in private equities are fair valued using discounted cash flow and market comparison methods. The projected future cash flows are driven by management's business strategies and goals and its assumptions of growth in gross domestic product ("GDP"), market demand, inflation, etc. At year end, the independent valuer selects appropriate discount rates that reflect the uncertainty of the quantum and timing of the cash flows. At the half-year, the valuations are completed in-house and reviewed by the Audit Committee.

(b.2) Valuation of real estate and operating assets

A number of the Company's real estate investments are held in joint ventures with VinaLand Limited ("VinaLand"), another company managed by the Investment Manager. In these cases, VinaLand holds a controlling stake in the joint ventures and therefore exercises control over the investments. As both companies are managed by the same Investment Manager, each company's investment objectives for each property have generally been the same.

At each year end the fair values of underlying real estate properties are based on valuations by specialised appraisers. These valuations are based on certain assumptions which are subject to uncertainty and might result in valuations which differ materially from the actual results of a sale. The estimated fair values provided by the specialist appraisers are used by the independent valuer as the primary basis for estimating fair value of the Company's subsidiaries and associates that hold these properties in accordance with accounting policies set out in note 2.3. At the half year, the fair values that were determined by the independent valuer at the year end are updated by the Investment Manager and reviewed by the Audit Committee.

In conjunction with making its judgement for the fair value of the Company's underlying real estate and operating assets, the independent valuer, (Investment Manager at the half year), also considers information from a variety of other sources including:

a.  current prices in an active market for properties of similar nature, condition or location;

b.  current prices in an active market for properties of different nature, condition or location (or subject to different lease or other contracts), adjusted to reflect those differences;

c.  recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices;

d.  recent developments and changes in laws and regulations that might affect zoning and/or the Company's ability to exercise its rights in respect to properties and therefore fully realise the estimated values of such properties;

e.  discounted cash flow projections based on estimates of future cash flows, derived from the terms of external evidence such as current market rents, occupancy and room rates, and sales prices for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows; and

f.   recent compensation prices made public by the local authority in the province where the property is located.

3.3 Incentive Fee

For the purpose of calculating any incentive fee the portfolio is split into two pools, the Capital Markets Pool and the Direct Real Estate Pool. The Direct Real Estate Pool includes directly owned real estate assets. The Capital Markets Pool incorporates all other investments, including listed and unlisted securities and private equity. The annual incentive fee payable to the Investment Manager is calculated for each pool as 15% of the increase in NAV over a hurdle rate of 8% per annum. However the maximum amount that can be paid in respect of either pool in any one year is capped at 1.5% of the weighted average month-end NAV of that pool during that year. Any incentive fee earned in excess of this 1.5% cap will be paid out in subsequent years but only to the extent that the NAV of that pool exceeds the level at which it would have been based upon the fees already paid out. The excess fees and any incentive fees earned in subsequent years are paid out on a FIFO basis providing that the total amount of fees paid out in a financial year does not exceed the 1.5% cap.

At the end of each financial period, the Board considers the total amount of any accrued incentive fees which are likely to be paid in subsequent years. In determining the fair value of the liability at a balance sheet date the Board may apply a discount to reflect the time value of money and probability and phasing of payment.

Any incentive fees payable within 12 months are classified under current liabilities. The fair value of any additional incentive fees payable in subsequent years are classified as non-current liabilities.

For further details of the incentive fees earned and accrued at the period end please refer to note 15 (b).

4. SEGMENT ANALYSIS

There have been no changes from prior periods in the measurement methods used to determine reported segment profit or loss.

Segment information can be analysed as follows:

Unaudited Condensed Statement of Comprehensive Income

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  | **Capital markets\*** |  | **Real estate and Operating Assets** |  | **Private equity** |  | **Total** |
|  |  |  | **USD'000** |  | **USD'000** |  | **USD'000** |  | **USD'000** |
| **Period ended 31 December 2017** |  |  |  |  |  |  |  |  |  |
| Dividend income |  |  | 24,678 |  | 7,070 |  | - |  | 31,748 |
| Net gains on financial assets at fair value through profit or loss |  |  |  |  |  |  |  |  |  |
| 184,574 |  | 1,548 |  | 3,025 |  | 189,147 |  |  |  |
| General and administration expenses  (note 15) |  |  |  |  |  |  |  |  |  |
| (7,786) |  | (344) |  | (690) |  | (8,820) |  |  |  |
| Finance costs |  |  | (1,073) |  | - |  | (88) |  | (1,161) |
| Accrued incentive fee (note 19) |  | (25,846) |  | - |  | - |  | (25,846) |  |
| Other income |  |  | 2 |  | - |  | - |  | 2 |
| **Profit before tax** |  |  | **174,549** |  | **8,274** |  | **2,247** |  | **185,070** |
|  |  |  |  |  |  |  |  |  |  |
| **Period ended 31 December 2016** |  |  |  |  |  |  |  |  |  |
| Dividend income |  |  | 23,920 |  | - |  | - |  | 23,920 |
| Net gains on financial assets at fair value through profit or loss |  |  |  |  |  |  |  |  |  |
| 41,596 |  | 34,464 |  | 836 |  | 76,896 |  |  |  |
| General and administration expenses  (note 15) |  |  |  |  |  |  |  |  |  |
| (6,395) |  | (733) |  | (804) |  | (7,932) |  |  |  |
| Accrued incentive fee (note 19) |  | (7,673) |  | - |  | - |  | (7,673) |  |
| Other income |  |  | 272 |  | - |  | - |  | 272 |
| **Profit before tax** |  |  | **51,720** |  | **33,731** |  | **32** |  | **85,483** |

\* Capital markets include listed as well as unlisted securities and bonds.

Statement of Financial Position

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **Capital markets\*** |  | **Real estate and Operating Assets** |  | **Private equity** |  | **Other net assets\*\*** |  | **Total** |
| **Unaudited** | **USD'000** |  | **USD'000** |  | **USD'000** |  | **USD'000** |  | **USD'000** |
| **As at 31 December 2017** |  |  |  |  |  |  |  |  |  |
| Cash and cash equivalents | - |  | - |  | - |  | 61,218 |  | 61,218 |
| Receivables | - |  | - |  | - |  | 6 |  | 6 |
| Financial assets at fair value through profit or loss | 905,813 |  | 38,053 |  | 77,411 |  | 69,288 |  | 1,090,565 |
| **Total assets** | **905,813** |  | **38,053** |  | **77,411** |  | **130,512** |  | **1,151,789** |
|  |  |  |  |  |  |  |  |  |  |
| **Current liabilities** |  |  |  |  |  |  |  |  |  |
| Accrued expenses and |  |  |  |  |  |  |  |  |  |
| other payables | - |  | - |  | - |  | 19,832 |  | 19,832 |
|  |  |  |  |  |  |  |  |  |  |
| **Non-current liabilities** |  |  |  |  |  |  |  |  |  |
| Deferred incentive fees | - |  | - |  | - |  | 25,846 |  | 25,846 |
| **Total liabilities** | **-** |  | **-** |  | **-** |  | **45,678** |  | **45,678** |
|  |  |  |  |  |  |  |  |  |  |
| **Net asset value** | **905,813** |  | **38,053** |  | **77,411** |  | **84,834** |  | **1,106,111** |

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **Capital markets\*** |  | **Real estate and Operating Assets** |  | **Private equity** |  | **Other net assets\*\*** |  | **Total** |
| **Audited** | **USD'000** |  | **USD'000** |  | **USD'000** |  | **USD'000** |  | **USD'000** |
| **As at 30 June 2017** |  |  |  |  |  |  |  |  |  |
| Cash and cash equivalents | - |  | - |  | - |  | 7,512 |  | 7,512 |
| Receivables | - |  | - |  | - |  | 265 |  | 265 |
| Financial assets at fair value through profit or loss | 698,538 |  | 57,373 |  | 70,242 |  | 148,428 |  | 974,581 |
| **Total assets** | **698,538** |  | **57,373** |  | **70,242** |  | **156,205** |  | **982,358** |
|  |  |  |  |  |  |  |  |  |  |
| **Current liabilities** |  |  |  |  |  |  |  |  |  |
| Accrued expenses and |  |  |  |  |  |  |  |  |  |
| other payables | - |  | - |  | - |  | 20,546 |  | 20,546 |
|  |  |  |  |  |  |  |  |  |  |
| **Non-current liabilities** |  |  |  |  |  |  |  |  |  |
| Deferred incentive fees | - |  | - |  | - |  | 12,137 |  | 12,137 |
| **Total liabilities** | **-** |  | **-** |  | **-** |  | **32,683** |  | **32,683** |
|  |  |  |  |  |  |  |  |  |  |
| **Net asset value** | **698,538** |  | **57,373** |  | **70,242** |  | **123,522** |  | **949,675** |

\* Capital markets include listed as well as unlisted securities and bonds.

\*\* Other net assets of USD69.3 million (30 June 2017: USD148.4 million) include cash and cash equivalents and other net assets of the direct subsidiaries at fair value.

5. INTERESTS IN SUBSIDIARIES AND ASSOCIATES

There is no legal restriction to the transfer of funds from the BVI or Singapore subsidiaries to the Company. Cash held in directly-owned as well as indirectly-owned Vietnamese subsidiaries and associates is subject to restrictions imposed by co-investors and the Vietnamese government and therefore it cannot be transferred out of Vietnam unless such restrictions are satisfied.

5.1 Directly-owned subsidiaries

The Company had the following directly-owned subsidiaries as at 31 December 2017 and 30 June 2017:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  | **As at** |  |  |
|  |  | **31 December 2017** | **30 June 2017** |  |
| **Subsidiary** | **Country of incorporation** | **% of Company interest** | **% of Company interest** | **Nature of the business** |
| Vietnam Investment Property  Holdings Limited | British Virgin Islands ("BVI") | 100.00 | 100.00 | Holding company for listed, unlisted securities and real estate |
| Vietnam Investment Property Limited | BVI | 100.00 | 100.00 | Holding company for listed, unlisted securities |
| Vietnam Ventures Limited | BVI | 100.00 | 100.00 | Holding company for listed, unlisted securities and real estate |
| Vietnam Investment Limited | BVI | 100.00 | 100.00 | Holding company for listed, unlisted securities and real estate |
| Asia Value Investment Limited | BVI | 100.00 | 100.00 | Holding company for listed, unlisted securities |
| Vietnam Master Holding 2 Limited | BVI | 100.00 | 100.00 | Holding company for listed securities |
| VOF Investment Limited | BVI | 100.00 | 100.00 | Holding company for listed, unlisted securities and real estate, hospitality and private equity |
| VOF PE Holding 5 Limited | BVI | 100.00 | 100.00 | Holding company for listed securities |
| Visaka Holdings Limited\* | BVI | - | 100.00 | Holding company for investments |
| Portal Global Limited | BVI | 100.00 | 100.00 | Holding company for unlisted securities |
| Windstar Resources Limited | BVI | 100.00 | 100.00 | Holding company for listed securities |
| Allright Assets Limited | BVI | 100.00 | 100.00 | Holding company for real estate |
| Vietnam Enterprise Limited | BVI | 100.00 | 100.00 | Holding company for listed, unlisted securities and real estate |
| VOF PE Holding 3 Limited\* | BVI | - | 100.00 | Holding company for investments |
| Vinaland Heritage Limited\* | BVI | - | 100.00 | Holding company for investments |
| Sharda Holdings Limited | BVI | 100.00 | 100.00 | Holding company for listed securities |
| Hospira Holdings Limited | BVI | 100.00 | 100.00 | Holding company for private equity |
| Navia Holdings Limited | BVI | 100.00 | 100.00 | Holding company for private equity |
| Halico Investment  Holding Limited\* | BVI | - | 100.00 | Holding company for investments |
| Foremost Worldwide Limited | BVI | 100.00 | 100.00 | Holding company for unlisted securities |
| Rewas Holdings Limited | BVI | 100.00 | 100.00 | Holding company for investments |
| Allwealth Worldwide Limited | BVI | 100.00 | 100.00 | Holding company for private equity |
| Longwoods Worldwide Limited | BVI | 100.00 | 100.00 | Holding company for investments |
| Vina Sugar Holdings Limited | BVI | 100.00 | 100.00 | Holding company for investments |
| Belfort Worldwide Limited | BVI | 100.00 | 100.00 | Holding company for investments |
| Preston Pacific Limited | BVI | 100.00 | 100.00 | Holding company for listed securities |
| Vietnam Opportunity Fund II Pte. Ltd. | BVI | 100.00 | 100.00 | Holding company for investments |
| Liva Holdings Ltd\*\* | BVI | - | 100.00 | Holding company for listed securities |
| Vietnam Master Holding 1 Limited | BVI | 100.00 | - | Holding company for investments |
| Turnbull Holding Pte. Ltd. | Singapore | 100.00 | 100.00 | Holding company for investments |
| Fraser Investment Pte. Limited | Singapore | 100.00 | 100.00 | Holding company for listed securities |
| SE Asia Master Holding 7 Pte Limited | Singapore | 100.00 | 100.00 | Holding company for investments |
| VTC Espero Holdings Limited | Singapore | 100.00 | 100.00 | Holding company for real estate |
| Hawke Investments Pte Limited\*\* | Singapore | - | 100.00 | Holding company for investments |

\* Entities have been liquidated or sold during the period.

\*\* Entities became subsidiaries of Belfort Worldwide Limited during the period.

5.2 Indirect interests in subsidiaries

The Company had the following indirect interests in subsidiaries at 31 December 2017 and 30 June 2017:

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  | **As at** |  |
|  |  |  |  |  | **31 December 2017** | **30 June 2017** |
|  |  |  |  |  | **% Company's**  **indirect**  **interest** | **% Company's**  **indirect**  **interest** |
|  |  | **Country of**  **incorporation** |  | **Immediate**  **Parent** |  |  |
| **Indirect subsidiary** |  | **Nature of the business** |  |  |  |  |
| Victory Holding Investment Limited | BVI | Holding company for listed securities | Rewas Holdings Limited | 100.00 | 100.00 |  |
| Vietnam Hospitality Ltd |  | BVI | Holding company for investments | VOF Investment Limited | 100.00 | 100.00 |
| PA Investment Opportunity II Limited | BVI | Holding company for investments | Vietnam Enterprise Limited | 100.00 | 100.00 |  |
| Howard Holding Pte. Limited |  | Singapore | Holding company for private equity | Allwealth Worldwide Limited | 80.56 | 80.56 |
| Abbott Holding Pte. Limited |  | Singapore | Holding company for private equity | Hospira Holdings Limited | 100.00 | 100.00 |
| Whitlam Holding Pte. Limited |  | Singapore | Holding company for private equity | Navia Holdings Limited | 61.26 | 61.26 |
| Indochina Building Supplies Pte. Ltd | Singapore | Holding company for private equity | VOF Investment Limited | 100.00 | 100.00 |  |
| Menzies Holding Pte. Ltd |  | Singapore | Holding company for investments | Belfort Worldwide Limited | 100.00 | 100.00 |
| Hawke Investments Pte Limited\* | Singapore | Holding company for investments | Belfort Worldwide Limited | 100.00 | - |  |
| Liva Holdings Ltd\* |  | Singapore | Holding company for investments | Belfort Worldwide Limited | 100.00 | - |
| BIVI Investments Corporation |  | Vietnam | Holding company for investments | VOF Investment Limited | 100.00 | 100.00 |

\* Entities became subsidiaries of Belfort Worldwide Limited during the period.

5.3 Direct interests in associates

The Company had the following directly-owned associates as at 31 December 2017 and 30 June 2017:

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  | **As at** |  |  |  |
|  |  |  |  | **31 December 2017**  **% of**  **Company**  **interest** | **30 June 2017**  **% of**  **Company**  **interest** |  |  |
|  |  |  |  |  |  |  |  |
|  |  |  | **Country of**  **incorporation** |  |  |  |  |
| **Associate** |  |  |  | **Nature of the business** |  |  |  |
| Allwealth Asia Ltd |  |  | BVI | 35.00 | 35.00 |  | Holding company for real estate |
| Sunbird Group Ltd |  |  | BVI | 25.00 | 25.00 |  | Holding company for real estate |
| Vietnam Property Holdings Limited | BVI | 25.00 | 25.00 |  | Holding company for real estate |  |  |
| Avante Global Limited |  |  | BVI | 25.00 | 25.00 |  | Holding company for real estate |
| Pacific Alliance Land Limited |  |  | BVI | 25.00 | 25.00 |  | Holding company for real estate |
| VinaLand Eastern Limited |  |  | Singapore | 25.00 | 25.00 |  | Holding company for real estate |
| VinaCapital Commercial Center |  |  |  |  |  |  |  |
| Private Limited |  |  | Singapore | 12.75 | 12.75 |  | Holding company for real estate |
| Mega Assets Pte. Limited |  |  | Singapore | 25.00 | 25.00 |  | Holding company for real estate |
| SIH Real Estate Pte. Limited | Singapore | 25.00 | 25.00 |  | Holding company for real estate |  |  |

5.4 Indirect interests in associates

The Company had the following indirect interests in associates at 31 December 2017 and 30 June 2017:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  |  |  |  | **As at** |  |
| **Indirect associate** | **Country of**  **incorporation** | **Nature of the business** | **Company's subsidiary holding direct interest in the associate** | **31 December 2017 % of Company's indirect interest** | **30 June 2017 % of Company's indirect interest** |
| Phong Phu Investment and Development | Vietnam | Real estate investment | Vietnam Ventures Limited | 30.00 | 30.00 |
| Avila Co. Ltd. | Vietnam | Real estate investment | Vietnam Investment Property  Holdings Limited | 16.18 | 16.18 |
| Vinh Thai Urban Development Corporation | Vietnam | Real estate investment | VTC Espero Limited | - | 17.75 |
| Thang Loi Textile | Vietnam | Real estate investment | VOF Investment Limited | 28.50 | 34.00 |
| Hung Vuong Corporation | Vietnam | Real estate investment | VOF Investment Limited | 33.00 | 33.00 |

The Company's indirect interests of less than 20% in associates at period end are co-investments with VinaLand. The Company considers these interests as indirect associates because, as part of the co-investment strategy, the Company can exert significant influence on these entities.

These associates may have commitments under investment agreements to acquire and develop, or make additional investments in investment properties and leasehold land in Vietnam.

5.5 Financial risks

The Company owns a number of subsidiaries and associates for the purpose of holding investments in listed and unlisted securities, debt instruments, private equity and real estate. The Company, via these underlying investments, is subject to financial risks which are further disclosed in note 21. The Investment Manager makes investment decisions after performing extensive due diligence on the underlying investments, their strategies, financial structure and the overall quality of management.

6. CASH AND CASH EQUIVALENTS

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  | **31 December 2017** |  | **30 June 2017** |
|  |  | **USD'000** |  | **USD'000** |
|  |  |  |  |  |
| Cash at banks |  | 61,218 |  | 7,512 |

As at the Statement of Financial Position date, cash and cash equivalents were denominated in USD.

The Company's overall cash position including cash held in directly held subsidiaries as at 31 December 2017 was USD121.1 million (30 June 2017: USD37.1 million). Please refer to note 8 for details of the cash held by the Company's subsidiaries.

7.                                                                     FINANCIAL INSTRUMENTS BY CATEGORY

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Loans and receivables**  **USD'000** | **Financial assets at fair value through profit or loss**  **USD'000** | **Total**  **USD'000** |
| **As at 31 December 2017** |  |  |  |
| Cash and cash equivalents | 61,218 | - | **61,218** |
| Receivables | 6 | - | **6** |
| Financial assets at fair value through profit or loss | - | 1,090,565 | **1,090,565** |
| **Total** | **61,224** | **1,090,565** | **1,151,789** |
|  |  |  |  |
| Financial assets denominated in: |  |  |  |
| -  USD | 61,224 | 1,090,565 | **1,151,789** |
|  |  |  |  |
| **As at 30 June 2017** |  |  |  |
| Cash and cash equivalents | 7,512 | - | **7,512** |
| Receivables | 265 | - | **265** |
| Financial assets at fair value through profit or loss | - | 974,581 | **974,581** |
| **Total** | **7,777** | **974,581** | **982,358** |
|  |  |  |  |
| Financial assets denominated in: |  |  |  |
| -  USD | 7,777 | 974,581 | **982,358** |

All financial liabilities are short term in nature and their carrying values approximate their fair values. There are no financial liabilities that must be accounted for at fair value through profit or loss (30 June 2017: nil).

8                                              . FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets at fair value through profit and loss comprise the Company's investments in subsidiaries and associates. The underlying assets and liabilities of the direct subsidiaries and associates at fair value are included with those of the Company in the following table.

|  |  |  |
| --- | --- | --- |
|  | **31 December 2017** | **30 June 2017** |
|  | **USD'000** | **USD'000** |
| Cash and cash equivalents | 59,917 | 29,577 |
| Ordinary shares - listed | 708,945 | 554,459 |
| Ordinary shares - unlisted\* | 196,868 | 103,744 |
| Government bonds | - | 40,335 |
| Private equity | 77,411 | 70,242 |
| Real estate projects and operating assets | 38,053 | 57,373 |
| Short-term bank deposit | - | 50,000 |
| Other assets, net of liabilities | 9,371 | 68,851 |
|  | **1,090,565** | **974,581** |

\* Unlisted Securities include OTC (over-the-counter) traded securities, and unlisted securities publicly traded on UPCoM (Unlisted Public Companies Market) of the Hanoi Stock Exchange.

The major underlying investments held by the direct subsidiaries and associates of the Company were in the following industry sectors.

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  | **31 December 2017** |  | **30 June 2017** |
|  |  |  |  |  |  | **USD'000** |  | **USD'000** |
| Consumer goods |  |  |  |  |  | 262,218 |  | 265,016 |
| Construction |  |  |  |  |  | 203,529 |  | 135,115 |
| Financial services |  |  |  |  |  | 85,357 |  | 39,934 |
| ***Agriculture*** |  |  |  |  |  | 25,631 |  | 23,512 |
| Energy, minerals and petroleum |  |  |  |  | 51,564 |  | 32,482 |  |
| Pharmaceuticals |  |  |  |  |  | 19,540 |  | 9,756 |
| Real estate |  |  |  |  |  | 165,849 |  | 174,051 |
| Retailers |  |  |  |  |  | 14,980 |  | - |
| Infrastructure |  |  |  |  |  | 111,015 |  | 60,127 |
| Industrials |  |  |  |  |  | 81,594 |  | 45,825 |
| Government bonds |  |  |  |  |  | - |  | 40,335 |

As at 31 December 2017, an underlying holding, Hoa Phat, within financial assets at fair value through profit or loss amounted to 13.2% of the net asset value of the Company (30 June 2017: 9.4%). Vietnam Dairy Products, another underlying holding within financial assets at fair value through profit or loss amounted to 10.8% of the net asset value of the Company (30 June 2017: 13.6%). There were no other holdings that had a value exceeding 10% of the net asset value of the Company as at 31 December 2017 or 30 June 2017.

During the period capital has been returned to the Company as underlying investments in the subsidiaries/associates have been realised.

When determining the fair values of financial assets at fair value through profit or loss the Company takes into account the potential for warranty or other claims arising on the sale of any investments based on the underlying likelihood of an event arising and the amount that may become payable.

9. DIVIDEND POLICY

On 17 August 2017, the Company announced a change in its dividend policy and declared its first dividend.

The Board now intends that the Company will pay a dividend representing approximately 1% of NAV twice each year, normally declared in March and October.

The dividends paid in the reporting period were as follows:

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **Dividend rate per share (cents)** |  | **Net dividend payable (USD)** |  | **Record date** |  | **Ex-dividend date** |  | **Pay date** |
|  |  |  |  |  |  |  |  |  |  |
| First interim dividend | 4.8 |  | 9,572,940 |  | 25 August 2017 |  | 24 August 2017 |  | 27 September 2017 |
| Second interim dividend | 4.8 |  | 9,527,436 |  | 3 November 2017 |  | 2 November 2017 |  | 1 December 2017 |

10. RECEIVABLES

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  | **31 December 2017** |  | **30 June 2017** |
|  |  |  |  |  |  |  | **USD'000** |  | **USD'000** |
| Receivables from the Investment Manager on management fees rebate |  | - |  | 259 |  |  |  |  |  |
| Loan |  |  |  |  |  |  | 6 |  | 6 |
|  |  |  |  |  |  |  | **6** |  | **265** |

11. SHARE CAPITAL

The Company may issue an unlimited number of shares, including shares of no par value or shares with a par value. Shares may be issued as (a) shares in such currencies as the Directors may determine; and/or (b) such other classes of shares in such currencies as the Directors may determine in accordance with the Articles and the Companies Law and the price per Share at which shares of each class shall first be offered to subscribers shall be fixed by the Board. The minimum price which may be paid for a share is USD0.01. The Directors will act in the best interest of the Company and the Shareholders when authorising the issue of any shares.

Issued capital

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  | **31 December 2017** |  | **30 June 2017** |  |  |  |  |
|  |  |  | **Number of shares** |  | **USD'000** |  | **Number of shares** |  | **USD'000** |
| Issued and fully paid at 1 July |  | 211,346,258 |  | 491,301 |  | 211,346,258 |  | 491,301 |  |
| Cancellation of treasury shares |  | - |  | - |  | - |  | - |  |
| **Issued and fully paid at period/year end** |  | **211,346,258** |  | **491,301** |  | **211,346,258** |  | **491,301** |  |
| Shares held in treasury |  |  | (13,133,000) |  | (44,416) |  | (10,725,000) |  | (34,882) |
| **Outstanding shares at period/year end** |  | **198,213,258** |  | **446,885** |  | **200,621,258** |  | **456,419** |  |

Treasury shares

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  | **31 December 2017** |  | **30 June 2017** |  |  |  |  |
|  |  |  | **Number of shares** |  | **USD'000** |  | **Number of shares** |  | **USD'000** |
| **Opening balance at 1 July** |  | 10,725,000 |  | 34,882 |  | 2,700,000 |  | 7,472 |  |
| Shares repurchased during the year |  | 2,408,000 |  | 9,534 |  | 8,025,000 |  | 27,410 |  |
| **Closing balance at period/year end** |  | **13,133,000** |  | **44,416** |  | **10,725,000** |  | **34,882** |  |

In October 2011, the Board sought and obtained shareholder approval to implement a share buyback ***programme***. By 31 December 2017, a total of 126,397,001 shares had been bought back, a return of capital to Shareholders of approximately USD278.4 million.

12. CURRENT LIABILITIES

|  |  |  |
| --- | --- | --- |
|  | **31 December 2017** | **30 June 2017** |
|  | **USD'000** | **USD'000** |
| Management fees payable to the Investment Manager (note 19) | 1,430 | 1,461 |
| Incentive fees payable to the Investment  Manager (note 19) | 13,298 | 11,187 |
| Payables to other related parties (note 19) | 4,190 | 7,160 |
| Capital shares redeemed payable | 647 | - |
| Other payables | 267 | 738 |
|  | **19,832** | **20,546** |

All accrued expenses and other payables are short-term in nature. Therefore, their carrying values are considered a reasonable approximation of their fair values. Further details on the payables to other related parties are disclosed in note 19.

13. DIVIDEND INCOME

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  | **Six months ended** |  |  |
|  |  |  |  | **31 December 2017** |  | **31 December 2016** |
|  |  |  |  | **USD'000** |  | **USD'000** |
| Dividend income |  |  |  | 31,748 |  | 23,920 |
|  |  |  |  | **31,748** |  | **23,920** |

14. NET GAINS ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

|  |  |  |
| --- | --- | --- |
|  | **Six months ended** |  |
|  | **31 December 2017** | **31 December 2016** |
|  | **USD'000** | **USD'000** |
| Financial assets at fair value through profit or loss: |  |  |
| - Gains from the realisation of financial assets, net | - | 74 |
| - Unrealised gains, net | 189,147 | 76,822 |
| **Total** | **189,147** | **76,896** |

15(a). GENERAL AND ADMINISTRATION EXPENSES

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  | **Six months ended** |  |  |
|  |  |  |  |  |  |  | **31 December 2017** |  | **31 December 2016** |
|  |  |  |  |  |  |  | **USD'000** |  | **USD'000** |
| Management fees (note 19(a)) |  |  |  |  |  | 7,560 |  | 6,440 |  |
| Directors' fees |  |  |  |  |  |  | 173 |  | 211 |
| Custodian, secretarial and other professional fees |  |  |  | 649 |  | 918 |  |  |  |
| Others |  |  |  |  |  |  | 438 |  | 363 |
|  |  |  |  |  |  |  | **8,820** |  | **7,932** |

15(b). ACCRUED INCENTIVE FEE

The methodology for the calculation and payment of any incentive fees is set out in note 3.3. For the year ended 30 June 2017, an incentive fee of USD24.6 million was earned by the Investment Manager on the performance of the Capital Markets Pool. The amount which was paid out was restricted to USD11.2 million by the operation of the 1.5% cap and a balance of USD13.4 million remains outstanding.

On the assumption that the NAV and all other relevant factors which prevailed as at 31 December 2017 are unchanged as at 30 June 2018, for the first six months of the current financial year an incentive fee of USD30.8 million will be earned on the Capital Markets Pool. As at 31 December 2017, therefore, the Company has unpaid incentive fees totaling USD44.2 million.

In the current year, the 1.5% cap will restrict the payment of any incentive fee to 1.5% of the weighted average of month-end assets in the Capital Markets Pool during the year.   On the same assumptions used to calculate the incentive fee in the current year, the cap would restrict the amount to be paid at USD13.3 million which has been provided for in the financial statements as a current liability.

The Board has concluded that it is sufficiently likely that the remaining balance of USD30.9 million will eventually be paid out to record the full amount as a liability of the Company.  Payment of any part of this balance, however, would not be before October 2019 and payments in any year would be subject to the 1.5% cap. In determining the fair value of this liability as at 31 December 2017, the Board has discounted the USD30.9 million to USD25.8 million to reflect the time value of money and the probability and phasing of payment.

No incentive fee is due or accrued in respect of the Real Estate Pool from either past accounting years or from the 2017/18 accounting year.

16. INCOME TAX EXPENSE

The Company was incorporated in the Cayman Islands until 22 March 2016 when it changed its domicile to Guernsey.

The Company has been granted Guernsey tax exempt status in accordance with The Income Tax (Exempt Bodies) (Guernsey) Ordinance 1989 (as amended).

The majority of the subsidiaries are domiciled in the BVI and so have a tax exempt status whilst the remaining subsidiaries are established in Vietnam and Singapore and are subject to corporate income tax in those countries. The income tax payable by these subsidiaries is taken into account in determining their fair values in the Statement of Financial Position.

17. EARNINGS PER SHARE AND NET ASSET VALUE PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing the profit from operations of the Company by the weighted average number of ordinary shares in issue during the period excluding ordinary shares purchased by the Company and held as treasury shares (note 11).

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  | **Six months ended** |  |  |
|  |  |  |  |  |  | **31 December 2017** |  | **31 December 2016** |
| Profit for the period (USD'000) |  |  |  |  | 185,070 |  | 85,483 |  |
| Weighted average number of ordinary shares  in issue |  |  | 198,997,747 |  | 208,475,850 |  |  |  |
| **Basic earnings per share (USD per share)** |  |  | **0.93** |  | **0.41** |  |  |  |

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has no category of potentially dilutive ordinary shares. Therefore, diluted earnings per share is equal to basic earnings per share.

(c) NAV per share

NAV per share is calculated by dividing the net asset value of the Company by the number of outstanding ordinary shares in issue as at the reporting date excluding ordinary shares purchased by the Company and held as treasury shares (note 11). NAV is determined as total assets less total liabilities.

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  | **31 December 2017** |  | **30 June 2017** |
| Net asset value (USD'000) |  |  |  |  | 1,106,111 |  | 949,675 |  |
| Number of outstanding ordinary shares in issue |  |  | 198,213,258 |  | 200,621,258 |  |  |  |
| **Net asset value per share (USD per share)** |  |  | **5.58** |  | **4.73** |  |  |  |

18. SEASONALITY

The Board believes that the impact of seasonality on the condensed interim financial information is not material.

19. RELATED PARTIES

Investment Manager's Fees

(a) Management fees

The Investment Manager receives a fee at an annual rate of 1.5% of the NAV, payable monthly in arrears.

Total management fees for the period amounted to USD7.6 million (31 December 2016: USD6.4 million), with USD1.4 million (30 June 2017: USD1.5 million) in outstanding accrued fees due to the Investment Manager at the reporting date.

(b)        Incentive fees

As described in note 3.3 and 15(b), for the period ended 31 December 2017, a gross performance fee of USD30.8 million (30 June 2017: USD24.6 million) was earned by the Investment Manager on the performance of the Capital Markets Pool. Incentive fees with a fair value totaling USD39.1 million, were outstanding as at 31 December 2017 (30 June 2017: USD23.3 million).

Directors' Remuneration

The Directors who served during the period received the following emoluments in the form of fees:

|  |  |  |  |
| --- | --- | --- | --- |
|  |  | **Six months ended** |  |
|  | **Annual fee** | **31 December 2017** | **31 December 2016** |
|  | **USD** | **USD** | **USD** |
| Steven Bates | 95,000 | 47,500 | 47,500 |
| Martin Adams | 80,000 | 40,000 | 40,000 |
| Thuy Bich Dam | 80,000 | 40,000 | 43,151 |
| Huw Evans \*\* | 90,000 | 45,000 | 40,000 |
| Michael Gray\* | 90,000 | - | 40,000 |
|  |  | **172,500** | **210,651** |

\* Resigned 21 December 2016.

\*\* Appointed Audit Committee Chairman following Michael Gray's retirement.

No Directors' fees were outstanding at the period end (30 June 2017: Nil).

Other balances with related parties

|  |  |  |
| --- | --- | --- |
|  | **31 December 2017** | **30 June 2017** |
|  | **USD'000** | **USD'000** |
|  |  |  |
| Receivables from the Investment Manager on management fees rebate | **-** | **259** |
|  |  |  |
| Payables to the Investment Manager on expenses paid |  |  |
| on behalf of the Company | **34** | **152** |
|  |  |  |
| Deposit from disposal of property\* | **4,190** | 7,160 |
|  |  |  |
| Certain underlying investments jointly managed by the Investment Manager |  |  |
| - Vietnam Infrastructure Limited | - | 277 |
| - VinaLand Limited | - | 4,115 |
|  | **-** | **4,392** |

\* Refundable cash deposit received from VinaLand Limited relating to disposal of property through an associate in which the Company has 25% interest.

20. COMMITMENTS

The Company's indirect real estate associates have a broad range of commitments under investment licences which they have received for real estate projects jointly invested with VinaLand and other agreements which they have entered into, to acquire and develop or make additional investments in investment properties and leasehold land in Vietnam. Further investments in many of these arrangements are at the Company's discretion. The total commitment amount as at 31 December 2017 was USDnil (30 June 2017: Total commitment amount USD36.3 million of which the Company's Share was USD10.8 million).

21. FINANCIAL RISK MANAGEMENT

(a) Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The condensed interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements; they should be read in conjunction with the Company's Audited Financial Statements as at 30 June 2017.

There have been no significant changes in the management of risk or in any risk management policies since the last balance sheet date.

 (b) Capital management

The Company's capital management objectives are:

-       To ensure the Company's ability to continue as a going concern;

-       To provide investors with an attractive level of investment income; and

-       To provide investors with an attractive level of capital growth.

The Company is not subject to any externally imposed capital requirements. The Company has engaged the Investment Manager to allocate the net assets in such a way so as to generate a reasonable investment return for its Shareholders and to ensure that there is sufficient funding available for the Company to continue as a going concern.

Capital as at the period end is summarised as follows:

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  | **31 December 2017** |  | **30 June 2017** |
|  |  |  |  |  |  | **USD'000** |  | **USD'000** |
| Net assets attributable to equity shareholders |  |  | 1,106,111 |  | 949,675 |  |  |  |

(c) Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

-    Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;

-    Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices); and

-    Level 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

There are no financial liabilities of the Company which were carried at fair value through profit or loss as at 31 December 2017 and 30 June 2017.

The level into which financial assets are classified is determined based on the lowest level of significant input to the fair value measurement.

Financial assets measured at fair value in the Statement of Financial Position are grouped into the following fair value hierarchy:

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  | **Level 3** |  | **Total** |
|  |  |  |  |  |  | **USD'000** |  | **USD'000** |
| **As at 31 December 2017** |  |  |  |  |  |  |  |  |
| Financial assets at fair value through profit or loss |  |  | 1,090,565 |  | **1,090,565** |  |  |  |
|  |  |  |  |  |  |  |  |  |
| **As at 30 June 2017** |  |  |  |  |  |  |  |  |
| Financial assets at fair value through profit or loss |  |  | 974,581 |  | **974,581** |  |  |  |

The Company classifies its investments in subsidiaries and associates as Level 3 because they are not publicly traded, even when the underlying assets may be readily realisable.

If these investments were held at the Company level, they would be presented as follows:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **Level 1** | **Level 2** | **Level 3** | **Total** |
|  | **USD'000** | **USD'000** | **USD'000** | **USD'000** |
| **As at 31 December 2017** |  |  |  |  |
| Cash and cash equivalents | 59,917 | - | - | **59,917** |
| Ordinary shares - listed | 708,945 | - | - | **708,945** |
| - unlisted | 140,526 | 56,342 | - | **196,868** |
| Private equity | - | - | 77,411 | **77,411** |
| Real estate projects and operating assets | - | - | 38,053 | **38,053** |
| Other assets, net of liabilities | - | - | 9,371 | **9,371** |
|  | 909,388 | 56,342 | 124,835 | **1,090,565** |
|  |  |  |  |  |
| **As at 30 June 2017** |  |  |  |  |
| Cash and cash equivalents | 29,577 | - | - | **29,577** |
| Ordinary shares - listed | 554,459 | - | - | **554,459** |
| - unlisted | 103,555 | 189 | - | **103,744** |
| Government bonds | 40,335 | - | - | **40,335** |
| Private equity | - | - | 70,242 | **70,242** |
| Real estate projects and operating assets | - | - | 57,373 | **57,373** |
| Short-term bank deposit | 50,000 | - | - | **50,000** |
| Other assets, net of liabilities | - | - | 68,851 | **68,851** |
|  | 777,926 | 189 | 196,466 | **974,581** |

Investments whose values are based on quoted market prices in active markets, and are therefore classified within Level 1, include actively traded equities on HSX, HNX or UPCoM at the statement of financial position date. The Company does not adjust the quoted price for these instruments.

Bonds are valued based on the price and yield of the latest transaction of that bond found on a recognised formal stock exchange, Bloomberg or Reuters. If the price of a VND denominated bond found on a recognised formal stock exchange, Bloomberg or Reuters is greater than +/-1% of the previous day's closing price, the valuation is based on the average price and average yield obtained from three reputable bond brokerage companies. The reason for this is that the recorded transaction may be a bond repo transaction, which may not reflect the fair market value of such bonds.

Financial instruments which trade in markets that are not considered to be active but are valued based on quoted market prices and dealer quotations are classified within Level 2. These include investments in OTC equities. As Level 2 investments include positions that are not traded in active markets, valuations may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information. There are no significant adjustments that may result in a fair value measurement categorised within Level 3.

Private equities, real estate and operating assets, and other assets that do not have an active market are classified within Level 3. The Company uses valuation techniques to estimate the fair value of these assets based on significant unobservable inputs as described in note 3.2.

Set out below is the sensitivity analysis on the significant unobservable inputs used in the valuation of Level 3 investments as at 31 December 2017.

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Segment** | **Valuation technique** | **Valuation (USD'000)** | **Discount rate** | **Cap rate** | **Terminal growth rate** | **Selling price per unit** | **Sensitivities in selling price per unit (USD'000)** | **Sensitivities in discount rates and cap rates/ dividend yield (USD'000)** |  |  |  |  |  |  |
| **(USD)** |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Real estate projects | Direct comparison | 14,231 | N/A | N/A | N/A | 330 | **Change in sales price per square metre** |  |  |  |  |  |  |  |
| -10% | 0% | 10% | N/A |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  | 12,493 | 14,231 | 15,969 |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Real estate projects | Discounted cash flows |  |  |  |  |  |  |  |  |  |  | **Change in discount rate** |  |  |
| 12,439 | 15% | 14.50% | N/A | N/A | N/A |  |  | -1% | 0% | 1% |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  | **Change in** | -1% | 13,124 | 12,589 | 12,096 |
|  |  |  |  |  |  |  |  |  |  | **cap rate** | 0% | 12,960 | 12,439 | 11,958 |
|  |  |  |  |  |  |  |  |  |  |  | 1% | 12,810 | 12,302 | 11,832 |
| Private equity | Discounted cash flows |  |  |  |  |  |  |  |  |  |  | **Change in discount rate** |  |  |
| 66,692 | 12% - 19% | N/A | 3% - 5% | N/A | N/A |  |  | -1% | 0% | 1% |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  | **Change in** | -1% | 68,771 | 63,355 | 58,651 |
|  |  |  |  |  |  |  |  |  |  | **cap rate** | 0% | 72,781 | 66,692 | 61,462 |
|  |  |  |  |  |  |  |  |  |  |  | 1% | 82,698 | 73,417 | 63,563 |

Set out below is the sensitivity analysis on the significant unobservable inputs used in the valuation of Level 3 investments as at 30 June 2017.

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **As at 30 June 2017** |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  | **Level 3 - Range of unobservable inputs** |  |  |  |  |  |  |  |  |  |  |  |  |
| **(probability-weighted average)** |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| **Segment** | **Valuation technique** | **Valuation (USD'000)** | **Discount rate** | **Cap rate** | **Terminal growth rate** | **Selling price per unit** | **Sensitivities in selling price per unit (USD'000)** | **Sensitivities in discount rates and cap rates/ dividend yield (USD'000)** |  |  |  |  |  |  |
| **(USD)** |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Real estate projects | Direct comparison | 19,720 | N/A | N/A | N/A | 240 - 860 | **Change in sales price per square metre** |  |  |  |  |  |  |  |
| -10% | 0% | 10% | N/A |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  | 16,590 | 19,720 | 22,850 |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Real estate projects | Discounted cash flows | 11,818 | 15% | 14.50% | N/A | N/A |  |  |  |  |  | **Change in discount rate** |  |  |
| N/A |  |  | -1% | 0% | 1% |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  | **Change in** | -1% | 12,491 | 11,963 | 11,476 |
|  |  |  |  |  |  |  |  |  |  | **cap rate** | 0% | 12,333 | 11,818 | 11,343 |
|  |  |  |  |  |  |  |  |  |  |  | 1% | 12,189 | 11,686 | 11,221 |
| Private equity | Discounted cash flows | 61,803 | 15% - 17% | N/A | 3% - 5% | N/A |  |  |  |  |  | **Change in discount rate** |  |  |
| N/A |  |  | -1% | 0% | 1% |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  | **Change in** | -1% | 64,671 | 58,428 | 53,080 |
|  |  |  |  |  |  |  |  |  |  | **cap rate** | 0% | 68,828 | 61,803 | 55,855 |
|  |  |  |  |  |  |  |  |  |  |  | 1% | 79,297 | 67,481 | 57,609 |

Specific valuation techniques used to value the Company's underlying investments include:

-    Quoted market prices or dealer quotes;

-    Use of discounted cash flow technique to present value the estimated future cash flows;

-    Other techniques, such as the latest market transaction price.

Changes in Level 3 financial assets at fair value through profit or loss

The fair value of the Company's investments in subsidiaries and associates are estimated using approaches as described in note 3.2. As observable prices are not available for these investments, the Company classifies them as Level 3 fair values.

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  | **31 December 2017** |  | **30 June 2017** |  |  |  |  |  |
|  |  |  |  |  |  | **USD'000** |  | **USD'000** |  |  |  |
| Opening balance |  |  |  |  |  | 974,581 |  | 789,739 |  |  |  |
| Purchases |  |  |  |  |  | 131,657 |  | 223,412 |  |  |  |
| Return of capital |  |  |  |  |  | (204,820) |  | (217,963) |  |  |  |
| Sales |  |  |  |  |  | - |  | (19,526) |  |  |  |
| Net gains for the year, net (note 14) |  |  |  |  | 189,147 |  | 198,919 |  |  |  |  |
|  |  |  |  |  |  | **1,090,565** |  | **974,581** |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  | **Six months ended** |  |  |  |  |  |
|  |  |  |  | **31 December 2017** |  | **31 December 2016** |  |  |  |  |  |
| Total unrealized gains for the period included in: |  |  |  |  |  |  |  |  |  |  |  |
| Profit |  |  |  |  |  | 189,147 |  | 76,822 |  |  |  |
| Total unrealised profit for the period |  |  |  |  | **189,147** |  | **76,822** |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |

22. SUBSEQUENT EVENTS

This Interim Report and Unaudited Condensed Interim Financial Statements were approved for issuance by the Board on 27 March 2018.

A dividend of 5.5 cents per share in respect of the half year ending 31 December 2017 was declared on 27 March 2018. The dividend is payable on or around 27 April 2018 to shareholders on record at 6 April 2018.

MANAGEMENT AND ADMINISTRATION

|  |  |  |
| --- | --- | --- |
| **Directors** |  | **Registrar** |
| Steven Bates |  | Computershare Investor Services (Guernsey) Limited |
| Martin Adams |  | 1st Floor, Tudor House |
| Thuy Bich Dam |  | Le Bordage, St Peter Port |
| Huw Evans |  | Guernsey, GY1 1DB |
|  |  | Channel Islands |
|  |  |  |
| **Registered Office** |  | **Independent Auditors** |
| PO Box 255 |  | PricewaterhouseCoopers CI LLP |
| Trafalgar Court |  | PO Box 321 |
| Les Banques |  | Royal Bank Place |
| St Peter Port |  | 1 Glategny Esplanade |
| Guernsey GY1 3QL |  | St Peter Port |
| Channel Islands |  | Guernsey GY1 4ND |
|  |  | Channel Islands |
|  |  |  |
| **Investment Manager** |  | **Investment Advisor³** |
| VinaCapital Investment Management Limited |  | VinaCapital Investment Management Limited JSC |
| PO Box 309 |  | 17th Floor, Sun Wah Tower, |
| Ugland House |  | 115 Nguyen Hue Blvd, District 1, |
| Grand Cayman KY1-1104 |  | Ho Chi Minh City, |
| Cayman Islands |  | Vietnam. |
|  |  |  |
| **Administrator and Corporate Secretary** |  |  |
| Northern Trust International Fund |  |  |
| Administration Services (Guernsey) Limited |  |  |
| PO Box 255 |  |  |
| Trafalgar Court |  |  |
| Les Banques |  |  |
| St Peter Port |  |  |
| Guernsey GY1 3QL |  |  |
| Channel Islands |  |  |
|  |  |  |
| **Corporate Broker** |  |  |
| Numis Securities Limited |  |  |
| The London Stock Exchange Building |  |  |
| 10 Paternoster Square |  |  |
| London EC4M 7LT |  |  |
| United Kingdom |  |  |
|  |  |  |
| **Custodian** |  |  |
| Standard Chartered Bank (Vietnam) Limited |  |  |
| Unit 1810-1815, Keangnam Hanoi Landmark Tower |  |  |
| Pham Hung Road |  |  |
| Me Tri Ward |  |  |
| Nam Tu Liem District |  |  |
| Hanoi, 1000 |  |  |
| Vietnam |  |  |

Investment Advisor's Offices: Ho Chi Minh City

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Singapore 038986.

Phone: +65 6332 9081

³On 24 August 2017, the Company announced that its Investment Manager VinaCapital Investment Management Limited has entered into an agreement with VinaCapital Fund Management JSC an affiliate of VCIM and a fully licensed and regulated fund management company domiciled in Vietnam, to delegate certain investment management and advisory activities.

**Load-Date:** March 27, 2018

**End of Document**



[***Register of Commission documents: Setting up a special committee on terrorism, its responsibilities, numerical strength and term of office Document date: 2017-07-05 P8\_AMB(2017)0477(001-007) Amendments to motions for resolutions***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5PCC-KFF1-JDG9-Y3RY-00000-00&context=1516831)

Impact News Service

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**Length:** 14183 words

**Body**

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PE605.573/ 1 EN 30.6.2017 A8-0170/ 001-105 AMENDMENTS 001-105 by the Committee on Foreign Affairs Report Eduard Kukan, Doru-Claudian Frunzulică, Eider Gardiazabal Rubial A8-0170/2017 European Fund for Sustainable Development (EFSD) and establishing the EFSD Guarantee and the EFSD Guarantee Fund Proposal for a regulation (COM(2016)0586 – C8-0377/2016 – 2016/0281(COD)) \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Amendment 1 Proposal for a regulation Recital 1 Text proposed by the Commission Amendment (1) The Union's ambitious External Investment ***Plan*** (EIP) is needed to support investments starting in Africa and the Union's Neighbourhood as a means to promote the sustainable development goals of the United Nations 2030 Agenda for Sustainable Development ('the 2030 Agenda') as well as the commitments under the recently revised European Neighbourhood Policy thus addressing root causes of migration. It should also contribute to the implementation of the Paris Agreement on Climate Change (COP 21). (1) The Union's ambitious External Investment ***Plan*** (EIP) aims to support investments starting in Africa and the Union's Neighbourhood as a means to contribute to the achievement of the sustainable development goals of the United Nations 2030 Agenda for Sustainable Development ('the 2030 Agenda'), in particular the eradication of poverty, as well as the commitments under the recently revised European Neighbourhood Policy.

Investing in Africa and the Union’s neighbourhood will contribute towards addressing migratory pressures stemming from poverty, conflict, instability, underdevelopment, inequality, human rights violations, demographic growth, lack of employment and economic opportunities as well as from climate change, in complementarity with the partnership frameworks with third countries. The EIP should also PE605.573/ 2 EN contribute to the implementation of the Paris Agreement on Climate Change (COP 21). Amendment 2 Proposal for a regulation Recital 2 Text proposed by the Commission Amendment (2) The EIP should incorporate the Union commitment under the Addis Ababa Action Agenda on Financing for Development. It should also allow European investors and private companies, including small and medium-sized enterprises, to participate more effectively to sustainable development in partner countries. (2) The EIP should incorporate the Union commitment under the Addis Ababa Action Agenda on Financing for Development and the principles of development effectiveness, as well as policy coherence for development as provided for by Article 208 of the Treaty on the Functioning of the European Union (TFEU). It should also allow investors and private companies, in particular micro, small and medium-sized enterprises, to contribute more effectively to sustainable development in partner countries in line with Union development and neighbourhood policies. Amendment 3 Proposal for a regulation Recital 2 a (new) Text proposed by the Commission Amendment (2a) The EFSD should contribute to the implementation of the 2030 Agenda, which recognises international migration as a multi-dimensional reality of major relevance for the development of countries of origin, transit and destination, requiring coherent and comprehensive responses, while underlining the potential for migrants to contribute to inclusive growth and sustainable development. PE605.573/ 3 EN Amendment 4 Proposal for a regulation Recital 3 Text proposed by the Commission Amendment (3) This is in line with the Union Global Strategy for Foreign and Security Policy which embeds challenges such as migration and resilience in the overall EU foreign policy, ensuring coherence and synergies with European development and Neighbourhood policies. (3) This is in line with the Union Global Strategy for Foreign and Security Policy which embeds challenges such as migration and resilience in the overall EU foreign policy, ensuring that Union external policy is fully coherent with the objectives of development policy and ensuring synergies with European development and Neighbourhood policies. This is also in line with the Charter of Fundamental Rights of the European Union and international human rights law, ensuring a human rights-based approach while addressing forced displacement and irregular migration. Amendment 5 Proposal for a regulation Recital 4 Text proposed by the Commission Amendment (4) The EIP should provide an integrated financial package to finance investments starting in regions of Africa for countries that are signatories to the Partnership Agreement between the members of the African, Caribbean and Pacific Group of States of the one part, and the European Community and its member States, of the other part, signed in Cotonou on 23 June 200022 and the Neighbourhood countries, thereby creating growth and employment opportunities, maximising additionality, delivering innovative products, and crowding-in private sector funds. (4) The European Fund for Sustainable Development (EFSD), as part of the EIP, should provide an integrated financial package to finance and attract investments in order to foster sustainable and inclusive economic and social development and promote the socio-economic resilience of partner countries, while maximising additionality, addressing market failures and sub-optimal investment situations, and crowding-in private sector funds. EFSD operations should be clearly distinct from, and complementary to, other support, in particular the European Investment Bank’s (EIB) external lending mandate operations and Economic Resilience Initiative, and the ACP Investment Facility. EFSD operations should also be complementary to the existing activities of PE605.573/ 4 EN other eligible financial institutions and cover blind spots in investment that they are currently not able to meet. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ 22 OJ L 317, 15.12.2000 as last amended by OJ L 287, 4.11.2010 Amendment 6 Proposal for a regulation Recital 4 a (new) Text proposed by the Commission Amendment (4a) Involvement of the private sector in the Union's cooperation with partner countries through the EFSD should yield measurable and additional development impact, without distorting the market and should be cost-effective, based on mutual accountability and risk and cost sharing. Such involvement should build on a commitment to internationally agreed guidelines and principles, including the Principles for Responsible Investment and the United Nations Guiding Principles on Business and Human Rights and the Organisation for Economic Cooperation and Development’s (OECD) Guidelines for Multinational Enterprises. Amendment 7 Proposal for a regulation Recital 4 b (new) Text proposed by the Commission Amendment (4b) The EFSD should foster decent job creation, economic opportunities and entrepreneurship, and green and inclusive growth with particular focus on gender equality and the empowerment of women and young people in line with the Union’s Gender Action ***Plan*** 2016-2020, while strengthening the rule of law, good governance, human rights and equitable PE605.573/ 5 EN access to and use of natural resources. Amendment 8 Proposal for a regulation Recital 4 a (new) Text proposed by the Commission Amendment (4a) In order to fulfil the political commitments of the EU on renewable energy, energy efficiency, and climate change mitigation and adaptation, a minimum share of 35% of the funding under the EFSD should be devoted to financing and investment operations wholly relevant for these sectors thus contributing to the implementation of the Paris Agreement on Climate Change. Amendment 9 Proposal for a regulation Recital 4 d (new) Text proposed by the Commission Amendment (4d) Actions under this Regulation should be designed in such a way so as to fulfil the criteria for Official Development Assistance (ODA) established by the Development Assistance Committee (DAC) of the OECD, taking into account the specificities of private sector development, and to focus ODA on Least-Developed Countries with a view to directing 50 % of the Union’s ODA to Least-Developed Countries in the near future. Amendment 10 Proposal for a regulation Recital 4 e (new) PE605.573/ 6 EN Text proposed by the Commission Amendment (4e) Technical assistance to partner countries should constitute the second pillar of the EIP. In this context, the Commission should step up assistance in order to help partner countries attract investment by better preparing and promoting projects, developing a higher number of bankable projects and making them known to the international investor community. A project web-portal, in the form of a publicly accessible and user-friendly database, should be established to provide relevant information for each project. Amendment 11 Proposal for a regulation Recital 4 f (new) Text proposed by the Commission Amendment (4f) The improvement of the investment climate and overall policy environment in partner countries should constitute the third pillar of the EIP. In the context of the Union's existing political relations with partner countries, the Commission and the High Representative of the Union for Foreign Affairs and Security Policy (High Representative) should maintain policy dialogues aimed at developing legal frameworks, policies and institutions that promote economic stability, sustainable investment and inclusive growth. Those policy dialogues should cover, inter alia, the fight against corruption, organised crime and illicit financial flows, good governance, the inclusion of local markets, the boosting of entrepreneurship as well as local business settings, the respect for human rights and the rule of law as well as gender-responsive policies. PE605.573/ 7 EN Amendment 12 Proposal for a regulation Recital 5 Text proposed by the Commission Amendment (5) The European Fund for Sustainable Development (EFSD) should be composed of regional investment platforms, which will combine financing from existing blending facilities and the EFSD Guarantee. The existing blending facilities for Africa are created by Commission Decision C(2015)5210 and by Commission Implementing Decision C(2016)3436 for the Neighbourhood. Each regional investment platform should have an operational board that supports the Commission in defining regional and sectorial investment goals, regional, sectorial and thematic investment windows, formulates opinions on the blending operations and discusses the use of the EFSD Guarantee in line with the investment windows to be defined. (5) The EFSD should be composed of regional investment platforms, which will combine financing from existing blending facilities and the EFSD Guarantee. The regional investment platforms should be created by transforming the existing blending facilities created by Commission decisions. The regional investment platforms for Africa and the Neighbourhood should be established first. It should be possible to extend the geographical scope of the EFSD by means of a delegated act. Each regional investment platform should have an operational board that supports the Commission in defining and monitoring regional and sectorial investment goals, regional, sectorial and thematic investment windows, formulates opinions on the blending operations and discusses the use of the EFSD Guarantee in line with the investment windows to be defined. Amendment 13 Proposal for a regulation Recital 5 a (new) Text proposed by the Commission Amendment (5a) In the light of the findings of the Court of Auditors1a regarding the use of blending in the external relations of the Union, which highlighted the fact that in the case of almost half of the projects examined there was insufficient evidence to conclude that the grants were justified, and that in a number of those cases there were indications that the investments would have been made without the Union contribution, it is essential that blending only be used where the Commission can PE605.573/ 8 EN clearly demonstrate its added value. \_\_\_\_\_\_\_\_\_\_\_\_ 1a ECA special report No 16/2014 “The effectiveness of blending regional investment facility grants with financial institution loans to support EU external policies”. Amendment 14 Proposal for a regulation Recital 5 b (new) Text proposed by the Commission Amendment (5b) The EFSD in all its capacity should fully commit to and respect human rights and equal treatment in recipient countries and of all actors associated with financial and investment activities. Amendment 15 Proposal for a regulation Recital 6 Text proposed by the Commission Amendment (6) Furthermore, the EFSD should operate as 'one-stop-shop' to receive financing proposals from financial institutions and public or private investors and deliver a wide range of financial support to eligible investments. The EFSD Guarantee should be backed by the EFSD Guarantee Fund. The EFSD should deploy innovative instruments to support investments and involve the private sector. deleted . Amendment 16 Proposal for a regulation Recital 7 PE605.573/ 9 EN Text proposed by the Commission Amendment (7) Coordination and coherence of the EFSD with the European Investment Bank's (EIB) external lending mandate as set out in Decision [to be adopted], including the EIB resilience initiative, as well as with the ACP Investment Facility23 should be ensured through the ***Strategic*** Board of the EFSD. (7) A ***strategic*** board of the EFSD should be created to support the Commission in setting ***strategic*** guidance and overall investment goals as well as in ensuring an appropriate and diversified geographical and thematic coverage for investment windows. The ***strategic*** board should support overall coordination, complementarity and coherence between the regional investment platforms, between the three pillars of the EIP, between the EIP and the Union's other initiatives on migration, as well as with Union external financing instruments and trust funds, with the EIB’s external lending mandate, including the EIB resilience initiative, and with the ACP Investment Facility23. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ 23 Annex II to the Cotonou Agreement 23 Annex II to the Cotonou Agreement Amendment 17 Proposal for a regulation Recital 8 Text proposed by the Commission Amendment (8) Moreover, the ***Strategic*** Board should support the Commission in setting ***strategic*** guidance and overall investment goals. The ***Strategic*** Board should also support coordination and coherence between the regional platforms. This should ensure complementarity of the various instruments in external action. The ***Strategic*** Board should be co-chaired by the Commission and the High Representative of the Union for Foreign Affairs and Security Policy to ensure consistency and coherence with Union external policy objectives and partnership frameworks with third countries. (8) The ***strategic*** board should be co-chaired by the Commission and the High Representative in order to ensure consistency and coherence with Union external policy objectives, in particular with core Union development goals, existing strategies and instruments, partnership frameworks with third countries and with the Union's other efforts addressing the root causes of migration, and respect for commitments on policy coherence for development. The European Parliament should participate in the ***Strategic*** Board as a permanent observer to ensure its right and obligation to exercise scrutiny over the implementation of the EFSD. PE605.573/ 10 EN Amendment 18 Proposal for a regulation Recital 8 a (new) Text proposed by the Commission Amendment (8a) The Commission and the EIB should conclude an agreement specifying the conditions of their cooperation in the management of the EFSD Guarantee and should present that agreement to the ***strategic*** board. Amendment 19 Proposal for a regulation Recitals 8 b (new) Text proposed by the Commission Amendment (8b) The EFSD should operate as a 'one-stop-shop', receiving financing proposals from financial institutions and public or private investors and delivering a wide range of financial support to eligible investments which lead to sustainable and inclusive economic, social and environmental development. The EFSD Guarantee should be backed by the EFSD Guarantee Fund. Amendment 20 Proposal for a regulation Recitals 8 c (new) Text proposed by the Commission Amendment (8c) The EFSD should address bottlenecks to private investment and deploy innovative instruments to support investment and to facilitate access to finance from domestic and foreign investors, in particular for local companies and micro, small, and PE605.573/ 11 EN medium-sized enterprises, targeting areas which can help achieve sustainable development outcomes and fostering the involvement of European companies. Amendment 21 Proposal for a regulation Recital 8 d (new) Text proposed by the Commission Amendment (8d) The EFSD Guarantee should not be used to fund major infrastructure projects which have a low impact on job creation and whose cost-benefit ratio renders the investment unsustainable. The EFSD Guarantee should only be used to fund projects whose implementation is not controversial from an environmental, financial, and social perspective on the basis of an independent in-depth ex ante assessment and an adequate cost-benefit analysis. Amendment 22 Proposal for a regulation Recital 8 e (new) Text proposed by the Commission Amendment (8e) European Union Delegations in partner countries should promote access to, and actively provide information on, the EFSD, and enhance coherence between the use of the EFSD Guarantee, the use of blended finance under the regional investment platforms, the provision of enhanced targeted technical assistance, and policy dialogues in their respective countries. Amendment 23 Proposal for a regulation Recital 9 PE605.573/ 12 EN Text proposed by the Commission Amendment (9) The EFSD Guarantee should be granted to eligible counterparts for financing and investment operations or guarantee instruments for an initial investment period up to 31 December 2020. (9) The EFSD Guarantee should be granted to eligible counterparts for financing and investment operations or guarantee instruments for an initial investment period up to 31 December 2020, with a possibility for extension if deemed necessary. Amendment 24 Proposal for a regulation Recital 10 a (new) Text proposed by the Commission Amendment (10a) The EFSD guarantee should be managed so as to provide a level playing field for eligible counterparts, avoid conflicts of interest and be efficient with due regard to the objective of crowding in private sector for financing investments and maximising additionality. Amendment 25 Proposal for a regulation Recital 14 Text proposed by the Commission Amendment (14) In order to increase the impact of the EFSD Guarantee in view of the needs in the regions concerned, Member States should have the possibility of providing contributions in the form of a guarantee or cash. Those contributions could be earmarked by region, sector or investment window. (14) In order to increase the impact of the EFSD Guarantee in view of the needs in the regions concerned, Member States and EFTA countries should have the possibility of providing contributions in the form of a guarantee or cash. Those contributions could be earmarked by region or existing investment window. Amendment 26 Proposal for a regulation Recital 15 PE605.573/ 13 EN Text proposed by the Commission Amendment (15) As the funds of the EDF are to be used for the countries eligible under the 11th European Development Fund (EDF)25, it requires the allocation of a minimum of EUR 400 000 000 of EFSD Guarantee coverage for investments throughout the implementation period of the EFSD Guarantee. The EFSD Guarantee should only become available when EUR 400 000 000 of 11th EDF funds have been allocated to the EFSD Guarantee Fund. (15) As the funds of the EDF are to be used for the countries eligible under the 11th European Development Fund (EDF)25, it requires the allocation of a minimum of EUR 400 000 000 of EFSD Guarantee coverage for investments throughout the implementation period of the EFSD Guarantee. The EFSD Guarantee should only become available when a contribution of EUR 400 000 000 of 11th EDF funds to the EFSD Guarantee Fund has been confirmed. As the funds of the EDF are to be used, the EFSD Guarantee should comprise investments in the areas from which the original funds had been diverted. Commitments to ensure EDF funding is ODA eligible as well as future decisions made by the OECD DAC on private sector instruments should be respected. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ 25 Internal Agreement between the Representatives of the Governments of the Member States of the European Union, meeting within the Council, on the financing of European Union aid under the multiannual financial framework for the period 2014 to 2020, in accordance with the ACP-EU Partnership Agreement and on the allocation of financial assistance for the Overseas Countries and Territories to which Part Four of the Treaty on the Functioning of the European Union applies (OJ L 210, 6.8.2013, p. 1). 25 Internal Agreement between the Representatives of the Governments of the Member States of the European Union, meeting within the Council, on the financing of European Union aid under the multiannual financial framework for the period 2014 to 2020, in accordance with the ACP-EU Partnership Agreement and on the allocation of financial assistance for the Overseas Countries and Territories to which Part Four of the Treaty on the Functioning of the European Union applies (OJ L 210, 6.8.2013, p. 1). Amendment 27 Proposal for a regulation Recital 15 a (new) Text proposed by the Commission Amendment (15a) As the funds of the European Neighbourhood Instrument, established by Regulation (EU) No 232/2014 of the European Parliament and of the PE605.573/ 14 EN Council1a, are to be used, a minimum of EUR 100 000 000 of the EFSD Guarantee coverage should be allocated for investments in Neighbourhood partner countries throughout the implementation period of the EFSD Guarantee. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ 1a Regulation (EU) No 232/2014 of the European Parliament and of the Council of 11 March 2014 establishing a European Neighbourhood Instrument (OJ L 77, 15.3.2014, p. 27). Amendment 28 Proposal for a regulation Recital 16 Text proposed by the Commission Amendment (16) The Commission should report annually to the European Parliament and the Council on the financing and investment operations covered by the EFSD Guarantee with a view to ensuring accountability to the European citizens. The report should be made public in order to allow relevant stakeholders, including civil society, to express their views. The Commission should also report annually to the European Parliament and the Council on the management of the EFSD Guarantee Fund so that accountability and transparency are ensured. (16) The Commission should report annually to the European Parliament and the Council and inform the Joint Parliamentary Assembly ACP-EU on the financing and investment operations covered by the EFSD Guarantee, with a view to ensuring full accountability to the European citizens and scrutiny and control by the European Parliament. The report should be made public in order to allow relevant stakeholders, including civil society, to express their views. The Commission should also report annually to the European Parliament and the Council on the management of the EFSD Guarantee Fund so that accountability, transparency are ensured. Amendment 29 Proposal for a regulation Recital 16 a (new) Text proposed by the Commission Amendment (16a) In order to ensure the monitoring and accountability of the EFSD and of PE605.573/ 15 EN the EIP, the European Parliament may organise hearings as part of an investment dialogue with the Commission, the High Representative, the EIB and other eligible financial institutions as well as private sector and civil society organisations. Amendment 30 Proposal for a regulation Recital 17 Text proposed by the Commission Amendment (17) In order to take into account lessons learned and allow for further evolvement of the EFSD, the functioning of the EFSD and the use of the EFSD Guarantee Fund should be evaluated by the Commission. The application of this Regulation should be evaluated independently in order to assess the level of conformity of the implementation with the legal basis, but also to establish the applicability and practicability of the Regulation in the achievement of its objectives. (17) In order to take into account lessons learned and allow for further evolvement of the EFSD, the functioning of the EFSD and the use of the EFSD Guarantee Fund should be evaluated by the Commission and external evaluators and subjected to an annual consultation process with relevant stakeholders, including civil society organisations. The application of this Regulation should be evaluated independently in order to assess the level of conformity of the implementation with the legal basis, but also to establish the applicability and practicability of the Regulation in the achievement of its objectives. Amendment 31 Proposal for a regulation Recital 18 Text proposed by the Commission Amendment (18) In order to protect the financial interests of the Union, with a view to establishing whether there has been fraud, corruption, money laundering or any other illegal activity affecting the financial interests of the Union in connection with any financing and investment operations covered by this Regulation, the European Anti-Fraud Office (OLAF) is entitled to (18) With a view to fighting financial crime, in particular by uncovering cases of fraud, corruption, and money laundering, and to combating any other illegal activity affecting the financial interests of the Union in connection with any financing and investment operations covered by this Regulation, the European Anti-Fraud Office (OLAF) is entitled to PE605.573/ 16 EN carry out investigations in accordance with Regulation (EU, Euratom) No 883/2013 of the European Parliament and of the Council26, Council Regulation (Euratom, EC) No 2185/9627 and Council Regulation (EC, Euratom) No 2988/9528. carry out investigations in accordance with Regulation (EU, Euratom) No 883/2013 of the European Parliament and of the Council26, Council Regulation (Euratom, EC) No 2185/9627 and Council Regulation (EC, Euratom) No 2988/9528. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ 26 Regulation (EU, Euratom) No 883/2013 of the European Parliament and of the Council of 11 September 2013 concerning investigations conducted by the European Anti-Fraud Office (OLAF) and repealing Regulation (EC) No 1073/1999 of the European Parliament and of the Council and Council Regulation (Euratom) No 1074/1999 (OJ L 248, 18.9.2013, p. 1). 26 Regulation (EU, Euratom) No 883/2013 of the European Parliament and of the Council of 11 September 2013 concerning investigations conducted by the European Anti-Fraud Office (OLAF) and repealing Regulation (EC) No 1073/1999 of the European Parliament and of the Council and Council Regulation (Euratom) No 1074/1999 (OJ L 248, 18.9.2013, p. 1). 27 Council Regulation (Euratom, EC) No 2185/96 of 11 November 1996 concerning on-the-spot checks and inspections carried out by the Commission in order to protect the European Communities’ financial interests against fraud and other irregularities (OJ L 292, 15.11.1996, p. 2). 27 Council Regulation (Euratom, EC) No 2185/96 of 11 November 1996 concerning on-the-spot checks and inspections carried out by the Commission in order to protect the European Communities’ financial interests against fraud and other irregularities (OJ L 292, 15.11.1996, p. 2). 28 Council Regulation (EC, Euratom) No 2988/95 of 18 December 1995 on the protection of the European Communities financial interests (OJ L 312, 23.12.1995, p. 1). 28 Council Regulation (EC, Euratom) No 2988/95 of 18 December 1995 on the protection of the European Communities financial interests (OJ L 312, 23.12.1995, p. 1). Amendment 32 Proposal for a regulation Recital 19 Text proposed by the Commission Amendment (19) In order to contribute to the international fight against tax fraud, tax evasion and money-laundering, the eligible counterparts should not support any activities carried out for illegal purposes and should not participate in any financing or investment operation through a vehicle located in a non-cooperative jurisdiction. (19) In order to contribute to the international fight against tax fraud, tax evasion, fraud, corruption and money laundering all financing through EFSD should be provided in a completely transparent manner. Furthermore the eligible counterparts should not support any activities carried out for illegal purposes nor participate in any financing or investment operation through a vehicle located in a non-cooperative jurisdiction or PE605.573/ 17 EN in tax haven. Counterparts shall also refrain from making any use of tax avoidance or aggressive tax ***planning*** schemes. Amendment 33 Proposal for a regulation Recital 20 Text proposed by the Commission Amendment (20) In order to fulfil the political commitments of the EU on renewable energy and climate change a minimum share of 20% for the funding allocated under the EFSD should be devoted to financing and investment operations relevant for these sectors. deleted Amendment 34 Proposal for a regulation Recital 20 a (new) Text proposed by the Commission Amendment (20a) Remittance flows to developing countries are by far more important than official development flows. Therefore, projects or instruments which facilitate the transfer of remittances and lower costs thereof should be eligible for funding allocated under the EFSD. Amendment 35 Proposal for a regulation Recital 20 b (new) Text proposed by the Commission Amendment (20b) In order to reflect political developments and the need for Union action in the world, the power to adopt acts in accordance with Article 290 of the PE605.573/ 18 EN Treaty on the Functioning of the European Union should be delegated to the Commission in respect of amending the Annex to this Regulation listing the regions eligible for support through the EFSD GuaranteeThe power to adopt acts in accordance with Article 290 TFEU should be delegated to the Commission with respect to the definition of a list of investment windows. It is of particular importance that the Commission carry out appropriate consultations during its preparatory work, including at expert level, and that those consultations be conducted in accordance with the principles laid down in the Interinstitutional Agreement of 13 April 2016 on Better Law-Making1a. In particular, to ensure equal participation in the preparation of delegated acts, the European Parliament and the Council receive all documents at the same time as Member States' experts, and their experts systematically have access to meetings of Commission expert groups dealing with the preparation of delegated acts. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ 1a OJ L 123, 12.5.2016, p. 1 Amendment 36 Proposal for a regulation Article 2 – paragraph 1 – point 5 Text proposed by the Commission Amendment (5) 'additionality' means the principle ensuring that the EFSD Guarantee support may not be aimed at replacing the support of a Member State, private funding or another Union financial ***intervention***, as well as that it is aimed at addressing market failures and avoiding crowding out other public or private investments. (5) 'additionality' means the principle ensuring that the EFSD contributes to sustainable development by operations which address market failures or sub-optimal investment situations and which could not have been carried out or could not have achieved positive results to the same extent without EFSD support. The principle also requires EFSD operations to mobilise new private sector financing, that they not be aimed at replacing the support of a Member State, private funding or another Union or international financial PE605.573/ 19 EN ***intervention***, and that they avoid crowding out other public or private investments. The principle also requires that projects supported by the EFSD shall typical

ly have a higher risk profile than the portfolio of investments supported by the eligible counterparts under their normal investment policies before the entry into force of this Regulation. Amendment 37 Proposal for a regulation Article 3 – paragraph 1 Text proposed by the Commission Amendment 1. The purpose of the EFSD as an integrated financial package shall be to support through the supply of financing capacity in the form of grants, guarantees and other financial instruments to eligible counterparts investments and increased access to financing starting in African and Neighbourhood partner countries. 1. The purpose of the EFSD as an integrated financial package shall be to foster sustainable and inclusive economic and social development and promote the socio-economic resilience of partner countries by supporting investments and increased access to financing through the supply of financing capacity in the form of grants, guarantees and other financial instruments to eligible counterparts, starting in African and Neighbourhood partner countries, while maximising additionality, delivering innovative products and crowding in private sector funds. Amendment 38 Proposal for a regulation Article 3 – paragraph 2 Text proposed by the Commission Amendment 2. The EFSD shall contribute to the achievement of the Sustainable Development Goals of the 2030 Agenda with a particular focus on sustainable growth, job creation, socio-economic sectors and on the support to micro, small and medium sized enterprises, thus addressing root causes of migration and 2. The EFSD shall contribute to the achievement of the Sustainable Development Goals of the 2030 Agenda and be guided by the objectives of Union external action set out in Article 21 of the Treaty on European Union (TEU) and of Union development cooperation policy set out in Article 208 TFEU and the PE605.573/ 20 EN contributing to sustainable reintegration of returned migrants in their countries of origin while maximising additionality, delivering innovative products and crowding in private sector funds. internationally agreed development effectiveness principles, thus contributing to the Union's development and neighbourhood policies, with a particular focus on the eradication of poverty, long-term sustainable and inclusive growth, decent job creation, socio-economic sectors and on the support to micro, small and medium sized enterprises. In so doing, the EFSD shall, inter alia, contribute to addressing the specific socio-economic root causes of migration and foster sustainable reintegration of migrants returning to their countries of origin, as well as strengthen resilience of transit and host communities. The EFSD shall also contribute to the implementation of the Paris Agreement by targeting investments to sectors that advance climate change mitigation and adaptation. Amendment 39 Proposal for a regulation Article 3 a (new) Text proposed by the Commission Amendment Article 3a In the regions and countries where it operates, the EFSD shall be consistent with the objectives set out in the Union acts establishing the relevant external financing instruments and with the priorities contained in the national or regional ***programmes***, where available. Amendment 40 Proposal for a regulation Article 4 – paragraph 1 Text proposed by the Commission Amendment 1. The EFSD shall be composed of regional investment platforms, which will 1. The EFSD shall be composed of regional investment platforms, established PE605.573/ 21 EN combine financing from existing blending facilities and the EFSD Guarantee. on the basis of existing external action blending facilities of the Union and which shall combine their blending operations and the EFSD Guarantee. Amendment 41 Proposal for a regulation Article 4 – paragraph 2 Text proposed by the Commission Amendment 2. The management of the EFSD shall be ensured by the Commission. 2. The management of the EFSD shall be ensured by the Commission. The Commission shall work in close cooperation with the EIB supported by the other eligible counterparts as regards the operational management of the EFSD Guarantee. To that end, a technical working group shall be established. Amendment 42 Proposal for a regulation Article 5 – paragraph 1 – subparagraph 1 Text proposed by the Commission Amendment In the management of the EFSD the Commission shall be assisted by a ***strategic*** board. In the management of the EFSD the Commission shall be advised by a ***strategic*** board. Amendment 43 Proposal for a regulation Article 5 – paragraph 1 – subparagraph 2 Text proposed by the Commission Amendment It shall provide ***strategic*** guidance and support the Commission in setting overall investment goals as regards the use of the EFSD Guarantee. The ***strategic*** board shall also support overall coordination and coherence between the regional investment platforms and with the external lending The ***strategic*** board shall provide ***strategic*** guidance and support the Commission in setting overall investment goals as regards the use of the EFSD Guarantee, as well as in monitoring an appropriate and diversified geographical and thematic coverage for investment windows, while PE605.573/ 22 EN mandate operations managed by the EIB, including the EIB resilience initiative. giving special attention to the Least-Developed Countries and fragile States. The ***strategic*** board shall ensure that EFSD operations support the ***strategic*** priorities of Union external action and development policy and, in particular, its guiding principles and objectives as provided for in Article 21 TEU and Article 208 TFEU respectively. The ***strategic*** board shall also support overall coordination, complementarity and coherence between the regional investment platforms, between the three pillars of the EIP, between the EIP and the Union's other efforts on migration and on the implementation of the 2030 Agenda, as well as with Union external financing instruments and trust funds, with the external lending mandate operations managed by the EIB, including the EIB resilience initiative and the ACP Investment Facility. Amendment 44 Proposal for a regulation Article 5 – paragraph 2 Text proposed by the Commission Amendment 2. The ***strategic*** board shall be composed of representatives of the Commission and of the High Representative of the Union for Foreign Affairs and Security Policy (High Representative), of the Member States and of the EIB. The Commission may invite other contributors to become members of the ***strategic*** board having regard where appropriate to the view of the board. Partner Countries and relevant regional organisations, the eligible counterparts and the European Parliament may be given observer status, where appropriate. The ***strategic*** board shall be co-chaired by the Commission and the High Representative. 2. The ***strategic*** board shall be composed of representatives of the Commission and of the High Representative, of the contributing Member States and of the EIB. The Commission may invite other contributors to become members of the ***strategic*** board having regard where appropriate to the view of the board. The European Parliament shall have observer status. Observers designated by the European Parliament shall have the right to fully participate in the deliberations without the right to vote. Partner countries and relevant regional organisations, the eligible counterparts and other stakeholders may be given observer status, where appropriate. The ***strategic*** board shall be co-chaired by the Commission and the PE605.573/ 23 EN High Representative. Amendment 45 Proposal for a regulation Article 5 – paragraph 2 a (new) Text proposed by the Commission Amendment 2a. The ***strategic*** board shall adopt its rules of procedure during its first meeting, which shall include details on the number of meetings to be held per year, the voting rights of its members and progress reports to be issued by the Commission. The minutes and agendas of the meetings of the ***strategic*** board shall be made public. Amendment 46 Proposal for a regulation Article 5 – paragraph 2 b (new) Text proposed by the Commission Amendment 2b. The ***strategic*** board shall regularly organise a consultation of relevant stakeholders on the orientation and implementation of the EFSD. Amendment 47 Proposal for a regulation Article 5 – paragraph 2 c (new) Text proposed by the Commission Amendment 2c. During the implementation phase of the EFSD, the ***strategic*** board shall, as soon as possible, adopt and publish guidelines setting out how conformity of EFSD operations with the objectives and eligibility criteria set out in Article 8 is to be ensured. PE605.573/ 24 EN Amendment 48 Proposal for a regulation Article 5 – paragraph 2 d (new) Text proposed by the Commission Amendment 2d. In its ***strategic*** guidance, the ***strategic*** board shall take into account relevant European Parliament resolutions and Council decisions and conclusions. Amendment 49 Proposal for a regulation Article 5 a (new) Text proposed by the Commission Amendment Article 5a Regional operational boards 1. Each regional investment platform shall have an operational board. 2. Operational boards shall support the Commission in defining regional and sectoral investment goals and regional, sectoral and thematic investment windows and shall formulate opinions on blending operations and on the use of the EFSD Guarantee. They shall, in particular, provide guidance on future financing proposals, monitor and review the pipeline of projects, examine project-related results and monitor the portfolio of approved projects. 3. Operational boards shall be chaired by the Commission and be composed of representatives of the Commission, of the High Representative and of the Member States as voting members, and, where appropriate, of the eligible counterparts as observers. The European Parliament shall be granted observer status. 4. The Commission and the High Representative shall ensure the close involvement of the European Union PE605.573/ 25 EN Delegations and of the eligible counterparts in preparing the work of the operational boards. Amendment 50 Proposal for a regulation Article 6 – paragraph 1 Text proposed by the Commission Amendment 1. The Union shall provide an irrevocable and unconditional guarantee on first demand to the eligible counterpart for the financing and investment operations covered by this Regulation starting in the African and Neighbourhood partner countries. 1. The Union shall, after careful consideration of the viability of a project, provide an irrevocable and unconditional guarantee on first demand to the eligible counterpart for the financing and investment operations covered by this Regulation. Amendment 51 Proposal for a regulation Article 6 – paragraph 1 a (new) Text proposed by the Commission Amendment 1a. The EFSD Guarantee shall support financing and investment operations in partner countries in the regions listed in the Annex. The Commission is empowered to adopt delegated acts in accordance with Article 20a amending the Annex listing the regions eligible for support through EFSD Guarantee . Amendment 52 Proposal for a regulation Article 7 – paragraph 3 Text proposed by the Commission Amendment 3. The maximum period allowed for eligible counterparts to conclude agreements with financial intermediaries or final beneficiaries shall be four years after 3. The maximum period allowed for eligible counterparts to conclude agreements with co-financing private sector partners, financial intermediaries or PE605.573/ 26 EN the conclusion of the relevant guarantee agreement. final beneficiaries shall be four years after the conclusion of the relevant guarantee agreement. Amendment 53 Proposal for a regulation Article 8 – paragraph 1 – introductory part Text proposed by the Commission Amendment 1. The financing and investment operations eligible for support through the EFSD Guarantee shall be consistent and aligned with Union policies, in particular development and neighbourhood policies of the Union, the partner countries' strategies and policies and aim at supporting the following general objectives: 1. The financing and investment operations eligible for support through the EFSD Guarantee shall be in line with the purpose of the EFSD as provided for in Article 3. Such operations shall be consistent and aligned with Union policies, in particular development and neighbourhood policies of the Union, as well as the partner countries' strategies and policies. Such operations shall take into account other Union and international support to ensure complementarity with other initiatives and shall support the following objectives: Amendment 54 Proposal for a regulation Article 8 – paragraph 1 – point a Text proposed by the Commission Amendment (a) contribute to economic and social development, with particular focus on sustainability and job creation (in particular for youth and women), thus addressing root causes of migration and contributing to sustainable reintegration of returned migrants in their countries of origin; (a) contribute to economic and social development and the implementation of the 2030 Agenda, with particular focus on the eradication of poverty, sustainability, fostering decent employment, economic opportunities, skills and entrepreneurship, and promoting, in particular, gender equality and the empowerment of women and young people, thus addressing the specific root causes of migration, enhancing resilience and contributing to the sustainable reintegration of migrants returning to their countries of origin, with due regard to the strengthening of the PE605.573/ 27 EN rule of law, good governance and human rights; Amendment 55 Proposal for a regulation Article 8 – paragraph 1 – point b Text proposed by the Commission Amendment (b) target socio-economic sectors, in particular infrastructure including sustainable energy, water, transport, information and communications technologies, environment, sustainable use of natural resources and blue growth, social infrastructure, human capital, in order to improve the socio-economic environment; (b) strengthen socio-economic sectors, in particular infrastructure including renewable and sustainable energy, water and waste management, transport, information and communications technologies, as well as environment, sustainable use of natural resources, sustainable ***agriculture*** and blue growth, social infrastructure, human capital, in order to improve the socio-economic environment; Amendment 56 Proposal for a regulation Article 8 – paragraph 1 – point c Text proposed by the Commission Amendment (c) provide finance in favour of micro-, small- and medium-sized enterprises with a particular focus on private sector development; (c) provide finance and support to private and cooperative sector development, with a particular focus on local companies and micro, small and medium-sized enterprises, in particular those in the Least Developed Countries and fragile states, while addressing market failures and limiting market distortions and fostering the involvement of European companies; Amendment 57 Proposal for a regulation Article 8 – paragraph 1 – point d PE605.573/ 28 EN Text proposed by the Commission Amendment (d) provide financial instruments aimed at addressing the bottlenecks to private investments, including first loss guarantees to portfolios guarantees to private sector projects such as loan guarantees for small and medium-sized enterprises and guarantees for specific risks for infrastructure projects and other risk capital; (d) address bottlenecks to private investments by providing financial instruments, including first loss guarantees to portfolios guarantees to private sector projects such as loan guarantees for small and medium-sized enterprises and guarantees for specific risks for infrastructure projects and other risk capital; financial instruments provided may be denominated in the local currency of the partner country concerned; Amendment 58 Proposal for a regulation Article 8 – paragraph 1 – point e Text proposed by the Commission Amendment (e) maximise private sector leverage by addressing bottlenecks to investment. (e) maximise private sector leverage, with a particular focus on micro, small and medium-sized enterprises by addressing bottlenecks to investment. Amendment 59 Proposal for a regulation Article 8 – paragraph 1 – point e a (new) Text proposed by the Commission Amendment (ea) contribute to climate action and environmental protection and management, thus ***producing*** climate co-benefits allocating at least 35 % of the financing to investments with components that contribute to climate action, renewable energy and resource efficiency. Amendment 60 Proposal for a regulation Article 8 – paragraph 2 – introductory part PE605.573/ 29 EN Text proposed by the Commission Amendment 2. The EFSD Guarantee shall support financing and investment operations which in particular: 2. The EFSD Guarantee shall support financing and investment operations which address market failures or sub-optimal investment situations and which: Amendment 61 Proposal for a regulation Article 8 – paragraph 2 – point a Text proposed by the Commission Amendment (a) provide additionality; (a) provide additionality as defined in Article 2; Amendment 62 Proposal for a regulation Article 8 – paragraph 2 – point a a (new) Text proposed by the Commission Amendment (aa) ensure complementarity with other initiatives, making sure that EFSD operations are clearly distinct, in particular from the external lending mandate operations managed by the EIB; Amendment 63 Proposal for a regulation Article 8 – paragraph 2 – point c Text proposed by the Commission Amendment (c) are economically and financially viable, taking also into account the possible support from, and co-financing by, private and public partners to the project; (c) are economically and financially viable, with due regard to the possible support from, and co-financing by, private and public partners to the project, while taking into account the specific operating environment and capacities of countries identified as experiencing fragility or conflict, Least Developed Countries and heavily indebted poor countries where PE605.573/ 30 EN more concessional terms can be given; Amendment 64 Proposal for a regulation Article 8 – paragraph 2 – point e Text proposed by the Commission Amendment (e) maximise the mobilisation of private sector capital. (e) maximise, where possible, the mobilisation of private sector capital; Amendment 65 Proposal for a regulation Article 8 – paragraph 2 – point e a (new) Text proposed by the Commission Amendment (ea) respect the principles of development effectiveness as set out in the Busan Partnership for Effective Development Cooperation and reaffirmed in Nairobi in December 2016, including, ownership, alignment, focus on results, transparency and mutual accountability, as well as the objective of untying aid; and Amendment 66 Proposal for a regulation Article 8 – paragraph 2 – point e b (new) Text proposed by the Commission Amendment (eb) fulfil the criteria for ODA established by the Development Assistance Committee of the OECD, taking into account the specificities of private sector development; Amendment 67 Proposal for a regulation PE605.573/ 31 EN Article 8 – paragraph 2 – point e c (new) Text proposed by the Commission Amendment (ec) are implemented in full respect of internationally agreed guidelines, principles and conventions including the UN Principles for Responsible Investment, UN Guiding Principles on Business and Human Rights, OECD Guidelines for Multinational Enterprises, and the UN Food and ***Agriculture*** Organisation’s Principles for Responsible Investment in ***Agriculture*** and Food Systems, and International Labour Organisation conventions, as well as international human rights law; Amendment 68 Proposal for a regulation Article 8 – paragraph 2 a (new) Text proposed by the Commission Amendment 2a. The EFSD Guarantee shall not be used to replace government responsibility for providing essential services. Amendment 69 Proposal for a regulation Article 8 – paragraph 3 Text proposed by the Commission Amendment 3. On a case by case basis the Commission may allow combined financing from different Union instruments. 3. On a case by case basis the Commission may allow combined financing from different Union instruments to the extent that it is needed for the success of the investment project backed by the EFSD and as long as this does not lead to reduced financing for other developmental objectives. PE605.573/ 32 EN Amendment 70 Proposal for a regulation Article 8 – paragraph 4 Text proposed by the Commission Amendment 4. The Commission may define investment windows for specific regions or partner countries or for both, for specific sectors, for specific projects or for specific categories of final beneficiaries or for both to be funded by instruments referred to in Article 9 to be covered by the EFSD Guarantee up to a fixed amount. All requests for financial support within investment windows shall be made to the Commission. 4. The Commission is empowered to adopt, after consultation with the ***strategic*** board, delegated acts in accordance with Article 20a supplementing this Regulation by establishing a list of investment windows. Investment windows shall be established for specific regions or partner countries or for both, for specific sectors, for specific projects or for specific categories of final beneficiaries or for both to be funded by instruments referred to in Article 9 to be covered by the EFSD Guarantee up to a fixed amount. The choice of investment windows shall be duly justified by an analysis of the market failure or sub-optimal investment situations. Such analysis shall be carried out by the Commission in cooperation with potentially eligible counterparts and stakeholders. Within the relevant regional investment platforms, a significant share of the EFSD Guarantee shall be allocated to fragile and conflict-affected countries, landlocked countries and Least-Developed Countries. Amendment 71 Proposal for a regulation Article 8 – paragraph 4 a (new) Text proposed by the Commission Amendment 4a. The Commission shall establish and publish a scoreboard of indicators reflecting the eligibility criteria set out in this Article, to be used to ensure an independent and transparent assessment of the potential and actual operations backed by the EFSD Guarantee. The PE605.573/ 33 EN Commission shall publish the results of its assessments. Amendment 72 Proposal for a regulation Article 9 – paragraph 1 – point a Text proposed by the Commission Amendment (a) loans; (a) loans, including local currency loans; Amendment 73 Proposal for a regulation Article 10 – paragraph 1 – point e Text proposed by the Commission Amendment (e) bodies governed by the private law of a Member State that provide adequate financial guarantees, by derogation from Article 58(1)(c)(vii) of Regulation (EU) No 966/2012 (e) bodies governed by the private law of a Member State that provide adequate financial guarantees, by derogation from Article 58(1)(c)(vii) of Regulation (EU) No 966/2012, and that disclose what extra-financial factors ('Environment Social and Governance ESG'), such as climate change, resource scarcity, misaligned executive compensation or corruption, they consider as part of their fiduciary duty. Amendment 74 Proposal for a regulation Article 10 – paragraph 2 a (new) Text proposed by the Commission Amendment 2a. The Commission shall ensure a level-playing field for eligible counterparts and promote cooperation between them. It shall ensure an absence of conflicts of interest throughout the stages of implementation of the EFSD. In order to ensure complementarity, the PE605.573/ 34 EN eligible counterparts shall provide any relevant information about their non-EFSD operations. Amendment 75 Proposal for a regulation Article 10 – paragraph 3 a (new) Text proposed by the Commission Amendment 3a. Eligible counterparts may be invited to an exchange of views in the European Parliament concerning financing and investment operations covered by this Regulation. Amendment 76 Proposal for a regulation Article 11 – title Text proposed by the Commission Amendment Coverage and terms of the EFSD guarantee agreements Coverage and terms of the EFSD Guarantee Amendment 77 Proposal for a regulation Article 11 – paragraph 2 – subparagraph 1 Text proposed by the Commission Amendment Member States may contribute to the EFSD Guarantee Fund in the form of guarantees or cash. Subject to Commission approval, other contributors may contribute, in the form of cash. Member States and EFTA countries may contribute to the EFSD Guarantee Fund in the form of guarantees or cash. Subject to Commission approval, other contributors may contribute, in the form of cash. Amendment 78 Proposal for a regulation Article 11 – paragraph 3 – subparagraph 3 PE605.573/ 35 EN Text proposed by the Commission Amendment The Commission shall inform the European Parliament and the Council about the contributions confirmed. The Commission shall inform the European Parliament and the Council without delay about the contributions confirmed. Amendment 79 Proposal for a regulation Article 11 – paragraph 4 – subparagraph 2 Text proposed by the Commission Amendment At the request of the Member States, the contributions made by them may be earmarked for the initiation of projects in specific regions, countries, sectors or investment windows. At the request of the Member States and subject to approval by the ***strategic*** board, the contributions made by them may be earmarked for the initiation of projects in specific regions or existing investment windows. Amendment 80 Proposal for a regulation Article 11 – paragraph 5 Text proposed by the Commission Amendment 5. At least EUR 400 000 000 of EFSD Guarantee coverage shall be allocated for investments in the partner countries eligible under the 11th EDF throughout the implementation period of the EFSD Guarantee. 5. At least EUR 400 000 000 of EFSD Guarantee coverage shall be allocated for investments in the partner countries eligible under the 11th EDF throughout the implementation period of the EFSD Guarantee, in line with the objectives of the Cotonou Partnership Agreement. Amendment 81 Proposal for a regulation Article 11 – paragraph 5 a (new) Text proposed by the Commission Amendment 5a. At least EUR 100 000 000 of EFSD Guarantee coverage shall be allocated for investments in the partner countries from PE605.573/ 36 EN the Eastern and Southern Neighbourhood, in accordance with Regulation (EU) No 232/2014. Amendment 82 Proposal for a regulation Article 12 – paragraph 2 a (new) Text proposed by the Commission Amendment 2a. The guarantee agreements shall be made publicly available, with a limited regime of exceptions. Amendment 83 Proposal for a regulation Article 12 – paragraph 3 – point a a (new) Text proposed by the Commission Amendment (aa) the objectives and purpose of this Regulation, a needs assessment and an indication of the expected results, taking into account the promotion of corporate social responsibility, including, in particular, by respect for all internationally agreed guidelines, principles and legal instruments, in particular those referred to in Article 8(2)(ec). Amendment 84 Proposal for a regulation Article 12 – paragraph 3 – point b Text proposed by the Commission Amendment (b) the remuneration of the guarantee; (b) the remuneration of the guarantee, which shall reflect the risk level; it shall be possible for the remuneration to be partly subsidised in order to give more concessional terms, in duly justified cases, in particular in the countries referred to in point (c) of Article 8(2); PE605.573/ 37 EN Amendment 85 Proposal for a regulation Article 12 – paragraph 3 – point e a (new) Text proposed by the Commission Amendment (ea) a robust, safe and accessible complaints procedure for individuals, workers, communities and civil society organisations that could be negatively affected by eligible counterpart's operations or the investment supported by the EFSD. Amendment 86 Proposal for a regulation Article 12 – paragraph 4 – point c Text proposed by the Commission Amendment (c) the amount of own resources that the counterpart is ready to mobilise for the investment window. (c) the amount of own resources as well as private sector co-financing that the counterpart is ready to mobilise for the investment window. Amendment 87 Proposal for a regulation Article 13 – paragraph 2 – point b Text proposed by the Commission Amendment (b) possible contributions from Member States and other contributors; (b) possible contributions from Member States, EFTA countries and other contributors; Amendment 88 Proposal for a regulation Article 13 – paragraph 6 – point a Text proposed by the Commission Amendment (a) any surplus shall be paid to the (a) without prejudice to paragraph 8 of PE605.573/ 38 EN general budget of the Union; this Article, any surplus shall constitute internal assigned revenue in accordance with Article 21(4) of Regulation (EU, Euratom) No 966/2012 to the benefit of Union development cooperation and neighbourhood instruments; Amendment 89 Proposal for a regulation Article 13 – paragraph 7 Text proposed by the Commission Amendment 7. From 1 January 2021, if, as a result of calls on the EFSD Guarantee, the level of resources in the Guarantee Fund falls below 50% of the provisioning rate referred to in paragraph 5, the Commission shall submit a report on exceptional measures that may be required to replenish the EFSD Guarantee Fund. 7. From 1 January 2021, if, as a result of calls on the EFSD Guarantee, the level of resources in the Guarantee Fund falls below 50% of the provisioning rate referred to in paragraph 5, the Commission shall submit a report on: (a) the cause of the shortfall, with detailed explanations; and (b) where deemed necessary, any exceptional measures that may be required to replenish the EFSD Guarantee Fund. Amendment 90 Proposal for a regulation Article 13 – paragraph 8 Text proposed by the Commission Amendment 8. After a call on the EFSD Guarantee, endowments to the EFSD Guarantee Fund provided for in points (c), (d) and (e) of paragraph 2 exceeding the resources necessary to reach the provisioning rate at the level referred to in paragraph 5 shall be used within the limits of the initial investment period provided for in Article 7(2) to restore the EFSD Guarantee up to its initial amount. 8. After a call on the EFSD Guarantee, endowments to the EFSD Guarantee Fund provided for in points (c), (d) and (e) of paragraph 2 exceeding the resources necessary to reach the provisioning rate at the level referred to in paragraph 5 or any surplus provided for in point (a) of paragraph 6 of this Article shall first be used within the limits of the maximum period provided for in Article 7(3) to restore the EFSD Guarantee up to its initial amount. PE605.573/ 39 EN Amendment 91 Proposal for a regulation Article 15 – paragraph 1 Text proposed by the Commission Amendment 1. The Commission shall submit an annual report to the European Parliament and to the Council on the financing and investment operation covered by the EFSD Guarantee. This report shall be made public. It shall include the following elements: 1. The Commission shall submit an annual report to the European Parliament and to the Council on the financing and investment operation covered by the EFSD Guarantee. This report shall be made public. It shall include the following elements: (a) an assessment of the financing and investment operations in operation and covered by the EFSD Guarantee, sector, country and regional levels and their compliance with this Regulation; (a) an assessment of the financing and investment operations in operation and covered by the EFSD Guarantee, sector, country and regional levels and their compliance with this Regulation; (b) an assessment of the added value, the mobilisation of private sector resources, the estimated and actual outputs and the outcomes and impact of the financing and investment operations covered by the EFSD Guarantee on an aggregated basis, including the impact on employment creation; (b) an assessment, on the basis of the scoreboard of indicators provided for in Article 8(4a), of the additionality and added value, the mobilisation of private sector resources, the estimated and actual outputs and the outcomes and impact of the financing and investment operations covered by the EFSD Guarantee on an aggregated basis, including the impact on decent job creation, the eradication of poverty and on the way in which the root causes of migration are addressed, including gender-disaggregated data where possible; (ba) an assessment of the extent to which operations covered by this Regulation contribute to the achievement of the general objectives set out in Article 8(1), in particular the overall contribution to the Sustainable Development Goals of the 2030 Agenda and the share of spending relevant for the fight against climate change and the implementation of the Paris Agreement; (c) an assessment of the compliance with the requirements concerning the use of the EFSD Guarantee and key performance indicators established for each proposal (c) an assessment of the compliance with the requirements concerning the use of the EFSD Guarantee and key performance indicators established for each proposal PE605.573/ 40 EN submitted; submitted; (d) an assessment of the leverage effect achieved by the operations covered by the EFSD Guarantee; (d) an assessment of the leverage effect achieved by the operations covered by the EFSD Guarantee; (e) the financial amount transferred to beneficiaries and an assessment of financing and investment operations by each counterpart on an aggregated basis; (e) the financial amount transferred to beneficiaries and an assessment of financing and investment operations by each counterpart on an aggregated basis; (f) an assessment of the added value of financing and investment operations of the eligible counterparts, and of the aggregate risk associated with those operations; (f) an assessment of the additionality and added value of financing and investment operations of the eligible counterparts, and of the aggregate risk associated with those operations; (g) detailed information on calls on the EFSD Guarantee, losses, returns, amounts recovered and any other payments received; (g) detailed information on calls on the EFSD Guarantee, losses, returns, amounts recovered and any other payments received; (h) the financial reports on financing and investment operations of the eligible counterparts covered by this Regulation audited by an independent external auditor. (h) the financial reports on financing and investment operations of the eligible counterparts covered by this Regulation audited by an independent external auditor; (ha) an assessment of the actions developed under the second and third pillars of the EIP and the synergies between them and the operations covered by the EFSD Guarantee, with particular regard to progress made in the fight against corruption and organised crime and illicit financial flows, good governance, the inclusion of local financial markets, the boosting of entrepreneurship as well as local business settings, respect for human rights and the rule of law as well as gender-responsive policies; (hb) an assessment of the compliance of EFSD operations with the internationally agreed development effectiveness principles. Amendment 92 Proposal for a regulation Article 16 – paragraph 1 PE605.573/ 41 EN Text proposed by the Commission Amendment 1. By 31 December 2020, the Commission shall evaluate the functioning of the EFSD. The Commission shall submit its evaluation report to the European Parliament and the Council, containing an independent evaluation of the application of this Regulation. This report shall be submitted without delay by the Commission in the event that the approved financing and investment operations absorb in full the amount of the EFSD Guarantee available before 30 June 2020. 1. By 31 December 2019, the Commission shall evaluate the functioning of the EFSD, its management and its effective contribution to the purpose and objectives of this Regulation. The Commission shall submit its evaluation report to the European Parliament and the Council, containing an independent external evaluation of the application of this Regulation, accompanied by a reasoned proposal to amend this Regulation, as appropriate, in particular with a view to extending the initial investment period referred to in Article 7(2). That evaluation report shall be accompanied by an opinion of the Court of Auditors. Amendment 93 Proposal for a regulation Article 16 – paragraph 2 Text proposed by the Commission Amendment 2. By 31 December 2020 and every three years thereafter, the Commission shall evaluate the use of the EFSD Guarantee Fund. The Commission shall submit its evaluation report to the European Parliament and the Council. That evaluation report shall be accompanied by an opinion of the Court of Auditors. 2. By 31 December 2019 and every three years thereafter, the Commission shall evaluate the use and the functioning of the EFSD Guarantee Fund. The Commission shall submit its evaluation report to the European Parliament and the Council. That evaluation report shall be accompanied by an opinion of the Court of Auditors on the management of the EFSD Guarantee Fund and the effectiveness and additionality of EFSD operations. Where adjustments to the EFSD Guarantee Fund are deemed necessary or in the event that the EFSD Guarantee Fund is extended beyond 2020, that evaluation report shall be accompanied by a legislative proposal to amend this Regulation accordingly. PE605.573/ 42 EN Amendment 94 Proposal for a regulation Article 17 Text proposed by the Commission Amendment Article 17 Article 17 Transparency and public disclosure of information Transparency, communication, and public disclosure of information In accordance with its transparency policies and general Union principles on access to documents and information, the eligible counterparts shall make publicly available on their websites information relating to all financing and investment operations covered by the EFSD Guarantee under this Regulation, relating in particular to the manner in which those operations contribute to the requirements of this Regulation. 1. In accordance with its transparency policies and Union rules on access to documents and information and data protection, the eligible counterparts shall proactively and systematically make publicly available on their websites information relating to all financing and investment operations covered by the EFSD Guarantee under this Regulation, relating in particular to the manner in which those operations contribute to the objectives and requirements of this Regulation. Where possible, such information shall be broken down at project level. Such information shall always take into account the protection of confidential and commercially sensitive information. 2. The Commission shall publish on its web-portal information on financing and investment operations and the essential elements of all guarantee agreements, including information on the legal identity of counterparts, expected development benefits and complaints procedures in accordance with point (ea) of Article 12(3). 3. Eligible counterparts shall publicise the Union support in all information which they publish on financing and investment operations covered by the EFSD guarantee in accordance with this Regulation. 4. European Union delegations shall include information about funding opportunities provided by the EFSD in their communication targeted at civil society and the public at large. PE605.573/ 43 EN Amendment 95 Proposal for a regulation Article 17 a (new) Text proposed by the Commission Amendment Article 17a Grievance and redress mechanism The Commission shall establish a Union centralised grievance mechanism for all EFSD-supported projects. Stakeholders affected by EFSD operations and stakeholders dissatisfied with how their complaints are addressed by the grievance mechanisms of EFSD counterparts shall be able to directly contact the Union grievance mechanism. Amendment 96 Proposal for a regulation Article 18 – paragraph 1 Text proposed by the Commission Amendment 1. The external audit of the activities undertaken in accordance with this Regulation shall be carried out by the Court of Auditors in accordance with Article 287 of the Treaty on the Functioning of the European Union (TFEU). 1. The external audit of the activities undertaken in accordance with this Regulation shall be carried out by the Court of Auditors in accordance with Article 287 of the Treaty on the Functioning of the European Union (TFEU) and the activities are thus subject to the discharge procedure in accordance with Article 319 TFEU. Amendment 97 Proposal for a regulation Article 18 – paragraph 2 Text proposed by the Commission Amendment 2. For the purpose of paragraph 1 of 2. For the purpose of paragraph 1 of PE605.573/ 44 EN this Article, the Court of Auditors shall, at its request and in accordance with Article 287(3) TFEU, be granted access to any document or information necessary to carry out its task. this Article, the Court of Auditors shall, at its request and in accordance with Article 287(3) TFEU, be granted access to any document or information necessary to carry out its auditing tasks. Amendment 98 Proposal for a regulation Article 18 – paragraph 2a (new) Text proposed by the Commission Amendment 2a. By 30 June 2020 and every three years thereafter, the Court of Auditors shall publish a special report on the use of the EFSD Guarantee Fund and on the efficiency and effectiveness of the EFSD. Amendment 99 Proposal for a regulation Article 19 – paragraph 1 Text proposed by the Commission Amendment 1. The Commission or the eligible counterparts shall notify the European Anti-Fraud Office (OLAF) promptly and provide it with the necessary information when, at any stage of the preparation, implementation or closure of financing and investment operations covered by this Regulation, they have grounds for suspecting fraud, corruption, money laundering or any other illegal activity that may affect the financial interests of the Union. 1. If, at any stage of the preparation, implementation or closure of financing and investment operations covered by this Regulation, the Commission or the eligible counterparts have grounds for suspecting fraud, corruption, embezzlement, money laundering or any other illegal activity that may affect the financial interests of the Union, they shall immediately notify the European Anti-Fraud Office (OLAF) and provide it with all necessary information to enable a full and thorough investigation to be carried out. Amendment 100 Proposal for a regulation Article 19 – paragraph 2 – subparagraph 1 PE605.573/ 45 EN Text proposed by the Commission Amendment OLAF may carry out investigations, including on-the-spot checks and inspections, in accordance with the provisions and procedures laid down in Regulation (EU, Euratom) No 883/2013 of the European Parliament and of the Council, Council Regulation (Euratom, EC) No 2185/96 and Council Regulation (EC, Euratom) No 2988/95 in order to protect the financial interests of the Union, with a view to establishing whether there has been fraud, corruption, money laundering or any other illegal activity affecting the financial interests of the Union in connection with any financing and investment operations covered by this Regulation. OLAF may transmit any information obtained in the course of its investigations to the competent authorities of the Member States concerned. OLAF may carry out investigations, including on-the-spot checks and inspections, in accordance with the provisions and procedures laid down in Regulation (EU, Euratom) No 883/2013 of the European Parliament and of the Council, Council Regulation (Euratom, EC) No 2185/96 and Council Regulation (EC, Euratom) No 2988/95 in order to protect the financial interests of the Union, with a view to establishing whether there has been fraud, corruption, embezzlement, money laundering, financing of terrorism, tax fraud and tax evasion, or any other illegal activity affecting the financial interests of the Union in connection with any financing and investment operations covered by this Regulation. OLAF may transmit any information obtained in the course of its investigations to the competent authorities of the Member States concerned. Amendment 101 Proposal for a regulation Article 19 – paragraph 2 – subparagraph 2 Text proposed by the Commission Amendment Where such illegal activities are proven, the eligible counterparts shall undertake recovery efforts with respect to its financing and investment operations covered by this Regulation that are concerned by such activities. Where such illegal activities are proven, the eligible counterparts shall undertake recovery efforts with respect to its financing and investment operations covered by this Regulation that are concerned by such activities, and shall also provide to the relevant authorities all information needed for investigation and possible prosecution. Amendment 102 Proposal for a regulation Article 20 – paragraph 1 PE605.573/ 46 EN Text proposed by the Commission Amendment 1. In their financing and investment operations, the eligible counterparts shall not support any activities carried out for illegal purposes, including money laundering, terrorist financing, organised crime, tax fraud and tax evasion, corruption, and fraud affecting the financial interests of the Union. The eligible counterparts shall not participate in any financing or investment operation through a vehicle located in a non-cooperative jurisdiction, in accordance with its policy towards weakly regulated or non-cooperative jurisdictions based on policies of the Union, the Organisation for Economic Co-operation and Development or the Financial Action Task Force. 1. In their financing and investment operations, the eligible counterparts shall not support any activities carried out for illegal purposes, including, but not limited to, money laundering, terrorist financing, organised crime, tax fraud and tax evasion, corruption, fraud or other activities affecting the financial interests of the Union. In particular, the eligible counterparts shall neither participate in any financing or investment operation through a vehicle located in a jurisdiction that does not cooperate with the Union in relation to the application of the internationally agreed tax standards on transparency and the exchange of information nor maintain business relations with entities established in such a jurisdiction. In their financing and investment operations covered by this Regulation, the eligible counterparts shall not make use of or engage in tax avoidance structures, in particular aggressive tax ***planning*** schemes, or practices that do not comply with Union tax good governance principles, as set out in Union law, including Commission recommendations and communications. When concluding agreements with financial intermediaries, the eligible counterparts shall transpose the requirements referred to in this paragraph in the relevant contracts and shall request country-by-country reporting concerning their observance. Amendment 103 Proposal for a regulation Article 20 – paragraph 2 Text proposed by the Commission Amendment 2. In its financing and investment operations, the eligible counterpart shall apply the principles and standards set out in Union law on the prevention of the use of the financial system for the purpose of 2. In its financing and investment operations, the eligible counterpart shall apply the principles and standards set out in Union law on the prevention of the use of the financial system for the purpose of PE605.573/ 47 EN money laundering and terrorist financing and in particular Regulation (EU) 2015/847 of the European Parliament and of the Council35 and Directive (EU) 2015/849 of the European Parliament and of the Council36. The eligible counterparts shall make both direct funding and funding via intermediaries under this Regulation contingent upon the disclosure of beneficial ownership information in accordance with Directive (EU) 2015/849. money laundering and terrorist financing and in particular Regulation (EU) 2015/847 of the European Parliament and of the Council35 and Directive (EU) 2015/849 of the European Parliament and of the Council36. The eligible counterparts shall make both direct funding and funding via intermediaries under this Regulation contingent upon the disclosure of beneficial ownership information in accordance with Directive (EU) 2015/849 (the EU Anti-Money Laundering Directive) and publish country-by-country reporting data in accordance with Article 89(1) of Directive 2013/36/EU of the European Parliament and of the Council. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ 35 Regulation (EU) 2015/847 of the European Parliament and of the Council of 20 May 2015 on information accompanying transfers of funds and repealing Regulation (EC) No 1781/2006 (OJ L 141, 5.6.2015, p. 1). 35 Regulation (EU) 2015/847 of the European Parliament and of the Council of 20 May 2015 on information accompanying transfers of funds and repealing Regulation (EC) No 1781/2006 (OJ L 141, 5.6.2015, p. 1). 36 Directive (EU) 2015/849 of the European Parliament and of the Council of 20 May 2015 on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing, amending Regulation (EU) No 648/2012 of the European Parliament and of the Council, and repealing Directive 2005/60/EC of the European Parliament and of the Council and Commission Directive 2006/70/EC (OJ L 141, 5.6.2015, p. 73). 36 Directive (EU) 2015/849 of the European Parliament and of the Council of 20 May 2015 on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing, amending Regulation (EU) No 648/2012 of the European Parliament and of the Council, and repealing Directive 2005/60/EC of the European Parliament and of the Council and Commission Directive 2006/70/EC (OJ L 141, 5.6.2015, p. 73). Amendment 104 Proposal for a regulation Article 20 a (new) Text proposed by the Commission Amendment Article 20a Exercise of the delegation 1. The power to adopt delegated acts is conferred on the Commission subject to PE605.573/ 48 EN the conditions laid down in this Article. 2. The power to adopt delegated acts referred to in Articles 6 and 8 shall be conferred on the Commission from the date of entry into force of this Regulation until 31 December 2020. 3. The delegation of power referred to in Articles 6 and 8 may be revoked at any time by the European Parliament or by the Council. A decision to revoke shall put an end to the delegation of the power specified in that decision. It shall take effect the day following the publication of the decision in the Official Journal of the European Union or at a later date specified therein. It shall not affect the validity of any delegated acts already in force. 4. Before adopting a delegated act, the Commission shall consult experts designated by each Member State in accordance with the principles laid down in the Interinstitutional Agreement of 13 April 2016 on Better Law-Making. 5. As soon as it adopts a delegated act, the Commission shall notify it simultaneously to the European Parliament and to the Council. 6. A delegated act adopted pursuant to Articles 6 and 8 shall enter into force only if no objection has been expressed either by the European Parliament or the Council within a period of two months of notification of that act to the European Parliament and the Council or if, before the expiry of that period, the European Parliament and the Council have both informed the Commission that they will not object. That period shall be extended by two months at the initiative of the European Parliament or of the Council. Amendment 105 Proposal for a regulation Annex (new) PE605.573/ 49 EN Text proposed by the Commission Amendment ANNEX Regions eligible for support through the EFSD Guarantee: – Africa, encompassing the African countries that are signatories of the Cotonou Partnership Agreement; – Neighbourhood partner countries, as listed in Annex I to Regulation (EU) No 232/2014 of the European Parliament and of the Council.

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HINA Digest

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**Body**

Zagreb, 26 September 2017 (Hina) - Croatian and Swedish defence ministers discuss combat aircraft procurementZAGREB, Sept 25 (Hina) - Defence Minister Damir Krsticevic said on Monday that in the process of selection of the type of combat air-planes which it would buy, Croatia would take into account not only characteristics of those planes but also ***strategic*** partnership.This statement was made by Krsticevic after he received Swedish Defence Minister Peter Hultqvist for the talks on this topic.In mid-July, Croatia's Defence Ministry sent a Request for Proposal (RfP) for the procurement of combat aircraft to Sweden (Gripen JAS-39), the US (F-16), South Korea (FA-50), Israel (F-16 Barak) and Greece (F-16), so that a decision can be made by the end of the year.After today's meeting with his Swedish counterpart, Minister Krsticevic said that criteria for the selection of the best proposal would be also price and business cooperation.He hopes that the country that will offer the best bid will also be "a partner that will invest in Croatia and create new jobs".Hultqvist said that Sweden had very good combat aircraft and that the state of art generation of combat aircraft was offered.I have invited Minister Krsticevic to visit Sweden and see what we do in our defence forces and which capabilities are at our disposal, the Swedish minister said, recalling that the Czech Republic and Hungary have equipped their respective air forces with the Swedish Gripen.A kind of the Gripen zone has been formed among the Visegrad Group and Slovakia is set to acquire this sort of multi-role fighter aircraft manufactured by the Swedish aerospace company Saab.Krsticevic said that the bids would be opened on 3 October by alphabetical order and the bidders will have an opportunity to present their respective planes and offers.Minister Hultqvist was received by President Kolinda Grabar-Kitarovic and Prime Minister Andrej Plenkovic.On Tuesday, Israeli Defence Minister Avigdor Lieberman is arriving in Zagreb.EconMin: Todoric's claims to be observed in anticipation of upcoming audit reportsZAGREB, Sept25(Hina) - Economy Minister, Martina Dalic, said on Monday that the latest accusations made by Ivica Todoric from the ailing Agrokor food conglomerate, againststate officials whom he accused ofbreach of the law in their alleged attempt to topple Agrokor, were related to the upcoming audit reports on the performance of the group's companies' and that until the release of those reports she would not comment on his claims."I believe that all those statements are related to the upcoming audit reports and until they are released I don't have any comments on Agrokor.

Everything has already been said that needed to be," she said.She recalled that details of the way the emergency administration is being implemented and the situation in Agrokor can be seen in the reports by the emergency administrator released on the ministry's web site."We are expecting the auditor's reports and then I believe that will be a significant topic to comment on and naturally, confirmation of the situation the emergency administration came across in Agrokor and what it was like in 2016," Dalic concluded.On Monday, Todoric released a new blog and claimed that "state officials and persons associated with them had violated several laws in their attempt to destroy Agrokor," and called on state institutions to investigate this.Todoric claims that Minister Dalic was in conflict of interest and abused her position to influence legislative and executive authorities to her benefit and others associated with her.He called on the government to act in accordance with the Freedom of Information Act and provide information that, according to his claims, Minister Dalic refused to release on who was involved in preparing Lex Agrokor and what were the legal grounds to involve foreign legal and financial experts and whether this was done in accordance with the Public Procurement Act.Orepic seesrowbetween ex-Agrokor boss and govtas family feudZAGREB, Sept 25 (Hina) - Former interior minister and MP Vlaho Orepichas said that the "conflict" between Ivica Todoric and the government could be described as a "family feud", adding that the executive authority was largely responsible for "the current Agrokor", the Bridge party, which Orepic is a member of, said in a press release on Monday.This is why it is critical to set up a parliamentary inquiry commission, Orepic said. "The investigation, which is currently being conducted in Agrokor and which could result in the arrest of Ivica Todoric, has been prompted by the charges filed by Bozo Petrov (Bridge leader), while the investigation was launched by the Bridge party," the press release said.It is high time to find those responsible for the crime in Agrokor and for the disappearance of large amounts of money, the Bridge party said.Orepic said that it was not possible for Todoric to create a concern as big as Arokor on his own, so big that its significantly influences Croatia's economy and because of which a special law had been adopted.Orepic is confident that Todoric was persistently trying to shift the public focus to Agrokor's business activities only after the state took over the management of the concern.Although we believe that there are many contentious details, the State Prosecutor's Officeand the judiciary must determine as soon as possible who,alongside Ivica Todoric, took part in murky dealings," Bridge cited Orepic as saying.Earlier today, Todoric wrote in a blog post that "state officials and persons connected with them have violated several laws of the Republic of Croatia while tying to topple Agrokor," calling on state institutions to launch a probe into actions of state officials and persons connected with them.Employers, unionists criticise Todoric's communication on blogZAGREB, Sept25(Hina) - The president of the Croatian Employers' Association (HUP), Gordana Deranja, and the head of the Croatian independent Trade Unions, Kresimir Sever, on Monday commented on a blog post by Ivica Todoric in which the former Agrokor boss gave his vision of the situation regarding the crisis in the food concern.Deranja and Sever said this was not a common way of communication and that it might not be a desirable way of communication for the group and its suppliers, adding that this problem should be resolved in the least painful way.I believe that by adopting Lex Agrokor, the state authorities made a good move and stopped the bankruptcy of many companies that were blocked and with the said law, it gave a maneuvering space to the emergency administrator Ante Ramljak to find room how to carry our the restructuring process and end the Agrokor story in the least painful way, Deranja told reporters ahead of a session of the Social and Economic Council.Deranja recalled that Deputy Prime Minister Martina Dalic had told Todoric that he was still the owner of Agrokor and that if he had something to say or contribute he should talk to emergency administrator Ramljak about it and help resolve the problem.Sever said there had not been cases in the past which would require the application of the law on companies of systemic importance, recalling that unions had already objected to certain articles of Lex Agrokor, but that they supported the adopted of the law as the alternative was bankruptcy.Sever also wondered how it was possible to allow the development of such an empire on which so many domestic suppliers and sub-contractors depended.He also advocated a peaceful and permanent solution to the Agrokor crisis.Split County Court to deliver verdict in Captain Dragan trial todayZAGREB, Sept 26 (Hina) - The Split County Court is expected to deliver on Tuesday afternoon a ruling in the trial against Dragan Vasiljkovic aka Captain Dragan, a former commander of a special purposes unit within Serb paramilitary forces who is charged with war crimes against Croatian soldiers and civilians.Captain Dragan, who was born in Belgrade and holds the citizenship of Australia which extradited him to Croatia in July 2015, is charged with violating the Geneva Conventions by torturing and killing Croatian prisoners of war in a prison in Knin in June and July 1991 and in Bruska near Benkovac in February 1993.He is also indicted for having ***planned*** in July 1991 in Glina, in agreement with the commander of a Yugoslav People's Army (JNA) tank unit, an attack on the police station in Glina, its suburb of Jukinac and the villages of Gornji Vidusevac and Donji Vidusevac. The prosecution alleges that during the attack civilian properties were damaged or destroyed, the local population was forced to flee their homes, their property was plundered and civilians were killed and wounded, including a foreign reporter.After taking part in the Serb rebellion in Croatia, Vasiljkovic returned to Australia where he lived under the name Daniel Snedden in Perth and worked as a golf instructor until his arrest in 2006. It took the Australian government six years to extradite him.Vasiljkovic dismissed all the allegations.Some of around 60 witnesses testified about torture in the prisons under Vasiljkovic's command.Christiane Schlotzer Scotland, the wife of German journalist Egon Scotland killed during the war in July 1991 in Jukinac near Glina, testified at this war crimes trial. Schlotzer Scotland, herself a journalist, said that she had presented to the prosecution an audio recording and the transcript of an interview dating from September 1992 in which Vasiljkovic told a Japanese journalist that on the day her husband was killed he had taken command and led an attack on Glina.The witness said that at the time of her husband's death she was in Munich and learned of his death from colleagues on the ground, as well as from local residents during her visit to Jukinac after the Croatian military Operation Storm in the summer of 1995.Anti-Fascists boo President during speech on priests' role in Istria's reuniting with CroatiaZAGREB, Sept 25 (Hina) - A formalmeeting of Istria County Assembly was held on Monday in the city of Pazin in the presence of President Kolinda Grabar-Kitarovic and many guests to mark the county's day and the 74thanniversary of the Pazin Declaration on the reunification ofIstria with Croatia and the 70th anniversary of the Paris Peace Conference.In her address, the president underscored the role of Catholic clergyin efforts to reunify Istria with Croatia, which made some members in the audience grumblebitterly.The Parliament Speaker's envoy,Anton Kliman, too was booed when he mentioned the contribution of the Catholic Church to the reuniting ofIstria intoCroatia.President Grabar-Kitarovic recalled that it was in Istria where the first victims of fascism in Europe fell and that it was here that the first anti-fascist movement emerged."Every Istrian patriot was an anti-fascist, regardless of ideological affiliation and Catholic priests made a special contribution to that national struggle," the president said and was booed by the public while any mention of former Yugoslav president, Josip Broz Tito was welcomed with loud applause.“In recalling the 70th anniversary of the Paris Peace Conference, it should be stressed that the catholic clergy led by rev. BozoMilanovicwith his publication of the 'Spomenica hrvatskog svecenstva u Istri'(Testimonial of the Croatian Clergy in Istria)and in other ways during the Paris Peace Conference were a key factor for the final international confirmation of the Pazin decisions," the President said."Unfortunately, that contributionwas not valued afterthe (Second World) war. On the contrary, due to ideological reasons, members of the Catholic Church weresubjected to persecution and murders," Grabar-Kitarovic said and while she was leaving the assembly hall, some of the audience was singing Partisan war songs.Grabar-Kitarovic underscored the role of Istrian patriots during the Homeland Defence War and highlighted that the patriotism of Istrians was expressed with the same fervour when they massively joined units of the Croatian army and police.She added that Istria’s development today indicates that the county model of regional development is not a deterrent to development, but rather a model that should be further advanced."Today Istria marches vigorously on the path of development, and its success, as in examples of other counties, shows that a county model of regional development is not a deterrent to development, but, on the contrary, a model which should be further advanced. It could even be more successful if we would allow counties, cities and municipalities more operational and financial independence."Minister of Transportation, Maritime Affairs and Infrastructure, Oleg Butkovic, said that large-scaleinvestments were being madein Istria County, including road infrastructure, air transport and seaports, all of whichwill contribute to even greater economic development."Public investments which the government isimplementing in Istria is clear confirmation of the government's commitment tothe equal development of all areas of Croatia. The aim of the said investments is to further raise the level of economic activity and enhance Istria's transport connectivity with the rest of Croatia," Butkovic said.Istrian officials sorry President was booed during speechZAGREB, Sept 25 (Hina) -Istria County Prefect Valter Flego and IstrianDemocratic Party (IDS) leader Boris Miletic on Monday said they were sorry that President Kolinda Grabar-Kitarovic had an unpleasant experience during the celebration of Istria County Day in Pazin when she was booed during her speech after she mentioned the role of Catholic priestsin the reunification of Istria with Croatia."I am sorry because of this incident, however, that was individual expression ofopinionduring her speech and that is unacceptable. That is not the official stance of Istria County which is known for its openness and tolerance," Flego told Hina. He added that he did not condone thatbehaviour and once again said that Istria has fair and goodrelations with everyone.Miletic said that today's grumbling and booing did not have anything to do with the President but wasrather an expression of revolt against wider social divisions which are primarily incited by the extreme right."What is more important for me is that today the President in fact sent the government a very strong message relating to the urgency for decentralisation in Croatia. She highlighted Istria as an example of a successful region and underscored that regional and local government units need to be given greater powers and more financing. I hope that the government will take her message to heed," Miletic said.In her address, the president mentioned the role of Catholic priests in efforts to reunify Istria with Croatia, which made some members in the audience grumblebitterly.The Parliament Speaker's envoy,Anton Kliman, too was booed when he mentioned the contribution of the Catholic Church in reintegrating Istria intoCroatia.Bet Israel community outraged by rehabilitation of Filip LukasZAGREB, Sept 25 (Hina) - The Bet Israel Jewish religious community on Monday expressed its outrage at a recent ruling made by the Zagreb County Court to rehabilitate Filip Lukas, a geographer and historian whom the community labelled as an advocate of the Ustasha and Nazi ideologies."The rehabilitation of Filip Lukas is yet more evidence of the capillary expansion of pro-Ustasha ideas in Croatia. The Bet Israel considers this rulingas a move that additionally encourages an atmosphere of intolerance in Croatia," reads a press release issued by the community on Monday.The community says that Lukas's public activities contributedto the creation of an atmosphere conducive to the persecution of the Serbs, the Jews and the Roma in the Nazi-style 1941-1945 Independent State of Croatia led by the Ustasha.Bet Israel likenedLukas to Julius Streicher in the Third Reich.On 18 July, the Zagreb County Court annulled the 21 November 1945 verdict of the then Communist judiciary authorities that sentenced Lukas to death in absentia and stripped him of all political and civil rights. Lukas who fled the Communist Yugoslavia died in Rome in 1958. The process for rehabilitation was launched by the "In the Name of Family" nongovernmental association, and the Zagreb County Court ruled that Lukas was prosecuted and sentenced to death due to his verbal political acts. Also, the court now finds that Lukas was given a death sentence, even though that sentence was not envisaged for those crimes when he committed them.Transplant Association, Jesuit Barun presented with European Citizen's PrizeZAGREB, Sept 25 (Hina) - The Croatian Transplant Association and the head of the Jesuit Refugee Service for Southeast Europe, Rev.Tvrtko Barun, have won this year's European Citizen's Prize, awarded each year by the European Parliament to prominent individuals, associations and organisations for their exceptional achievements and commitment to promoting European cooperation and common values.The award was presented at a ceremony in the Croatian Parliament on Monday.The European Citizen's Prize was launched by the European Parliament in 2008 to recognise exceptional achievements by Europeans. Candidates are proposed by members of the European Parliament and winners are awarded with a symbolic prize in the form of a medal of honour.Barun and the Croatian Transplant Association received an identical number of votes."Today is not a typical day in the Croatian Parliament.Today is the day when we celebrate mankind, love, unity and solidarity. I wish there were more days like this. It would give me great joy to see the Croatian Parliament permanently taking part in events like this," Parliament Speaker Gordan Jandrokovic said at the award ceremony.The award on behalfof the Croatian Transplant Association was received by Tanja Watz who dedicated it to the families of organ donors."Life does not necessarily end with organ failure, 400 organ transplants in Croatia each year are the best proof of that," Watz said.The central ceremony for award recipients will be held in the European Parliament in Brussels on 11 October.Results of ***Programme*** for Civil Society Organisations presentedZAGREB, Sept 25 (Hina) - The results of the ***Programme*** for Civil Society Organisations in Croatia 2009-2014, the aim of which was to strengthen the development of civil society and increase the contribution to social justice, democracy and sustainable development, were presented at a press conference in Zagreb on Monday.The implementation of the ***programme*** was financed by European Economic Area grants and Norway.The head of the National Foundation for Civil Society Development, Cvjetana Plavsa-Matic, said that 51 projects had been supported with 1.3 million euros, enabling the employment of 99 people and about 300 volunteers.During 18 months, four tenders were issued, one pre-defined project was awarded and a campaign, designed and run by seven young bloggers, was launched to prevent online hate speech.The ***programme*** supported projects to strengthen the advocacy capacity of organisations for human rights, democratisation and gender equality; local initiatives for social inclusion and solidarity, initiatives for children and young people; the sustainability of organised civil society; and Roma inclusion.Since 1994, Norway, Lichtenstein and Iceland have financed projects in European Economic Area member states to reduce social and economic differences within the community, and to strengthen bilateral cooperation between member states.In the financial perspective 2009-2014, EUR 1.8 billion was earmarked for 16 countries beneficiaries for areas such as environmental protection, climate change, civil society, children and health, social development, cultural heritage, research and scholarships, work and justice, and home affairs.Labour and Pension Minister Marko Pavic said that over 800 million kuna (1.07 million euros) had been secured for civil society development in Croatia. He said that the projects implemented as part of the ***programme*** had contributed to civil society development in Croatia, particularly in the areas of social justice, democracy and sustainable development.The state secretary at the Ministry of Regional Development and EU Funds, Velimir Zunac, said thatin the new financial perspective 2014-2021 Croatia would have access to 103.4 million euros."I believe that in the future we can expect many more successful projects that will continue to reduce social and economic differences and strengthen further bilateral cooperation of Croatia with Norway, Lichtenstein and Iceland," Zunac said.Borzan: "HiPP" to sell equal quality products in Croatia as in GermanyZAGREB, Sept25(Hina) - After the release of findings of a survey, initiated by a Croatian member of the European Parliament, which showed "significant difference” in the composition between a jar of HiPP baby food on sale in Croatia and in Germany, this German ***producer*** of baby food said that it would deliver identical products in Croatia as those sold in Germany, according to the British Guardian newspaper."A leading baby food brand is to relaunch one of its products after jars sold in eastern Europe were found to contain a lower proportion of vegetables and an omega-3 source compared with the identically branded product sold in the west," the Guardian wrote in an article headlined "HiPP to relaunch Croatian baby food item amid row over inferior products."Biljana Borzan, the Croatian MEP who instigated and funded the survey, was quoted as saying that she "had been particularly disappointed by the difference in the baby food product, which she claimed amounted to a breach of faith with the consumer."MEP Borzan on Monday welcomed HiPP's decision."About 38% of HiPP’s 'bio-rice with carrot and turkey'product sold in Germany was made up of carrot and potato, with a further 15% of rice. In the Croatian market, the study found the only vegetable present was carrot (24%), while rice accounted for 21% of the baby food," the Guardian says."There was also a reported difference in colour, taste and aroma – and a differing amount of rapeseed oil (1.9% against 1.7%), a source of omega-3 fatty acids that are beneficial to a child’s growth."The test comes amid accusations by the European commission that multinational companies have 'cheated and misled'shoppers in eastern Europe for years by selling them inferior products that bear the same branding as those found in the west," according to the newspaper's article.A spokesperson for HiPP baby food was quoted as saying that "the ingredients of the product were clearly marked on the jars"but added that "due to the current public discussion about different recipes in European countries, we learned that this proceeding could lead to misinterpretations which we regret very much. In consequence, we assessed the recipe of HiPP Rice with Carrots and Turkey in terms of potential equalisations, and will relaunch it with an adapted recipe which is equal to the German one during the next few months."The baby food test was part a wider report which follows similar surveys in Bulgaria, Hungary, Slovakia and Slovenia. The Croatian study, to be presented to the European parliament’s committee on internal market and consumer protection on Thursday, found that a series of brands were selling products of differing ingredients – and allegedly different quality – in the east and west, including Nutella and Ariel detergent, the Guardian recalls.Last week, without naming the companies, the European commission’s most senior official responsible for justice and consumer rights, Vera Jourova, told the Guardian she believed there had been "manifest cheating"of consumers for years by multinationals. The European commission will this week publish an interpretation of the current law on misleading customers to help national authorities prosecute those in breach.Borzan says she hopes that other multinational companies will follow the suit of HiPP in rectifying their products to fulfil the related standards.SDP mayors call on party leadership to "come down from the clouds"ZAGREB, Sept 25 (Hina) - Social Democratic Party (SDP) mayors on Monday sent a letter to the party's membership calling on their leader Davor Bernardic and members of the party's presidency and lawmakers to "come down from the clouds" and be close to grass-rootmembers and to use this time ahead of the party convention for open dialogue and attract membership, focusing on topics that are in interest of citizens."We call on the president, all members of the presidency and our delegates in parliament to use party forums and to express their opinion to their comrades about the future of social democracy in Croatia and the direction our party has to go in the future and as far as the public stage and reflectors are concerned, to use these to promote our ideas and stances on a more just and fairer society that we will build together," reads the letter signed by the mayors of Sisak, Cakovec, Umag, Koprivnica and Ludbreg.The mayors underscored that SDP always based its work and actions on internal democratic dialogue and a transparent and just system of electing its leadership and management bodiesand through sincere and responsible communication with citizens however it seems that some party members who are in the party's leadership have abused that tradition and positive practice.Public administration minister on working visit to ChinaZAGREB, Sept 25 (Hina) - Croatian Public Administration Minister Lovro Kuscevic is on a working visit to the Chinese city of Tongxiang and Zhejiang province to exchange experience in the functioning of local government units and the development of business potential at local level, his ministry said in a press release on Monday.During the visit, which ends on September 27, Kuscevic will hold ministerial-level talks with representatives of Zhejiang province and the city ofTongxiang."Our aim is to contribute to economic diplomacy with concrete offers of cooperation from regional government, specifically Split-Dalmatia County, and local companies with interested Chinese investors," Kuscevic said.He said that talks with interested Chinese investors would focus on medical tourism and the food industry, in particular fish processing.The Croatian delegation includes a group of business people and the assistant head of the Split-Dalmatia County Department for Economy, EU Funds and ***Agriculture***, Vicencije Biuk, according to the press release.Croatian officials congratulateMerkel on election victoryZAGREB, Sept 25 (Hina) - Croatian President Kolinda Grabar-Kitarovic on Monday sent a letter of congratulations to German Chancellor Angela Merkel on the election victory of her party and expressed hope that the two countries will continue cooperating and strengthening their bilateral relations, notably on the economic front.Grabar-Kitarovic says she is confident that in her fourth term, the German head of government will continue working in a committed manner on the progress of Germany to the benefit of all its citizens."I am looking forward to the continuation of traditionally close and friendly cooperation between our two countries in all sectors to the benefit of our citizens, notably on the economic front and in efforts to find joint answers to growing global challenges. A sizeable Croatian community in Your country gives us permanent impetus to that aim," reads Grabar-Kitarovic's message.The CDU-CSU coalition won 33% of the vote in Sunday's election in Germany, according to first results. It is followed by the SPD with 20.5%.Croatian PM congratulates Merkel on victoryCroatian Prime Minister Andrej Plenkovic has congratulated Merkel on winning the parliamentary election in Germany on Sunday, the Croatian government said in a press release Monday.Plenkovic expressed hope Merkel would soon form a coalition for her fourth term as German Chancellor."Your success is also the success of values and principles of our joint political family," Plenkovic said, expressing hope the two countries could continue to cooperate and strengthen their relations.NATO natural disaster response exercise starts in TuzlaZAGREB, Sept25(Hina) - A NATO exercise on managing the consequences of natural disasters called ‘Bosnia and Herzegovina 2017“, started in the northeastern Bosnian town of Tuzla on Monday.The Euro-Atlantic Disaster Response Coordination Centre (EADRCC) will conduct the consequence management field exercise until 29 September.The exercise has been jointly organised by EADRCC and the Ministry of Security of Bosnia and Herzegovina.Approximately 1,300 participants from 34 NATO, including Croatia, and allied partner countries are taking part in the exercise and this is the largest exercise held by NATO so far.In other news:8.8 mln payment cards in Croatia in 2016, 22% contactlessZAGREB, Sept25(Hina) - The total number of payment cards in Croatia, both debit and credit cards is continuing to grow and at the end of last year there was a total of 8.8 million or about two percent more than in 2015, it was said at an international SmartCard 2017 conference on chip cards and other financial services.Of the total number of payment cards last year, one in five or 22% were contactless cards while at the end of 2015, their share was 19.2%.According to data presented by Zrinka Petroci from the Croatian National Bank (HNB), of the total number of payment cards about 50% are in use while 45% aren't used at all and about 5% are blocked due to distress orders or other legal provisions, she said.The total amount of card transactions last year amounted to HRK 132 billion which is an increase of 5.3% while the total number of transactions increased by 8% to about 379 million transactions.About 65% of all transactions related to the purchase of goods and services and 27% were for cash withdrawals. However the situation was completely the opposite with regard to the value of transactions so that 36% of the total value of transactions were for goods and services while 57% of the value was in cash withdrawals.Last year there were 4,543 ATMs in Croatia, which is 2.8% more than the year before.Koncar and Skopje Faculty of Electrical Engineering and IT sign cooperation dealZAGREB, Sept 25 (Hina) - Croatia's Koncar Energy and Transport (KET) company and the Faculty of Electrical Engineering and Information Technologies (FEIT) from Skopje, Macedonia have signed a cooperation agreement and an agreement on the donation of the Scada system Proza Net for the purposes of FEIT's Technology and Innovation Transfer Centre, Koncar said on Monday.The cooperation agreement covers the implementation of research and development projects and the mutual use of specific expertise, equipment and laboratories.The agreement was signed by the FEIT dean, Dimitar Taskovski, and the chairman of the KET management board, Miso Jurkovic, at an international conferencein the Macedonian lakeside town of Ohrid on Sunday.ZSE indices start week in redZAGREB, Sept 25 (Hina) - The main Zagreb Stock Exchange indices weakened on Monday amid trading of HRK 8.3 million in which the Crobex fell by 0.55% compared to Friday to 1,819.36 points, while the specialised Crobex10 dropped by 0.49% to 1,079.64 points.Regular turnover of HRK 8.3 million was HRK 2.4 million higher than on Friday.The Atlantska Plovidba shipping company achieved a turnover of HRK 1.3 million with the price of its shares plunging by 0.96% to HRK 410.The Atlantic Group food ***producer*** generated a turnover of HRK 1.2 million with the price of its shares plunging by 0.74% to HRK 800.The Djuro Djakovic, metal and mechanical engineering group recorded a turnover of HRK 1.1 million with the price of its shares weakening by 1.28% to HRK 35.49 per share.The group reported that it had advised the Ministry of State Assets that the state's share in the company after its recapitalisation has been reduced from 50.6% to 37.86%. The group also called for a general assembly on October 30 when the management board will present a report on the results of the recapitalisation of the company.(EUR 1 = HRK 7.5)THIS BULLETIN INCLUDES NEWS ITEMS RELEASED BY 0830 HRS TUESDAY. (Hina) ms Masthead Brief News Bulletin is published by the Croatian News Agency HINA Marulićev trg 1610 000 ZagrebCroatia web:[*www.hina.hr*](http://www.hina.hr) mail: [*hina@hina.hr*](mailto:hina@hina.hr) phone: (+385 1) 48 08 660; fax (+385 1) 48 08 822 Publisher: Branka Gabriela Valentić, DirectorEditor in Chief: Serđo Obratov Bulletin Editor: Marija Šestan

ZAGREB, Sept 25 (Hina) - Defence Minister Damir Krsticevic said on Monday that in the process of selection of the type of combat air-planes which it would buy, Croatia would take into account not only characteristics of those planes but also ***strategic*** partnership.

This statement was made by Krsticevic after he received Swedish Defence Minister Peter Hultqvist for the talks on this topic.

In mid-July, Croatia's Defence Ministry sent a Request for Proposal (RfP) for the procurement of combat aircraft to Sweden (Gripen JAS-39), the US (F-16), South Korea (FA-50), Israel (F-16 Barak) and Greece (F-16), so that a decision can be made by the end of the year.

After today's meeting with his Swedish counterpart, Minister Krsticevic said that criteria for the selection of the best proposal would be also price and business cooperation.

He hopes that the country that will offer the best bid will also be "a partner that will invest in Croatia and create new jobs".

Hultqvist said that Sweden had very good combat aircraft and that the state of art generation of combat aircraft was offered.

I have invited Minister Krsticevic to visit Sweden and see what we do in our defence forces and which capabilities are at our disposal, the Swedish minister said, recalling that the Czech Republic and Hungary have equipped their respective air forces with the Swedish Gripen.

A kind of the Gripen zone has been formed among the Visegrad Group and Slovakia is set to acquire this sort of multi-role fighter aircraft manufactured by the Swedish aerospace company Saab.

Krsticevic said that the bids would be opened on 3 October by alphabetical order and the bidders will have an opportunity to present their respective planes and offers.

Minister Hultqvist was received by President Kolinda Grabar-Kitarovic and Prime Minister Andrej Plenkovic.

On Tuesday, Israeli Defence Minister Avigdor Lieberman is arriving in Zagreb.

ZAGREB, Sept 25 (Hina) - Former interior minister and MP Vlaho Orepichas said that the "conflict" between Ivica Todoric and the government could be described as a "family feud", adding that the executive authority was largely responsible for "the current Agrokor", the Bridge party, which Orepic is a member of, said in a press release on Monday.

ZAGREB, Sept25(Hina) - The president of the Croatian Employers' Association (HUP), Gordana Deranja, and the head of the Croatian independent Trade Unions, Kresimir Sever, on Monday commented on a blog post by Ivica Todoric in which the former Agrokor boss gave his vision of the situation regarding the crisis in the food concern.

ZAGREB, Sept 26 (Hina) - The Split County Court is expected to deliver on Tuesday afternoon a ruling in the trial against Dragan Vasiljkovic aka Captain Dragan, a former commander of a special purposes unit within Serb paramilitary forces who is charged with war crimes against Croatian soldiers and civilians.

Captain Dragan, who was born in Belgrade and holds the citizenship of Australia which extradited him to Croatia in July 2015, is charged with violating the Geneva Conventions by torturing and killing Croatian prisoners of war in a prison in Knin in June and July 1991 and in Bruska near Benkovac in February 1993.

He is also indicted for having ***planned*** in July 1991 in Glina, in agreement with the commander of a Yugoslav People's Army (JNA) tank unit, an attack on the police station in Glina, its suburb of Jukinac and the villages of Gornji Vidusevac and Donji Vidusevac. The prosecution alleges that during the attack civilian properties were damaged or destroyed, the local population was forced to flee their homes, their property was plundered and civilians were killed and wounded, including a foreign reporter.

After taking part in the Serb rebellion in Croatia, Vasiljkovic returned to Australia where he lived under the name Daniel Snedden in Perth and worked as a golf instructor until his arrest in 2006. It took the Australian government six years to extradite him.

Vasiljkovic dismissed all the allegations.

Some of around 60 witnesses testified about torture in the prisons under Vasiljkovic's command.

Christiane Schlotzer Scotland, the wife of German journalist Egon Scotland killed during the war in July 1991 in Jukinac near Glina, testified at this war crimes trial. Schlotzer Scotland, herself a journalist, said that she had presented to the prosecution an audio recording and the transcript of an interview dating from September 1992 in which Vasiljkovic told a Japanese journalist that on the day her husband was killed he had taken command and led an attack on Glina.

The witness said that at the time of her husband's death she was in Munich and learned of his death from colleagues on the ground, as well as from local residents during her visit to Jukinac after the Croatian military Operation Storm in the summer of 1995.

ZAGREB, Sept 25 (Hina) - A formalmeeting of Istria County Assembly was held on Monday in the city of Pazin in the presence of President Kolinda Grabar-Kitarovic and many guests to mark the county's day and the 74thanniversary of the Pazin Declaration on the reunification ofIstria with Croatia and the 70th anniversary of the Paris Peace Conference.

ZAGREB, Sept 25 (Hina) -Istria County Prefect Valter Flego and IstrianDemocratic Party (IDS) leader Boris Miletic on Monday said they were sorry that President Kolinda Grabar-Kitarovic had an unpleasant experience during the celebration of Istria County Day in Pazin when she was booed during her speech after she mentioned the role of Catholic priestsin the reunification of Istria with Croatia.

ZAGREB, Sept 25 (Hina) - The Bet Israel Jewish religious community on Monday expressed its outrage at a recent ruling made by the Zagreb County Court to rehabilitate Filip Lukas, a geographer and historian whom the community labelled as an advocate of the Ustasha and Nazi ideologies.

ZAGREB, Sept 25 (Hina) - The Croatian Transplant Association and the head of the Jesuit Refugee Service for Southeast Europe, Rev.Tvrtko Barun, have won this year's European Citizen's Prize, awarded each year by the European Parliament to prominent individuals, associations and organisations for their exceptional achievements and commitment to promoting European cooperation and common values.

ZAGREB, Sept25(Hina) - After the release of findings of a survey, initiated by a Croatian member of the European Parliament, which showed "significant difference” in the composition between a jar of HiPP baby food on sale in Croatia and in Germany, this German ***producer*** of baby food said that it would deliver identical products in Croatia as those sold in Germany, according to the British Guardian newspaper.

ZAGREB, Sept 25 (Hina) - Social Democratic Party (SDP) mayors on Monday sent a letter to the party's membership calling on their leader Davor Bernardic and members of the party's presidency and lawmakers to "come down from the clouds" and be close to grass-rootmembers and to use this time ahead of the party convention for open dialogue and attract membership, focusing on topics that are in interest of citizens.

ZAGREB, Sept25(Hina) - A NATO exercise on managing the consequences of natural disasters called ‘Bosnia and Herzegovina 2017“, started in the northeastern Bosnian town of Tuzla on Monday.

ZAGREB, Sept25(Hina) - The total number of payment cards in Croatia, both debit and credit cards is continuing to grow and at the end of last year there was a total of 8.8 million or about two percent more than in 2015, it was said at an international SmartCard 2017 conference on chip cards and other financial services.

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HINA Digest

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**Body**

Zagreb, 01 December 2017 (Hina) - President says Croatia was not aggressor in Bosnia, ICTY didn't fulfill basic purposeZAGREB, Nov30(Hina) -Croatia was not an aggressor in Bosnia and Herzegovina but did the most so that BiH could survive as an integral state, Croatian President Kolinda Grabar-Kitarovic said on Thursday, adding that the International Criminal Tribunal for the former Yugoslavia in The Hague did not fulfil its fundamental purpose, to ensure justice, but turned into a political arbiter."As president of the republic, I wish to say clearly and unambiguously that the sentence delivered in The Hague yesterday was not against the Republic of Croatia or the Croat people in BiH. Croatia was not an aggressor, but did the most for the survival of an integral BiH as a state," the president told the press after returning to Croatia, having cut short a visit to Iceland because of Wednesday's events at the ICTY.She added thatCroatia and the US did the most for BiH to survive as a sovereign state.The ICTY Appeals Chamber yesterday upheld sentences against six Bosnian Croats, findingthat there existed an international armed conflict in BiH as well as a state of occupation, and confirming the existence of a Croatian joint criminal enterprise aimed at ethnically cleansing parts of BiH."The Croat people was the first to resist the Great Serbia aggression, defending its survival and the survival of Bosnia and Herzegovina as its state.

Croatia and BiH were attacked by (Slobodan) Milosevic's Serbia and the JNA (former Yugoslav army) and these are known facts. Croatia didn't attack anyone," Grabar-Kitarovic said."Croatia had a crucial role in breaking the Great Serbia aggression and it liberated large parts of BiH. It prevented another Srebrenica genocide in Bihac after Alija's Izetbegovic's call for help, based on the Washington Agreement and the Split Declaration. The Croatian Army, with the support of the HVO (Bosnian Croat Defence Council) and the (Bosniak) Army of BiH, faced Slobodan Milosevic with an inevitabletotal military defeat, forcing him to sit at the negotiating table, and thereby ended the war in BiH," she said, adding that everything was done "in partnership with the United States of America."Hague tribunal has become political arbiter"All the war horrors that struckCroatia and BiH had the same starting point in Milosevic's criminal regime. The Hague tribunal hasn't fulfilled its fundamental purpose, as that historical fact hasn't been recognised or it has been consciously ignored."She said those who gave orders "haven't been tried or punished, unfortunately," and the crimes were not tied to those who conceived them or the leaders of the JNA, which she said had put itself in the service of realising the Great Serbia project.The presidentsaid Croatia supported the establishment of the ICTYfrom the very start,believing that it would ensure justice for the victims of all the war crimes committed on the territory of the former Yugoslavia."The Hague tribunal was established to apply existing international humanitarian and criminal law, but it wasn't authorised to create new doctrines. Unfortunately, assessing its practice at the very end of its existence, one must conclude that the Hague tribunal failed to realise its role of bringing justice to the victims of the crimes. Itevidently fellinto the trap of wrongly interpreting its task,setting itself aspolitical arbiterinstead of being a judicial body, trying to establish an artificial balance of guilt in the process."The ICTY Appeals Chamber yesterday upheld sentences against six Bosnian Croats, after which one of them, General Slobodan Praljak, drank poison in the court room, dying in hospital later."I wish to extend my condolences to the family of General Slobodan Praljak, a man who rather gave his life than lived as a man convicted ofacts he firmly believed he didn't commit," said Grabar-Kitarovic. "His act deeply hitthe heart of the Croatian people, while leaving the (ICTY) with the burden of everlasting doubt as to the accomplishment of its task."The Chamber delivered the final ruling for crimes committed against Muslims in BiH in 1993-94. With this case, one of its most complex, the International Criminal Tribunal for the former Yugoslavia in The Hague wrapped up its 24-year work.Former Herceg-Bosnia PM Jadranko Prlic was sentenced to 25 years' imprisonment, former defence minister Bruno Stojic and former HVO chiefs-of-staff Praljak and Milivoj Petkovic to 20 years each, former HVO military police commander Valentin Coric to 16 years, and the chief of the POW exchange office, Berislav Pusic to ten."After such and ending to the Hague tribunal's mandate,it's up to us all to find the strength for reconciliation between all the nations in this region," said Grabar-Kitarovic.President condemns statements and conduct of former Croatian officialsGrabar-Kitarovic said that the same Appeals Chamber which handed down yesterday's judgment said in 2016, in response to Croatia's request to act as an amicus curiae, that three Croatian officials (Franjo Tudjman, Gojko Susak and Janko Bobetko) had not been indicted, that the trial chamber did not adopt conclusions on their participation in a joint criminal enterprise and had not found them guilty of any crime."However, when it comes to important state issues like this one, we need to be careful while making statements, because today we can see how much irresponsible moves and statements by some former Croatian officials havecost us," the president said, declining to name them."We Croatians must have the strength to admit that some of our fellow countrymen in Bosnia and Herzegovinacommitted crimes and they must be brought to justice. It is not fair that Bosniak and Serb crimes against Croats in Bosnia and Herzegovina havenot been punished in the same way," Grabar Kitarovic said."Croats, don't be afraid"The president expressed her respect for the victims of crimes committed on all sides, "notably to the families of the killed and the missing. All of them deserve justice, some have received it in The Hague and some haven't. Crimes must be faced, even our own, in the name of the future. Croatia has done it and is doing it and it is asking the same of others," Grabar-Kitarovic said."Regardless, everyone in Bosnia and Herzegovina, notably Croats and Bosniaks in the Federation, must rise above forthe benefit of both peoples," Grabar-Kitarovic said, calling on Bosniak leaders to do everything in their power to prevent the misuse of this judgment, and have the judgment mark the end of one and the beginning of another era.She announced that as Croatia's president should would do everything in her power so that the judgment didnotworsenCroat-Bosniak relations, adding that she would visit Bosnia and Herzegovina in the near future.Grabar-Kitarovic called on Croats in Bosnia and Herzegovina to remain calmand dignified and stressed: "Do not be afraid, we are here for you. We need unity now more than ever. The Croatian people havealways known how to handle challenges and I am confident this will also be the case now," Grabar-Kitarovic said."Finally, I want us to slowly leave behind the war and all the suffering in these regions caused by the Great Serbiaaggression, while paying respects to all victims and condemning all crimes, but primarily by turning to the future," the president said, adding that Croatia would use all legal and political means to fight for the truth and justice."I will discuss this next week in the headquarters of the United Nations which founded the tribunalin the Hague," Grabar-Kitarovic said.Plenkovic:ICTY verdict unjust for accused, Bosnian Croats, Croatia's 1990s state leadershipZAGREB, Nov30(Hina) - The ICTY verdict against six former Bosnian Croatofficials is unjust for them, for the Croat people in Bosnia and Herzegovina, and for Croatia's state leadership in the 1990s, Prime Minister Andrej Plenkovic said at the start of a cabinet meeting on Thursday.He once again extended his condolences to the family of former HVO (Bosnian CroatDefence Council) commander Slobodan Praljak and regretted that he committed suicide during an appeals hearing at the ICTY yesterday."Evidently shaken by the possibility that he might be convicted and for his own moral reasons, he took his own life.""This is an unprecedented event for any international tribunal and, in a way, Praljak sent amessage about what he thought and how he saw the verdict, which in our opinion too is unjust for the six, for the Croat people, and in the part alluding to certain elements linking (Croatia's)then state leadership to the war events in BiH," Plenkovic said.He underlined that Croatia extended its condolences to all the victims of all the crimes committed in BiH, regardless of the perpetrators.He said Croatia was a friend and a neighbour of BiH and that the Croat people, together with the Bosniaks, had beencrucial for BiH's independence at a March 1992 referendum."The support which Croatia gave BiH during the war and the Milosevic regime's Great Serbia project was constant, humanitarian, political, military.(Croatia) provided for hundreds of thousands of BiH refugees, without looking at anyone's ethnicity. Not tomention the Washington Agreement, the Split Declaration, (Operation) Storm's watershed role in the total change of balance on the ground, which later made it possible for the (Bosniak) Army of BiH, the HVO, and the HV (Croatian Army) to liberate large parts of BiH," Plenkovic said.He reiterated that Croatia would challenge certain parts of yesterday's verdict within existing legal mechanisms.The International Criminal Tribunal for the former Yugoslavia (ICTY) Appeals Chamber on Wednesday upheld the sentences against six wartime Bosnian Croat civilian and military leaders in the Prlic et al. case.Former Herceg-Bosnia PMJadranko Prlic was sentenced to 25 years' imprisonment, former defence minister Bruno Stojic and former HVO chiefs-of-staffPraljak and Milivoj Petkovic to 20 years each, former HVO military police commander Valentin Coric to 16 years, and the chief of the POW exchange office, Berislav Pusic to ten.The Chamber also found that there existed ajoint criminal enterprise, an international armed conflict in BiHin which Croatia was involved, and a state of occupation.The ICTY tries individuals and not states orstates' accountability, "and from that aspect there are no elements at all that would indicateany accountability" on Croatia's part, Plenkovic said.Croatia tried to become an amicus curiae in the Prlic et al. case in 2006, 2016 and 2017, but was rejected every time."I think that in this trial, as a state, we tried to make the maximum effort to contribute information that would expand the views of the judges in this case. Unfortunately, that wasn't approved, but that response from 2016 indicates that one can't talk about any responsibility byCroatia's state leadership," Plenkovic said, adding that Croatia would continue to support BiH and BiH Croats.Defence lawyers say chances of Prlic et al. verdict review slimZAGREB, Nov 30 (Hina) - Defence lawyers for the six wartime Bosnian Croat military and civilian leaders in the Prlic et al. case said on Thursday that Croatia stood little chance of having their clients' guilty verdict and long sentences reviewed.The statute of the International Criminal Tribunal for the former Yugoslavia (ICTY) envisages that the review of the final rulings is possible only if there is new evidence that was not available during the trial and appellate proceedings.Article 26 of the tribunal's statute reads that "where a new fact has been discovered which was not known at the time of the proceedings before the Trial Chambers or the Appeals Chamber and which could have been a decisive factor in reaching the decision, the convicted person or the Prosecutor may submit to the International Tribunal an application for review of the judgement."A lawyer for the late Slobodan Praljak, Nika Pinter, thinks that chances for a review are slim and recalls that the UN tribunal ceases its work by the end of this year."If Praljak's family wants to initiate review proceedings, I will consider that possibility but personally I don't want to have anything with that tribunal any more," said Pinter whose client Praljak committed suicide by taking poison during the hearing at which the ICTY Appeals Chamber upheld his 20-year sentence."This is an ugly end for the Hague tribunal. Not only because of what happened to Praljak, but also because the tribunal failed to fulfill its purpose," the lawyer said.The defence teams for the other five convicts have not yet decided on further steps, however, they, too, admit that chances for the review are slim.A source close to one of the defence teams said that the chances of finding new evidence were small.They also criticise the Croatian government for having been indolent in the case."Someone has evidently slept over these 20 years," the source said.The ICTY Appeals Chamber on Wednesday upheld the sentences against six wartime Bosnian Croat civilian and military leaders in the Prlic et al. case. Former Herceg-Bosnia PM Jadranko Prlic was sentenced to 25 years' imprisonment, former defence minister Bruno Stojic and former HVO chiefs-of-staff Praljak and Milivoj Petkovic to 20 years each, former HVO military police commander Valentin Coric to 16 years, and the chief of the POW exchange office, Berislav Pusic, to ten.The Chamber also found that there existed a joint criminal enterprise, an international armed conflict in Bosnia and Herzegovina in which Croatia was involved, and a state of occupation.The ICTY tries individuals and not states or states' accountability, "and from that aspect there are no elements at all that would indicate any accountability" on Croatia's part, Croatian Prime Minister Andrej Plenkovic said in a comment on the ruling.Croatia tried to become an amicus curiae in the Prlic et al. case in 2006, 2016 and 2017, but was rejected every time.Croatia's leaders insist that the verdict is unfair and have announced steps to raise this issue before the Security Council of the United Nations, which is the tribunal's founder.Praljak's lawyer says he killed himself as he couldn't accept verdict of war criminalZAGREB, Nov30(Hina) - Nobody killed Slobodan Praljak, he committed suicide as he was an honourable man who could not stand to live with a verdict of being a war criminal, Praljak's lawyerNika Pintar said on Thursday."He was not killed by anyone. He killed himself. I am really sadbut I respect his act and understand him," Pinter told Hina on a flight from Amsterdam to Zagreb.She said that during her talks with Praljak before the pronouncement of thefinal verdict, he made no indications of ***planning*** suicide, however, she had been aware that her client would find it difficult to accept a guilty verdict and a 20-year sentence."It never crossed my mind that he could do anything like that. However, I completely understand it, he was an honourable man and could not accept that he would live with a verdict of a war criminal and with being escorted from the courtroom handcuffed," she said.Praljak, a Bosnian Croat wartime military commander,drank a poisonous liquid on Wednesday in the UN tribunal's courtroom while the appeals chamber was presenting a final ruling against him and the other five wartime Bosnian Croat military and political leaders convicted of war crimes. Praljak took poison as soon as his 20-year sentence was upheld. "I am not a war criminal and reject your ruling," Praljak. Upon saying that, he drank a liquid from a small bottle. A medical team was called in and Praljak was taken to hospital but soon died.Parliament starts sitting with minute of silenceZAGREB, Nov30(Hina) - Speaker Gordan Jandrokovic said at the start of parliament's sitting on Thursday that caucuses had agreed that the ICTY appeals ruling didnot acknowledge the historical truth, facts and evidence and that as such the ruling was unjust and unacceptable, calling on MPs to observe a minute of silence for all civilian victims, killed and missing Croatian defenders and all victims of wars in Croatia and Bosnia and Herzegovina."A session of the Parliamentary Presidency was held yesterday, following the appeals ruling handed down by the UN war crimes tribunal, which upheld sentences for Jadranko Prlic, Bruno Stojic, Slobodan Praljak, Milivoj Petkovic, Valentic Coric and Berislav Pusic. Parliamentary caucuses agreed that the appeals verdict does not acknowledge the historical truth, facts and evidence and that as such it is unjust and unacceptable," Jandrokovic said.With the tragic act of taking his own life, General Slobodan Praljak symbolically pointed to the injustice of the appeals ruling, Jandrokovic said, expressing condolences to Praljak's family."The ICTY appeals ruling is not founded on facts and the role Croatia had towards Bosnia and Herzegovina in the recognition of its independence, defence of its sovereignty and territorial integrity and by that, its survival, and the humanitarian assistance it provided to refugees from Bosnia and Herzegovina," Jandrokovic said."Caucuses have agreed that at this moment it is necessary to act, having in mind the interest of the Republic of Croatia, including providing assistance to the Croat people in Bosnia and Herzegovina who must remain constituent and equalto the other two peoples in Bosnia and Herzegovina," Jandrokovic said.He announced parliament would soon hold a plenary session to discuss relations between Croatia and Bosnia and Herzegovina, with an emphasis on the position of Croats in Bosnia.Caucuses have also agreed, after they receivethe appeals ruling in writing, totake a position in a joint declaration,Jandrokovic said.He also said parliament expected the government to examine all available legal and political mechanisms to challenge the appeals ruling.When parliament observedthe minute of silence, only one deputy of the Social Democratic Party (SDP) was present in parliament hall and there were no deputies of the GLAS party and the Independent Democratic Serb Party (SDSS).Bernardic: There wasn't any joint criminal enterpriseZAGREB, Nov 30 (Hina) - Commenting on the International Criminal Tribunal for the former Yugoslavia (ICTY) judgement against six Bosnian Croat wartime political and military leaders,Social Democratic Party (SDP) leader Davor Bernardic said on Thursday that Croatia's policies toward Bosnia and Herzegovina in the 1990s were not the wisest but that there wasn't any joint criminal enterprise and that Croatia wasunanimous on that matter."Crimes areindividual, theymust not be collective," Bernardic told reporters in parliament a day after anICTY appeals chamber determined the existence of a Croatian joint criminal enterprise in Bosnia and Herzegovina in the 1990s,involving a part of Croatia'spolitical and military leadership.Croatia's ***intervention*** in Bosnia and Herzegovina secured peace in that country, prevented the suffering of numerous victims, enabled the establishment of peace and later, of apolitical framework for the Dayton peace agreement, theSDPleader said.Bernardic said that Croatia did not conduct the wisest policy toward Bosnia and Herzegovina in the 1990sas evidenced by the fact that 200,000 Croats were expelled from that country.Commenting on a statement read out by Parliament Speaker Gordan Jandrokovic in the parliament this morning, which notes that the final verdict against the six leaders of Herceg-Bosna is unacceptable because it did not takehistorical truths into account,Bernardic said that "propaganda at the expense of the dead and human tragedies" wasunacceptable.Judgement contains elements of injustice but we will have to live with it"There wasno joint criminal enterprise, there wasno aggression against Bosnia and Herzegovina and I think that Croatia is united in that. This judgement contains elements of injustice but we will have to live with that," Bernardic said.During a minute's silence in parliament earlier in the day, the only SDP MP present in the chamber was Domagoj Hajdukovic.Bernardic did not want to state whether some SDP lawmakers agreed with the theory of a joint criminal enterprise, saying that "the SDP is a democratic party and each individual should be asked about that."According to Bernardic, the ICTY judgement has revived topics from the 1990s. "We are once again debating situations fromthe 1990s and this entire matter is overshadowing current problems, particularly those that are particularly worrying - such as the low absorption of EU funds, as Croatia's absorption rate is only7%," he said.Vucic was deeply involved in the events of 1990 unlikeCroatia's current officialsBernardic commented on a news conference held earlier in the day by SerbianPresident Aleksandar Vucic, in which he expressed dissatisfaction withthe judgement in the case against the six Bosnian Croats, and with "the double standards of the European Union."The SDPleader said that Vucic had been "deeply involved inthe events in the 1990s" and Serbia's wars in the Balkans unlike Croatia's current officials. "That is the crucialdifference between Croatian and Serbian political elites today," Bernardic underscored.Petrov: It's sad that the Opposition didn't pay respect to all war victimsZAGREB, Nov 30 (Hina) - Bridge party leaderBozo Petrovon Thursday said that he was sorry that the Opposition did not pay respectto all victims of war in parliament earlier in the day and underscored that he consideredthe International Criminal Tribunal for the former Yugoslavia (ICTY) judgement against six Bosnian Croat wartime political and military leaders as unjust."I truly regret that the Opposition didn't find any reason to pay respect to all the victims of war, but let them talk about that," Petrov told reporters in parliament. He was asked to comment on the fact that during the minute's silence for all civilian victims, killed and missing Croatian defenders and all victims of the wars in Croatia and Bosnia and Herzegovina, only one Social Democratic Party (SDP) MP was present and that no members of the GLAS party and the Independent Democratic Serb Party (SDSS) were in the parliament chamber at the time.Petrov said that yesterday's ICTY judgement wasunjust and expressed hope that all thosewho had been members of former governments and failed to do their best would learna lesson from yesterday's event."There is a lot that we have to do. One of them is to improve the status of Croats wherever they may be, and in particularly those in Bosnia and Herzegovina," he underscored."Because of everything that occurred yesterday I find it difficult that today we are talking about the 2018 draft budget as though nothing had happened at all, yet so much did," he said.SDP MP Pedja Grbin said briefly that thestatement read out in parliament wasn't his statement and that that was why he wasn't in parliament at the time.Hrvoje Zekanovic (HRAST) said that the Opposition's behaviour was shameful and that the judgement was unjust."Unfortunately we gave the Hague tribunal legitimacy, we accepted it asa victim in the belief that it would objectively take account of that sacrifice and judge all those responsible, but a completely opposite thing has happened. Thosewho started the war, Serbia, have come out without a scratch while Croatia has been accused of crimes even though it conducted a war of defence," said Zekanovic.At the start of the parliament's sitting this morning, Speaker Gordan Jandrokovic read out a statement saying that the caucuses had agreed that the ICTY appeals judgement in the case against six Bosnian Croat wartime political and military leaders did not acknowledge historical truths, facts and evidence and that as such it was unjust and unacceptable.In his statement Jandrokovic also calledon MPs to observe a minute of silence for all civilian victims, killed and missing Croatian defenders and all victims of wars in Croatia and Bosnia and Herzegovina.Ivan Pernar of the opposition Human Shield party said in parliament on Thursday that the Croatian Democratic Union's (HDZ) disagreement with the ICTYjudgement against six Bosnian Croat wartime political and military leaders was "hypocritical and insincere," and added that it was not ajudgment againstCroatia or the Croatian people but against the politics "led by one party."Miro Bulj of the opposition Bridge party underscored that yesterday's suicide by General Slobodan Praljak during an ICTY appeals hearingwas a "cry for the truth to be said" about the Homeland War. "General Praljak did what he did so that we could talkfacts about the Homeland War and not to keep silent," Bulj said.Independent MP Zeljko Glasnovic that, had it not been for Croatiangenerals fromBosnia and Herzegovina, Croatian lawmakers would not be sitting in the parliament today."Praljak took his own life because of the historical truth," Glasnovic said and added that Croatia should now seek extradition and announce all those who testified falsely against Croatia,he said.Opposition MPs comment on statement regarding ICTY verdictZAGREB, Nov 30 (Hina) - The statement by Parliament Speaker Gordan Jandrokovic about the appeal verdict that was handed down by the Hague war crimes tribunal in the case of six Bosnian Croat wartime political and military leaders on Wednesday is unacceptable to some of the political groups in the Croatian Parliament, the chairman of the Social Democratic Party (SDP) group, Arsen Bauk, told reporters on Thursday.Bauk said that the SDP MPs had not participated in the observance of a minute's silence for all the victims of the wars in Croatia and Bosnia and Herzegovinaat the start of today's session of Parliament because they did not want to pay tribute to a convicted war criminal in Croatia's highest legislative body."We also did not want to justify the Croatian Democratic Union's (HDZ) failed policy in Bosnia and Herzegovina in the 1990s. We, of course, do not agree with the Joint Criminal Enterprise theory, as the SDP leaders made clear yesterday," Bauk said."We did not want our presence to be taken as an indication that we do not recognise the verdict, which responsiblepoliticians cannot do. ... I hope we will take part in drafting the declaration and agreeing on its wording," he added.Asked why Croatia had accepted the verdicts in the cases of Ante Gotovina and Mladen Markac and was refusing this one, Bauk said that this question was for a serious discussion and not for a parliament declaration."Croatia adopted the Constitutional Law on Cooperation with the ICTY and is one of the tribunal's founders. I think that some of the judges who passed the verdict yesterday sat in the Appeals Chamber for General Gotovina, and the verdict was acceptable then," the SDP official said.Bauk said that it was not true that Serbia was not mentioned in the ICTY judgements. "It was mentioned in the Martic verdict for both Croatia and Bosnia and Herzegovina."Goran Beus Richembergh of the Civic Liberal Alliance (GLAS) said that members of his party were not in the Parliament chamber while Jandrokovic was reading the statement because of controversial announcements of what the statement would contain and that it would pay tribute to General Slobodan Praljak, who took poison in the ICTY courtroom on hearing that his sentence of 20 years in prison was upheld."It was agreed that the statement proposed by the Speaker of Parliament would be sent to all parliamentary groups yesterday, but that did not happen. The statement was sent this morning, shortly before the start of the session. It was actually a message from the Speaker that the statement was his own and not a joint statement and we treated it as such. He could have read it anywhere else in the Parliament building, he needn't have bothered to come to the chamber just for this,"Beus Richembergh said.HSS sees nothing disputable in Jandrokovic's statementCroatian Peasant Party (HSS) leader Kreso Beljak said he saw nothing disputable in Jandrokovic's statement. "I think that what was agreed at yesterday's meeting of parliamentary groups was basically honoured," he said."As for the minute of silence, reference was made to the victims and to Praljak as the final act of a great tragedy that happened here. I see nothing disputable in observing a minute's silence for victims, especially for those killed under the Croatian coat of arms," Beljak said and added: "In that way we express regret for what happened, because unfortunately Croatian forces were also partly involved in that. I think this is a good way to go and that all countries and nations that were involved in the war should behave like this."GLAS MP says received death threatsZAGREB, Nov30(Hina) - A Member of Parliament from the GLASparty, Goran Beus Richembergh, said on Thursday that he had received hundreds of disgusting and primitive insults as well as death threats after writing on Wednesday on his Facebook wall that General Slobodan Praljak's suicide was an act of a convicted war criminal and that by ***planning*** to observe a minute of silence in the parliament for Praljak the leadership of the Croatian Democratic Union (HDZ) was trying to use the parliament for its own ends."I have received hundreds of disgusting and primitive insults. They are part of the risk of holding a public office and regardless of how difficult they may be to accept, because they are a sign of a poorstate of political culture, they are part of the freedom of expression, of speech. However, as for explicitdeath threats, I have reported them to the police. I guess they will establish if they are serious or not," Beus Richembergh said in a new Facebook post on Thursday.He thanked all "who have stayed calm, regardless of how hot their hearts may be, whose common sense prompted them to resist attempts at manipulating their emotions and who have supported GLAS's consistent position on the need to preserve the basic principles of the rule of law so that the interests of victims are always put first rather than the interests of those who participated in or were responsible for war crimes."In a statement to reporters in the parliament, Beus Richembergh said that the death threats, directed against himself and his family, included a photoof a revolver and messages describing which bullet would be used to kill him.Asked if he would seek police protection, he said that there was no need for it.Beus Richembergh and the other three members of his party were not in the parliament earlier in the morning when Parliament Speaker Goran Jandrokovic read out a statement by parliamentary party groups regarding the appeals judgement of the International Criminal Tribunalfor the former Yugoslavia (ICTY) in acase against six Bosnian Croat military and political leaders, with Beus Richembergh saying that announcements about the content of the statement were controversial and included an announcement that a minute of silence would be observed for Praljak.At the start of the parliament's sitting this morning Jandrokovic saidthat caucuses had agreed that the ICTY appeals ruling did not acknowledge the historical truth, facts and evidence and that as such the ruling was unjust and unacceptable, calling on MPs to observe a minute of silence for all civilian victims, killed and missing Croatian defenders and all victims of wars in Croatia and Bosnia and Herzegovina.Mesic: Croatia adopted const.law obliging all citizens to cooperate with ICTYZAGREB, Nov30(Hina) - Former Croatian president Stjepan Mesic said in a statement on Thursdaythat the initiative to establish the UN war crimes tribunal for the former Yugoslavia in The Hague had come from Croatia and its first president Franjo Tudjman and that the Croatian parliament consequently passed a constitutional law on cooperation with that tribunal, obliging every Croatian citizen, including the highest state officials, to provide the tribunal with any document it might seek and to respond to its summons as witnesses, suspects or indictees.Mesic said that as the second elected president of the republic, during his two terms in officehe had acted entirely in compliance with the constitutionallaw and that, to his knowledge, the same applied to Croatian governments."I, as the leading state official and the governments honoured what the Croatian Parliament bound us to," Mesic said.He added that any ruling by any court, including the Hague tribunal, could be questioned in terms of fairness and equity. "But a final court verdict should be respected and accepted," he said, adding that rejecting a verdict constituted disrespect of courts, in the specific case the Hague tribunal, as well as aretroactive derogation of the Croatian constitutional law."I underline once again that as President of the Republic of Croatia I honoured and did what I was bound to by aconstitutional law of the country that I headed by the will of the majority of its citizens. Any other conduct, whether on my part or on the part of any other citizen, would have constituted a gross violation of the country's highest law," Mesic stressed in his statement.He noted that he was faced with numerous queries and comments by both domestic and foreign media regarding the pronouncement of the last ruling of the International Criminal Tribunal for the former Yugoslavia (ICTY) and that he therefore considered it necessary to remind the public of some indisputable facts.Bosnian Croat leaders sayjudgement deepens division and mistrustZAGREB, Nov 30 (Hina) - The Croat National Assembly (HNS), an umbrella organisation of Bosnian Croat political parties, said on Thursday that the International Criminal Tribunal for the former Yugoslavia (ICTY) judgement against six former Bosnian Croat wartime political and military leaders was cynical, and it rejected the attemptto impose collective guilton Croatia and Bosnian Croats by an alleged joint criminal enterprise (JCE),underscoring that this political-ideological construct deepens divisions and mistrust among the peoples of Bosnia and Herzegovina.The use of the theory of a JCE, which implies collective guilt of a nation, certainly doesn't contribute to peace and reconciliation in Bosnia and Herzegovina, and the selective application of that theory to the Croat civilian and military leadership in Bosnia and Herzegovina and in Croatia does not contribute to peace and reconciliation but deepens the gap and mistrust at all levels between the constituent peoples in Bosnia and Herzegovina and countries in its neighbourhood," the HNS said in apress release.They warned that guilt can only be individual and that claims of a JCE were "an ideological and political construct that is not founded on international law" or on evidence."The JCE is an absurd accusation and ideological-political construct made up because the prosecution did not have any concrete proof or facts on which it could determine individual guiltof the accused officials of the Croatian Community and Croatian Republic of Herceg Bosnia and the command of the Croatian Defence Council," the press release added.HNS said that the ICTY could then have applied the same JCE theory to the Bosniak civilian and military leadership and other countries that were involved in various ways in the war in Bosnia and Herzegovina, but did not do so.The accusations of Croatia's aggression against Bosnia and Herzegovina and the negative connotations of its military and political role in the war in Bosnia and Herzegovina is hypocritical and cynical, HNS said.HNS said that the draconianICTY judgement won't affect the constitutional-legal status of Croats in Bosnia and Herzegovina which is already being brought into question by Bosniak authorities."Not one ICTY decision can undermine the Croats as a constituent and equal people in Bosnia and Herzegovina or prevent our legitimate and just fight to achieve full constitutional, institutional and political equality," the press release said.Vucic says doesn't understand Plenkovic's statement about verdictZAGREB, Nov 30 (Hina) - Serbian President Aleksandar Vucic said on Thursday that he would not in any way mock the suicide of Bosnian Croat wartime military commander Slobodan Praljak or call it a cowardly act, but criticised Croatia for mentioning Serbia after the announcement of the verdict for six former Bosnian Croat political and military leaders in The Hague.Vucic said he did not understand the part of the statement by Croatian Prime Minister Andrej Plenkovic about the existence of a joint criminal enterprise in creating Herceg-Bosna, the Croat entity within Bosnia and Herzegovina, which was referred to in the verdict.Vucic alluded to Plenkovic's mentioning connections between the Serbian wartime leadership and Bosnian Serb military commander Ratko Mladic, which was not mentioned in the Mladic verdict last week.Vucic said he did not understand what Plenkovic meant, noting that a portion of the Croatian public was obsessed with Serbia and the Serbian people."I didn't understand what that response was supposed to mean," Vucic told the press in Belgrade. He said he could neither understand why Plenkovic mentioned Serbia and Belgrade when he was asked by the Serbian press in Budapest about "hybrid warfare" in Croatia.The Serbian president said that the attitude of the international community towards Serbia was hypocritical, citing reactions from the international community to statements made by Croatian authorities following the announcement of the appeal verdictin The Hague.Vucic said that after General Ratko Mladic was given a life sentence last week, statements made by Serbia highlighted the need to turn to the future and express respect for all the victims, while there were no such reactions after the announcement of the verdictfor the six Bosnian Croats."And what were the reactions like in the region? No one even mentioned the future. Unfortunately, everyone was dealing with Serbia and the Serbs," Vucic said, stressing that the EU used "different standards" in its treatment of Serbia and Croatia.Vucic said that 95 percent of Serbian citizens considered the Mladic verdict "unlawful, bad and not corresponding to the facts." "But what would it look like if I, as president of the country, said in public that I was against that verdict, that Mladic was a hero, and that we would try to contest the verdict," he added.Commenting on the problem of missing persons from the 1991-1995 war in Croatia as one of the unresolved issues in relations between the two countries, Vucic said he wanted this issue resolved, but that the two countries had differing views on the number of missing persons."You cannot say in public in Croatia that more Serbs are listed as missing than Croats. I guess the Krajina Serbs did not kill themselves," Vucic said. He emphasised that Serbia was always ready for dialogue with Croatia"but as partners and not where wewould be humiliated."Dodik: ICTY fails to contribute to determining truth and justiceZAGREB, Nov 30 (Hina) - In his comment on the outcome of the proceedings of the International Criminal Tribunal for the former Yugoslavia (ICTY) against six Bosnian Croat wartime political and military leaders, President of the Republika Srpska, Serb entity in Bosnia and Herzegovina, Milorad Dodik, said onThursday that the UN tribunalhadnot contributed to the truth or justice and that after the ICTY closed,there wouldstill be four truths about the war events - the Serbian, Croatian, Bosniak and the truth promoted by the Hague-based tribunal."The live broadcastof (Slobodan Praljak's) suicide in the ICTY courtroomreflects in the best waythe nature, seriousness and intention of that tribunal. Perhaps that is the worst illustration of the functioning of judicial institutions that has sown new seeds of dissension in Bosnia and Herzegovina and has pushed us all even further away from reconciliation," Dodik told the RS news agency.He offered an "original" perception of the reason for the indictment and judgement against Jadranko Prlic et al. All that, Dodik considers, is the result of the fact that in 1991, the Croat leadership in Bosnia and Herzegovina "calculated too much," and omitted the opportunity to retain the Croatentity of Herceg-Bosna. Had it survived, there would not have been any trial, Dodik said."I think that after the disintegration of the former Yugoslavia to date,they 'over calculated.' First they clearly supported the referendum for Bosnia and Herzegovina's independence and a few years later they were at war with the Muslims and the epilogue of that was seen in yesterday's judgement," Dodik concluded.He, however, was disgruntled by comments by the Croatian side for recalling, who in fact was responsible for the war in Bosnia and Herzegovina and the aggression on that country and claimed that the Serbs were in noway responsible for the war calamities."The Serbs weren't in any of that and it is absolutely unfair that anyone connects Serbs, Republika Srpska or Serbia with that," Dodik concluded.Activist: Serbia isn't exonerated from liability for joint criminal enterpriseZAGREB, Nov30(Hina) - The coordinator of the regional fact-finding commission on war crimes (REKOM), Natasa Kandic, has said that the fact that the trial chamber's verdict againstGeneral Ratko Mladic did not mentionSerbia's leaders as accomplices in a joint criminal enterprise does not mean that Serbia is absolved from the responsibilityfor war crimes in the 1990s, only because Croatia's leadership is mentioned in thefinalverdict in the Prlic et al. case.Kandic has told Radio Free Europe that she does not think there will be consequences because Serbia isn't mentioned as a member of the joint criminal enterprise in the Mladic verdict, and added that the appeals chamber of the International Criminal Tribunal for the former Yugoslavia (ICTY) has pointed to the wrong policy led by the leadership in Zagreb during the war in Bosnia and Herzegovina."I do not think there will be any consequences. The verdict (in the Prlic et al. case) has established what actually happened: the then Croatian leadership pursued a wrong policy towards Bosnia and Herzegovina," Kandic told the radio.As for the trial chamber's judgement delivered against Ratko Mladic on 22 November, the activist said that Serbia was also omitted from the trial chamber's ruling against Radovan Karadzic in 2016.Karadzic and Mladic, wartime Bosnian Serb leaders, were sentenced, pending appeal, to 40 years and to life in prison respectively, for genocide and grave war crimes in the 1992-1995 war in Bosnia and Herzegovina.Kandic, however, explains that the Serbian leadership's involvement in a joint criminal enterprise was mentioned in the verdict against Croatian Serb rebel leader Milan Martic, who was given 35 years by that UN tribunal.Kandic said that in her opinionthe tribunal erred in acquitting Yugoslav military officer Momcilo Perisic and Croatian general Ante Gotovina.She believes that the legacy of the UN tribunal could facilitate efforts to come toterms with the past in the region provided that there are prudent politicians and a persistent civil society, so that "we accept that the wrong policies pursued resulted in the war and the killings of some 130,000 people."The ICTYAppeals Chamber on Wednesday upheld the sentences against six wartime Bosnia and Herzegovina Croat civilian and military leaders and, thus, Jadranko Prlic was sentenced to 25 years, Bruno Stojic, Slobodan Praljak and Milivoj Petkovic were sentenced to 20 years each, while Valentin Coric was given 16 years and Berislav Pusic 10 years, however the pronouncement of the verdict was overshadowed by suicide of Praljak who took poison during the hearing and later died in a hospital in The Hague.EU Delegation and British Embassy in Sarajevo urge respect for ICTY verdictZAGREB, Nov 30 (Hina) - The European Union Delegation and the British Embassy to Bosnia and Herzegovina on Thursday expressed resolute support for the work of the International Criminal Tribunal for the former Yugoslavia (ICTY) in The Hague, urging respect for the verdict that was handed down on Wednesday in the case of six Bosnian Croat wartime political and military leaders.In a statement circulated to media in Sarajevo, the EU Delegation said that the pursuit of justice and the fight against impunity were the principles that everyone should abide by."We fully respect the decisions of the ICTY and support its work.We strongly reiterate the need for full cooperation with the ICTY as well as its successor Mechanism for International Criminal Tribunals," the EU Delegation said in a statement."The European Union trusts that all the countries in the region are determined and committed to work towards reconciliation, regional cooperation and good neighbourly relations. We expect all political leaders in the region to honour the victims by promoting and respecting these commitments," it added.The British Embassy also called on everyone to honour the ICTY rulings and to turn to the future in a spirit of peace and reconciliation, noting that the verdict concerned those responsible for indescribable crimes.The death of Slobodan Praljak should not overshadow the fact that the defendants in this case used their positions to commit indescribable crimes. Our thoughts are primarily with the victims and their families, the British Embassy said in a statement.Croatian parliament adopts state budget for 2018ZAGREB, Nov30(Hina) - After commenting on amendments to the draft budget for 2018 for several hours on Thursday, members of the Croatian parliament adopted the key financial document for next year as well as financial projections for 2019 and 2020, with 79 MPs voting for and 34 against.Total budget revenues are ***planned*** at HRK 129 billion, 6.1% more than in the current budget. Total budget spending will amount to 133.3 billion or five billion more. The general government deficit will account for 0.5% of GDP or two billion kuna.Party groups and individual MPshad submitted a total of 147 amendments to the draft budget but 25 had not been submitted in line with the Budget Act.The government, followed by the parliament, rejected all opposition amendments, most of which referred to budget funds for the ministries of science and education, demography and justice.Gov't endorses only one amendment to 2018 draft budgetZAGREB, Nov30(Hina) - The government atits session on Thursday rejected amendments to a draft 2018 budgetsubmitted by parliamentary deputies, and Finance Minister Zdravko Maric said only one amendment would be accepted -- the one referring to the Hrvatske Ceste roads operator and landslide repair.Croatian MPs submitted a total of 147 amendments to the draft 2018 budget and two bills regarding the budget execution. After voicing their opinion about the proposed amendments, MPs are expected to adopt the 2018 budget at their session today.According to the finance minister, of the 147 submitted amendments25 have not been submitted in accordance with the Law on the Budget, and one has been withdrawn.Most of the amendments refer to the science and education sector, demography, the judiciary, the maritime, transport and infrastructure sector.The 2018 draft budget foresees a total revenue of HRK 129 billion, which is 6.1% higher than the current budget, while total expenditure is expected at HRK 133.3 billion, an increase of HRK 5 billion.The deficit will be about 0.5% or HRK 2 billion, while an economic growth of 2.9% is forecast.The government sent to parliament several of its own amendments to the final bill on Croatian war veterans and members of the families and authorisedits representative to endorse amendments to the said law submitted by others.Veterans Minister Tomo Medved said a total of 26 amendments had been submitted to the veterans' bill and that the government suggests the adoption of four of them.FinMin: Room for further tax cuts being soughtZAGREB, Nov 30 (Hina) - Finance Minister Zdravko Maric on Thursday said that he would continue to search for room in public finances for further tax cuts and that some measures would enter into force at the beginning of next year and other measures would be introduced during the government's term in office.Asked by reporters ahead of acabinet meeting on Thursdaywhat the government's most important reform would be next year, considering thatthe most important ***strategic*** reforms in the pension and health systems are being deferred, Maric said that he had proposed a tax reformand that that was certainly one of the majorreforms by this government so far."We unburdened the economy and citizens byHRK 2.5 billion. We made things considerably simpler, both administratively and financially. We stabilised public finances, we areworking together with...(Transport Minister Oleg) Butkovicon reforming the roads sector and will be a support to other portfoliosin implementing other reforms," he said.He underscored that there was still a lot to do in his portfolio."Public finances have been recording good results for two years in a row. That has been recognised by everyone, both domestic and international stakeholders. We are continuing in that field. Our basic idea in public finances is to seek room for further tax cuts," he said.Asked whether he was afraid that investments would slow down next yearbecause of the crisis in the Agrokor conglomerate, Maric said that the projections for next year werepresented transparently and clearly and noted all the possible risks.Next year's budget was ***planned*** on a growth forecast of 2.9%, whereas this year's the budget was based on a forecast of 3.2%.He added that the direct risks related to Agrokor are perhaps less thanthe indirect effecton suppliers."That is why the government is endeavouring to do what is possible to facilitatedoing business and to raise the investment climate to an even higher level in an effort to neutralise the potential negative affect but also to stimulate anincrease in investment activities," he said and added that the government based its economic model on a stronger contribution frominvestments and the export of goods and services.He added that personal consumption was traditionally stable in Croatia and "that is why we have seen the effects of this year's tax reform, which has been reflected the most in personal consumption and investments."Project contracting involving EU funds skyrockets by232% over past yearZAGREB, Nov30(Hina) - Regional Development and EU Funds Minister Gabrijela Zalac said on Thursday that during the term of the incumbent government led by Andrej Plenkovic project contracting involvingEU funds had increased by 232% over the past year as against the period from the start of 2014 to October 2016.Addressing a news conference after a meeting dedicated tothe absorption of EU funds, Zalac said that by the end of 2016 project applications for EU fundsamounting to EUR 2.8 billionhad been invited, which was 26% of a total of EUR 10.7 billion allocated toCroatia under the current financial perspective for the period 2014-2020."The number of invitations for applications published this year has also increased significantly, to 5 billion, or 47% of the total allocation for the seven-year period. All this shows that we have stepped up procedures and that we have approached this matter seriously," she said.The value of projects for which applications were invited grew 79% in the period from the end of 2016 to 31 October 2017, and the biggest increase, of 110%, was recorded in the Competitiveness and Cohesion ***programme***, she said.In the ten months of this year118 invitations for applications were published, whereby 22% of the total allocation, or EUR 2.3 billion, was made available to beneficiaries. In that period, contracts were signed for EUR 3.27 billion or 31% of the allocated funds andEUR 777.1 million was paid out or 7.3% of the allocated amount, said Zalac.Transport minister says 16 contracts worth over HRK 8B signed this yearZAGREB, Nov30(Hina) - Transport and Infrastructure Minister Oleg Butkovic said on Thursday he had signed 16 contracts totalling over HRK 8 billionwith European Union funds this year.Speaking ahead of a cabinet meeting, he told reporters he would sign another contract at a cabinet meeting in Osijek on Friday worth HRK 220 million for the tram infrastructure and new busses in the eastern city.Butkovic said the biggest project to be financed with EU money was the Peljesac bridge, adding that the management of the Hrvatske Ceste road operator now had to choose the contractor for the job.He said a construction contract was expected to be signed by year's end, provided no complaints were filed aboutthe choice of contractor. Hewould not speculate as towhen construction on the bridge could begin.Parliament adopts law on war veterans' rightsZAGREB, Nov30(Hina) - Parliament on Thursday passed by majority vote a law on the rights of Homeland War veterans and members of their familieswhich expands their current rights.The law was supported by 93 MPs, 15 were against and three abstained. The War Veterans Ministry needs an additional HRK 219.2 million to implement the law, an increase of HRK 44.5 million in relation to the funds set aside for this purpose this year.Parliament also adopted several decisions on the participation of Croatian troops in peace support missions, including Resolute Support in Afghanistan, Kosovo Force andEU NAVFOR Somalia, also known as Operation Atalanta.Labour Minister calls on unions to support collective agreementZAGREB, Nov 30 (Hina) - Minister of Labour and Pension System Marko Pavic on Thursday called on public sector unions to support a final draft Basic Collective Agreement (BCA) that was initialled this week following negotiations and underscored that based on the BCA, 180,000 people employed in the public sector would be given an additional HRK 2 billion next year."I call on all union members of the trade unions whose leaders initialled the agreement, to support it. I think it secures four years of social stability and ensures the possibility of further cooperation to increase rights if, of course, it is financially possible," Pavic told a press conference in Government House after the cabinet session which approved the decision to pay additional allowances and determined the base wage in the public sector.The agreement defines a grossbase wage of HRK 5,421.54 to apply starting with November's pay.Pavic underscored that based on the BCA, teachers, doctors, culture workers and social welfare employees will receive an additional HRK 2 billion next year."In the 2018 budget, in addition to HRK 1.49 billion for pensions, the highest expenditure in fact will be for the pay rise in the state and public service sectors, in the amount HRK 1.4 billion more than in 2017. When we add Christmas bonuses which will cost HRK 270 million and holiday bonuses of HRK 270 million, the total package we offered is valued at an additional HRK 2 billion," Pavic explained.50 exhibitors attending REXPO 2017 investment fairZAGREB, Nov 30 (Hina) - The two-day sixth international investment project fair, REXPO 2017, which opened in Zagreb on Thursday, has brought together close to 50 exhibitors who are to discuss cooperation and interest in public and private investment projects in Croatia and the rest of the region.This year the event's partner-country is Great Britain, said its organiser Sandra Marusic.The investment fair was opened by Construction and Physical ***Planning*** Minister Predrag Stromar and Tourism Minister Gari Cappelli.Stromar said that the government wanted to create a positive investment climate and that one of its main goals was to prevent further emigration.He noted that Croatia was becoming more and more attractive to investors, notably those interested in investing in the tourism sector.This was confirmed by Minister Cappelli, who said that this year around EUR 850 million had been invested in the tourism sector, which had helped open 40 hotels and employ 2,000 people.Cappelli noted that next year investments in the tourism sector could increase to more than one billion euros. He said that he expected the number of tourists in Croatia next year to be higher than this year."I know that the problem of VAT in tourism is not insignificant but I am confident that tourism will benefit from tax measures. Talks should be held with the finance minister to make sure that the VAT rate on food and drinks in restaurants is reduced in line with the sector's requests," Cappelli said.He said that a higher than ***planned*** quota of work permits for foreign nationals in the tourism sector would be approved.Montenegrin Parliament Speaker Branimir Gvozdanovic addressed the event, presenting data on investment projects in the tourism and construction sector in his country worth billions of euros.British Ambassador to Croatia Andrew Dalgleish expressed satisfaction that his country was the partner of this year's REXPO.The event, to include a number of panel discussions and business talks, will discuss the Peljesac bridge project, investments in tourism, notably luxury tourism, foreign investments in the region, with emphasis on public-private partnership, high-end projects, EU funds and government grants, etc.Croatia should become attractive investment destination, conference hearsZAGREB, Nov 30 (Hina) - A stimulating investment framework, a favourable business climate and branding Croatia as a desirable investment destination are essential for sustainable and continuouseconomic growth, it was heard on Thursday at the"***Plan*** of investments for Europe - Importance of investment platforms" conference.The conference was organised by the European Commission Representation in Croatia, the European Investment Bank's office in Zagreb and the Croatian Chamber of Commerce.If we want to get closer to the EU 28 average, particularly the EU 10, achieving dynamic economic growth ratesin the medium term is essential,the vice president for the Croatian Chamber of Economy for tourism, trade and finance, Josip Zaher, said. He considers that every growth impulseshould be utilised, includingEuropean funds, alongsideincreasedproduction and innovative investments.The Croatian economy is growing currently, butthe growth rate is far from that needed for continuousgrowth and development, he added.The possibility of EU funding for projects is open but that potential has not been utilised fully, he said and warned that, with 7.2% of allocated EU funds, Croatia is at the bottom of the absorption rankings.He added that in 2018 more calls for projects and speedier decisions on financing can be expected which could stimulate better absorption of available funding.The head of the EIB in Croatia, Anton Kovacev, said that it is essential to launch an investment cycle.He recalled that the EU and theEIB have prepared ***plans*** for Europe to boost investments, economic growth and new jobs.The European Fund for ***Strategic*** Investments (EFSI)is an initiative to help overcome the current investment gap in the EU. Jointly launched by the EIB Group and the European Commission, it aims to mobilise private investment in projects which are strategically important for the EU, Kovacev said.The Head of the European Commission Representation in Croatia, Branko Baricevic, said that in Croatia the EFSI platform is still considered for small and medium-sized entrepreneurs butthatlarge projects were also expected to receive financing from that fund.All components of society need to be engaged in tackling negative demographic trendsZAGREB, Dec 1 (Hina) - All components of the society should be engaged in efforts to halt negative demographic trends in Croatia, according to conclusions of a conference organised by the Catholic University of Croatia and the Konrad Adenauer foundation in Zagreb on Thursday.The state secretary of the demography and family ministry, Marin Strmota, spoke of the measures which the ministry had taken such as higher maternity benefits, however, he warned that the issue could be solved only through concerted action of all components in the society.Strmota believes that absence of higher economic growth and better living standards were reasons for a large-scale emigration to date.Nenad Pokos, a researcher from the Ivo Pilar institute, spoke about depopulation and mentioned that in 2015, there were 16,702 more deaths than the number of births Croatia, and 2017 is likely to have worse statistics in that regard.He presented data about a negative population growth of -7.1% in the period from 1991 to 2011.Tado Juric, a historian and a lecturer at the Catholic University of Croatia, believes that pessimism and lack of prospects are major reasons for emigration of young Croats.In addition, Croat families that emigrated in the past and returned to Croatia in the late 1990s again easily decide to leave again for western and central European countries, Juric said.He presented findings of an online survey conducted among 1,200 Croatians who have moved to Germany in the recent years, showing that a majority of them ***plan*** to live actually between Germany and their homeland.Juric and some other lecturers also warned about a wrong perception that everything is much better abroad than at home.German migrations expert Marcus Engler said that in 2016, as many as 441,000 Croatian nationals lived in Germany.Council onundemocratic regimes reaches high degree of agreement on general documentZAGREB, Nov30(Hina) - The chair of the Council dealing with the consequences of undemocratic regimes, Croatian Academy of Sciences and Arts (HAZU) president Zvonko Kusic, said on Thursday that members of the Council had reached a high degree of agreement on drawing up a general document that would serve as a guide for makingspecific normative recommendations to the government."After long and thorough work by all members of the Council, a very high degree of agreement has been reached regarding... acomprehensive approach to the issue of dealing with the rule of undemocratic regimes," Kusic told reporters briefly after the sixth session of the Council.Noting that work on the document would continue until the very end of the Council's mission, Kusic said that the Council had madesignificant progress by creating a basic document that would serve as a guide in making specific normative recommendations to the government in dealing with different situations that would come up in the future.Answering a reporter's question, Kusic said that in making the document and its definitions "all topics and all disputes that exist in the way we perceive the past have been dealt with."He expressed satisfaction that the document reflected a high degree of agreement in the pluralist Council.Terrorist "armed to the teeth" arrested near US Embassy in SarajevoZAGREB, Nov 30 (Hina) - Sarajevo police have arrested a citizen of Bosnia and Herzegovina,Emin Hodzic, for illegal possession of a large quantity of weapons andwho had previously fought on side with the Islamic State (IS) terrorist organisation and was sentenced to imprisonment, the Dnevni Avaz daily reported on Thursday.Citing police sources, the paper reported that the 25 year old was arrested by chance on Wednesday at the busterminal in Sarajevo during a regular police check. During the routine check up of Hodzic's vehicle, the police discovered two machine guns and 15 ammunition carriages, eight were loaded and ready for use.The police then searched the vehicle thoroughly and discovered a 'zolja' rocket thrower, three hand grenades, and explosive device and two bullet-proof vests.The Sarajevo bus terminal is located in the immediate vicinity of the US Embassy.Sarajevo Canton interior ministry officials confirmed that Hodzic has been detained for illegal possession of weapons and explosives however, an investigation is yet to determine what his intentions were and whether he had any accomplices.Hodzic was sentenced in March 2016 to one year imprisonment after being convicted of illegally joining a foreign paramilitary organisation after pleading guilty.In other news:Money for Spinraza drug for children suffering from SMA to be securedZAGREB, Nov30(Hina) - After staging a protest rally on Thursday, representatives of two associations were given assurancesby Prime Minister Andrej Plenkovic that a ***plan*** would be devised in the next two weeks on procuringthe Spinraza drug for children suffering from spinal muscular atrophy.The two associations staged the protest asking the government to provide the patients with the drug, which is a very expensive medicament, with one dosage costing HRK 640,000."Plenkovic promised us that Health Minister Milan Kujundzic would define a ***plan*** within two weeks and that based on available medical documentation, he would say how the treatment of each child would proceed," the head of one of the protesting associations, Ana Alapic, told reporters after the meeting with the PM.Sprinraza is a new efficient drug for the treatment of spinal muscular atrophy and it was approved by the European Medicines Agency (EMA) in early June.An analysis of the draft budget for 2018 has shown that the government and the Health Ministry have not secured budget funds for such drugs, the two associations said, adding that this was the reason for today's protest.Spinraza is not on the Croatian Health Insurance Institute's (HZZO) list of prescription drugs.Slovenia's Q3 GDP rises 4.5% year-on-yearZAGREB, Nov30(Hina) - Slovenia's economy grew by 4.5% in the third quarter of 2017 compared to the corresponding quarter in 2016, the country's Statistics Office stated on Thursday.One of the biggest contributions to GDP was made by external demand and a 12-percent rise in exports. Imports rose by 10.1%. As a result, Slovenia registered a record high surplus in the exchangeof goods and services, reaching 11.6% of GDP.The latest projections by international institutions for Slovenia's GDP in thewhole of 2017 range between 4% and 4.9%.Five of Agrokor companies post profits, three report lossesZAGREB, Nov 30 (Hina) - Eight companies within the Agrokor food and retail group on Thursday released financial statements for the first nine months of the year, showing that five of them operated at a profit and three at a loss.Frozen food and ice-cream ***producer*** Ledo reported a profit of HRK 131.6 million, a decrease of 27.4% compared with the corresponding period in 2016.Jamnica, ***producer*** of mineral and spring waters and soft drinks, generated a profit of HRK 159.6 million, or 28.2% less than last year.The Belje ***agricultural*** company generated a profit of HRK 44 million, while at the same time last year it reported a loss of HRK 33.7 million.The Zitnjak food company posted a profit of HRK 1.5 million. Its revenue fell by 28.4% to HRK 27.4 million, while expenditure decreased by 17.3% to HRK 25.9 million.***Agricultural*** ***producer*** Vupik generated a profit of HRK 8.9 million. Its operating revenue dropped by 12.9% to HRK 274.7 million.The Tisak newsstand chain posted a loss of HRK 103.2 million, a considerable increase compared with the first nine months of 2016 when the loss totalled HRK 10.6 million.Edible oil ***producer*** Zvijezda reported a loss of HRK 63.4 million, compared with last year's profit of HRK 34.4 million.The PIK Vinkovci ***agriculture*** and food production company reported a loss of HRK 5.9 million, as against a loss of HRK 3.8 million last year.EU unemployment in October at record low, Croatia also registers fallZAGREB, Dec 1 (Hina) - The seasonally adjusted unemployment rate in the 28-strong European Union slid to 7.4% in October 2017, which was the lowest rate since November 2008, and Croatia also registered a decline to 10.5% in October from 10.7% in September, the European Union's official statistical office (Eurostat) has reported."The euro area (EA19) seasonally-adjusted unemployment rate was 8.8% in October 2017, down from 8.9% in September 2017 and from 9.8% in October 2016. This is the lowest rate recorded in the euro area since January 2009. The EU28 unemployment rate was 7.4% in October 2017, down from 7.5% in September 2017 and from 8.3% in October 2016. This is the lowest rate recorded in the EU28 since November 2008."Eurostat estimates "that 18.243 million men and women in the EU28, of whom 14.344 million in the euro area, were unemployed in October 2017. Compared with September 2017, the number of persons unemployed decreased by 111 000 in the EU28 and by 88 000 in the euro area. Compared with October 2016, unemployment fell by 2.074 million in the EU28 and by 1.473 million in the euro area."Among the Member States, the lowest unemployment rates in October 2017 were recorded in the Czech Republic (2.7%), Malta (3.5%) and Germany (3.6%). The highest unemployment rates were observed in Greece (20.6% in August 2017) and Spain (16.7%).In October, a total of 189,000 Croatians were out of work, 4,000 lessthan in September.Number of people with jobs in October down 0.7%ZAGREB, Nov30(Hina) -There were 1.379million employed persons in Croatia at the end of October 2017, which is 9,468 persons or 0.7% fewer than at the end of September, according to figures released by the national statistical office (DZS) on Thursday.October was the third consecutive month to see the number of working people go down on the month, which is in line with seasonal trends, considering the fact that employment usually increases in the spring and falls at the end of summer when the tourism season ends.The largest portion of people with jobs were employed by legal entities and at the end of October their number was 1.171million. That was 0.1% or 1,368 persons more than the month before.There were 187,800 freelancers and trades people, which was about 10,830 personsor 4.7% fewerthan in September.There were 19,533insured farmers employed in October, four fewer than the month before.According to figures from the Croatian Employment Service (HZZ), at the end of October there were nearly 169,000 persons registered as unemployed, which was about 11,400 persons or 6.8% more on the month.The unemployment rate rose to 11.6% in October from 10.8% in September.Consumption increases 38th month in a row, by 3.1%ZAGREB, Nov 30 (Hina) - Consumption in Croatia increased by 3.1% in October compared to the same month last year, rising for the 38th month in a row, albeit at a slower rate than in September and less than had been expected.The State Bureau of Statistics (DZS) on Thursday released its initial estimate of retail trade turnover, and based on seasonally adjusted data, retail sales increased by 5.4% in nominal termsin October and by 3.1% in real terms year-on-year.The growth was slower than in September when consumption increased by 4.3% y-on-y.That was slower than analysts surveyed by Hina had expected, who on average expected a growth of 3.5%. Their estimatesranged from2.9% to 4.2%According to DZS data, Jan-Sept retail trade turnover increased by 5.0% in real terms on the year.ZSE indices upZAGREB, Nov 30 (Hina) - The main Zagreb Stock Exchange (ZSE) indices gained on Thursday, with the Crobex increasing by 0.78% to 1,875.01 points and the Crobex10 by 1.26% to 1,100.47 points.Regular turnover was HRK 11.7 million, about 5.5 million higher than on Wednesday.The most traded stock was that of the Valamar Riviera hotel company, turning over HRK 5.8 million. Its price rose by 2.98% to HRK 44.96 per share.The preferred stock of the Adris insurance and tourism group turned over HRK 1.4 million, closing at HRK 444 per share, up 1.88%.The only other stock that passed the one milion kuna mark in turnover was that of the Tehnika construction company, which generated a turnover of HRK 1.01 million. With a share price rise of 3.23% to HRK 160, it was the winner of the day.(EUR 1 = HRK 7.541208)THIS BULLETIN INCLUDES NEWS ITEMS RELEASED BY 0830 HRS (Hina) ms Masthead Brief News Bulletin is published by the Croatian News Agency HINA Marulićev trg 1610 000 ZagrebCroatia web:[*www.hina.hr*](http://www.hina.hr) mail: [*hina@hina.hr*](mailto:hina@hina.hr) phone: (+385 1) 48 08 660; fax (+385 1) 48 08 822 Publisher: Branka Gabriela Valentić, DirectorEditor in Chief: Serđo Obratov Bulletin Editor: Marija Šestan

ZAGREB, Nov30(Hina) - The ICTY verdict against six former Bosnian Croatofficials is unjust for them, for the Croat people in Bosnia and Herzegovina, and for Croatia's state leadership in the 1990s, Prime Minister Andrej Plenkovic said at the start of a cabinet meeting on Thursday.

ZAGREB, Nov 30 (Hina) - Defence lawyers for the six wartime Bosnian Croat military and civilian leaders in the Prlic et al. case said on Thursday that Croatia stood little chance of having their clients' guilty verdict and long sentences reviewed.

The statute of the International Criminal Tribunal for the former Yugoslavia (ICTY) envisages that the review of the final rulings is possible only if there is new evidence that was not available during the trial and appellate proceedings.

Article 26 of the tribunal's statute reads that "where a new fact has been discovered which was not known at the time of the proceedings before the Trial Chambers or the Appeals Chamber and which could have been a decisive factor in reaching the decision, the convicted person or the Prosecutor may submit to the International Tribunal an application for review of the judgement."

A lawyer for the late Slobodan Praljak, Nika Pinter, thinks that chances for a review are slim and recalls that the UN tribunal ceases its work by the end of this year.

"If Praljak's family wants to initiate review proceedings, I will consider that possibility but personally I don't want to have anything with that tribunal any more," said Pinter whose client Praljak committed suicide by taking poison during the hearing at which the ICTY Appeals Chamber upheld his 20-year sentence.

"This is an ugly end for the Hague tribunal. Not only because of what happened to Praljak, but also because the tribunal failed to fulfill its purpose," the lawyer said.

The defence teams for the other five convicts have not yet decided on further steps, however, they, too, admit that chances for the review are slim.

A source close to one of the defence teams said that the chances of finding new evidence were small.

They also criticise the Croatian government for having been indolent in the case.

"Someone has evidently slept over these 20 years," the source said.

The ICTY Appeals Chamber on Wednesday upheld the sentences against six wartime Bosnian Croat civilian and military leaders in the Prlic et al. case. Former Herceg-Bosnia PM Jadranko Prlic was sentenced to 25 years' imprisonment, former defence minister Bruno Stojic and former HVO chiefs-of-staff Praljak and Milivoj Petkovic to 20 years each, former HVO military police commander Valentin Coric to 16 years, and the chief of the POW exchange office, Berislav Pusic, to ten.

The Chamber also found that there existed a joint criminal enterprise, an international armed conflict in Bosnia and Herzegovina in which Croatia was involved, and a state of occupation.

The ICTY tries individuals and not states or states' accountability, "and from that aspect there are no elements at all that would indicate any accountability" on Croatia's part, Croatian Prime Minister Andrej Plenkovic said in a comment on the ruling.

Croatia tried to become an amicus curiae in the Prlic et al. case in 2006, 2016 and 2017, but was rejected every time.

Croatia's leaders insist that the verdict is unfair and have announced steps to raise this issue before the Security Council of the United Nations, which is the tribunal's founder.

ZAGREB, Nov30(Hina) - Nobody killed Slobodan Praljak, he committed suicide as he was an honourable man who could not stand to live with a verdict of being a war criminal, Praljak's lawyerNika Pintar said on Thursday.

ZAGREB, Nov30(Hina) - Speaker Gordan Jandrokovic said at the start of parliament's sitting on Thursday that caucuses had agreed that the ICTY appeals ruling didnot acknowledge the historical truth, facts and evidence and that as such the ruling was unjust and unacceptable, calling on MPs to observe a minute of silence for all civilian victims, killed and missing Croatian defenders and all victims of wars in Croatia and Bosnia and Herzegovina.

ZAGREB, Nov 30 (Hina) - Bridge party leaderBozo Petrovon Thursday said that he was sorry that the Opposition did not pay respectto all victims of war in parliament earlier in the day and underscored that he consideredthe International Criminal Tribunal for the former Yugoslavia (ICTY) judgement against six Bosnian Croat wartime political and military leaders as unjust.

Ivan Pernar of the opposition Human Shield party said in parliament on Thursday that the Croatian Democratic Union's (HDZ) disagreement with the ICTYjudgement against six Bosnian Croat wartime political and military leaders was "hypocritical and insincere," and added that it was not ajudgment againstCroatia or the Croatian people but against the politics "led by one party."

ZAGREB, Nov 30 (Hina) - The statement by Parliament Speaker Gordan Jandrokovic about the appeal verdict that was handed down by the Hague war crimes tribunal in the case of six Bosnian Croat wartime political and military leaders on Wednesday is unacceptable to some of the political groups in the Croatian Parliament, the chairman of the Social Democratic Party (SDP) group, Arsen Bauk, told reporters on Thursday.

ZAGREB, Nov30(Hina) - A Member of Parliament from the GLASparty, Goran Beus Richembergh, said on Thursday that he had received hundreds of disgusting and primitive insults as well as death threats after writing on Wednesday on his Facebook wall that General Slobodan Praljak's suicide was an act of a convicted war criminal and that by ***planning*** to observe a minute of silence in the parliament for Praljak the leadership of the Croatian Democratic Union (HDZ) was trying to use the parliament for its own ends.

ZAGREB, Nov30(Hina) - Former Croatian president Stjepan Mesic said in a statement on Thursdaythat the initiative to establish the UN war crimes tribunal for the former Yugoslavia in The Hague had come from Croatia and its first president Franjo Tudjman and that the Croatian parliament consequently passed a constitutional law on cooperation with that tribunal, obliging every Croatian citizen, including the highest state officials, to provide the tribunal with any document it might seek and to respond to its summons as witnesses, suspects or indictees.

ZAGREB, Nov 30 (Hina) - The Croat National Assembly (HNS), an umbrella organisation of Bosnian Croat political parties, said on Thursday that the International Criminal Tribunal for the former Yugoslavia (ICTY) judgement against six former Bosnian Croat wartime political and military leaders was cynical, and it rejected the attemptto impose collective guilton Croatia and Bosnian Croats by an alleged joint criminal enterprise (JCE),underscoring that this political-ideological construct deepens divisions and mistrust among the peoples of Bosnia and Herzegovina.

ZAGREB, Nov 30 (Hina) - Serbian President Aleksandar Vucic said on Thursday that he would not in any way mock the suicide of Bosnian Croat wartime military commander Slobodan Praljak or call it a cowardly act, but criticised Croatia for mentioning Serbia after the announcement of the verdict for six former Bosnian Croat political and military leaders in The Hague.

ZAGREB, Nov 30 (Hina) - In his comment on the outcome of the proceedings of the International Criminal Tribunal for the former Yugoslavia (ICTY) against six Bosnian Croat wartime political and military leaders, President of the Republika Srpska, Serb entity in Bosnia and Herzegovina, Milorad Dodik, said onThursday that the UN tribunalhadnot contributed to the truth or justice and that after the ICTY closed,there wouldstill be four truths about the war events - the Serbian, Croatian, Bosniak and the truth promoted by the Hague-based tribunal.

ZAGREB, Nov30(Hina) - The coordinator of the regional fact-finding commission on war crimes (REKOM), Natasa Kandic, has said that the fact that the trial chamber's verdict againstGeneral Ratko Mladic did not mentionSerbia's leaders as accomplices in a joint criminal enterprise does not mean that Serbia is absolved from the responsibilityfor war crimes in the 1990s, only because Croatia's leadership is mentioned in thefinalverdict in the Prlic et al. case.

ZAGREB, Nov30(Hina) - After commenting on amendments to the draft budget for 2018 for several hours on Thursday, members of the Croatian parliament adopted the key financial document for next year as well as financial projections for 2019 and 2020, with 79 MPs voting for and 34 against.

ZAGREB, Nov30(Hina) - Regional Development and EU Funds Minister Gabrijela Zalac said on Thursday that during the term of the incumbent government led by Andrej Plenkovic project contracting involvingEU funds had increased by 232% over the past year as against the period from the start of 2014 to October 2016.

ZAGREB, Nov30(Hina) - Transport and Infrastructure Minister Oleg Butkovic said on Thursday he had signed 16 contracts totalling over HRK 8 billionwith European Union funds this year.

ZAGREB, Nov30(Hina) - Parliament on Thursday passed by majority vote a law on the rights of Homeland War veterans and members of their familieswhich expands their current rights.

ZAGREB, Nov 30 (Hina) - Minister of Labour and Pension System Marko Pavic on Thursday called on public sector unions to support a final draft Basic Collective Agreement (BCA) that was initialled this week following negotiations and underscored that based on the BCA, 180,000 people employed in the public sector would be given an additional HRK 2 billion next year.

ZAGREB, Nov 30 (Hina) - The two-day sixth international investment project fair, REXPO 2017, which opened in Zagreb on Thursday, has brought together close to 50 exhibitors who are to discuss cooperation and interest in public and private investment projects in Croatia and the rest of the region.

This year the event's partner-country is Great Britain, said its organiser Sandra Marusic.

The investment fair was opened by Construction and Physical ***Planning*** Minister Predrag Stromar and Tourism Minister Gari Cappelli.

Stromar said that the government wanted to create a positive investment climate and that one of its main goals was to prevent further emigration.

He noted that Croatia was becoming more and more attractive to investors, notably those interested in investing in the tourism sector.

This was confirmed by Minister Cappelli, who said that this year around EUR 850 million had been invested in the tourism sector, which had helped open 40 hotels and employ 2,000 people.

Cappelli noted that next year investments in the tourism sector could increase to more than one billion euros. He said that he expected the number of tourists in Croatia next year to be higher than this year.

"I know that the problem of VAT in tourism is not insignificant but I am confident that tourism will benefit from tax measures. Talks should be held with the finance minister to make sure that the VAT rate on food and drinks in restaurants is reduced in line with the sector's requests," Cappelli said.

He said that a higher than ***planned*** quota of work permits for foreign nationals in the tourism sector would be approved.

Montenegrin Parliament Speaker Branimir Gvozdanovic addressed the event, presenting data on investment projects in the tourism and construction sector in his country worth billions of euros.

British Ambassador to Croatia Andrew Dalgleish expressed satisfaction that his country was the partner of this year's REXPO.

The event, to include a number of panel discussions and business talks, will discuss the Peljesac bridge project, investments in tourism, notably luxury tourism, foreign investments in the region, with emphasis on public-private partnership, high-end projects, EU funds and government grants, etc.

ZAGREB, Nov 30 (Hina) - A stimulating investment framework, a favourable business climate and branding Croatia as a desirable investment destination are essential for sustainable and continuouseconomic growth, it was heard on Thursday at the"***Plan*** of investments for Europe - Importance of investment platforms" conference.

ZAGREB, Nov30(Hina) - The chair of the Council dealing with the consequences of undemocratic regimes, Croatian Academy of Sciences and Arts (HAZU) president Zvonko Kusic, said on Thursday that members of the Council had reached a high degree of agreement on drawing up a general document that would serve as a guide for makingspecific normative recommendations to the government.

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ZAGREB, Nov 30 (Hina) - The main Zagreb Stock Exchange (ZSE) indices gained on Thursday, with the Crobex increasing by 0.78% to 1,875.01 points and the Crobex10 by 1.26% to 1,100.47 points.

THIS BULLETIN INCLUDES NEWS ITEMS RELEASED BY 0830 HRS

**Load-Date:** December 5, 2017

**End of Document**



[***AFP won't hand over seized documents until at least Friday - politics live; The opposition calls AFP raids on the Australian Workers' Union 'an abuse of power' and claims Michaelia Cash is responsible for the 'witch-hunt'. Follow the day's events live***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5PT0-1H81-JCJY-G2W0-00000-00&context=1516831)

The Guardian(London)

October 24, 2017 Tuesday 9:58 PM GMT

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**Section:** AUSTRALIA NEWS; Version:19

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**Byline:** Amy Remeikis

**Body**

block-time published-time 8.31am BST

The estimates hearing is devolving into chaos.

"You'll do anything to hide this, won't you?" Murray Watt calls out.

Linda Reynolds suspends for the dinner break and Watt tells Michaelia Cash she can "read the Buzzfeed article" on the break.

This is going to go on all night.

block-time published-time 8.27am BST

Cameron: "Minister, on five occasions you have denied that any notice of the press came from your office... Do you still deny that your office has had no involvement in notifying the press and do you still deny that you are not involved in that, and can you then give me any reason for why we should believe what you say, because it was either your office, the AFP or ROC, there is not much left.

Cash: I am not going to comment on stories from Buzzfeed that I have not yet read, but yes, I stand by previous evidence and I have said it to you on previous occasions.

block-time updated-timeUpdated at 8.34am BST

block-time published-time 8.23am BST

Doug Cameron gets his way after Michaelia Cash says she is happy to answer the question.

block-time published-time 8.22am BST

Doug Cameron is attempting to ask Michaelia Cash about the Buzzfeed story, and is being blocked by James Paterson, as not being part of the Fair Work portfolio.

Linda Reynolds is telling Cameron and Labor senator Murray Watt they can wait until they get to the Registered Organisations Commission part of the evening. Which is being held up.

block-time published-time 8.14am BST

Journalists tell Buzzfeed they were called about AWU raids by minister's office

New from Alice Workman at Buzzfeed:

BuzzFeed News has spoken to journalists from two news outlets who say they received a tip-off from employment minister Michaelia Cash's office ahead of the Australian Federal Police (AFP) raids on the Australian Workers' Union (AWU).

You can read her story here

block-time updated-timeUpdated at 8.35am BST

block-time published-time 7.51am BST

Government MPs on the employment estimates hearing committing are asking Fair Work officials if they understand what certain legislation does, (literally their job to know that), reading legislation sections out to them and talking about submissions to an inquiry which are publicly available.

Filibuster? What filibuster?

block-time updated-timeUpdated at 7.56am BST

block-time published-time 7.44am BST

The government is still filibustering in the employment estimates hearing.

"If I came back as soon as the news started, that should be OK?" Labor senator Murray Watt asks.

He's implying that the government members of the committee are attempting to push the Registered Organisations Commission hearing until after the 6pm news. There are suggestions they are trying to push it out to the dinner break, which would mean the committee wouldn't get to it until after 9pm.

block-time updated-timeUpdated at 7.56am BST

block-time published-time 7.28am BST

Everyone is waiting on the Registered Organisations Commission to front the employment estimates. They were scheduled to appear at 4.50pm, but it looks like the government is filibustering.

block-time updated-timeUpdated at 8.04am BST

block-time published-time 7.25am BST

We haven't spent a lot of time in the House today, outside question time, but the firearms trafficking bill is being discussed. Labor objects to the mandatory minimum sentences. So does Kennedy MP Bob Katter, who got quite incensed when justice minister Michael Keenan implied opposing mandatory sentencing was a "leftie" move.

Bob Katter objects Photograph: Mike Bowers for the Guardian

block-time updated-timeUpdated at 7.33am BST

block-time published-time 7.13am BST

And then there is also this one:

enltrTonight on reddit from 5:30 Qld time. Ask me anything. [*https://t.co/s0AGRfxFdwpic.twitter.com/xNtsnOeIut*](https://t.co/s0AGRfxFdwpic.twitter.com/xNtsnOeIut)

- Kevin Rudd (@MrKRudd) October 25, 2017

block-time published-time 7.11am BST

We end the day with this alert, because of course we do

enltrPrime Minister @TurnbullMalcolm will launch the Betoota Advocate's book 'Betoota's Australia' at 5:20pm, Parliament House, Canberra #auspol

- Political Alert (@political\_alert) October 25, 2017

block-time published-time 6.47am BST

Oh, and he ends with a little warning to the NSW Liberals, regarding the Roseville 'one member, one vote' resolutions, interrupting host Ben Fordham to make sure he can get it in.

"This is make or break time for the NSW Liberal party... early December... and you know, there was the Roseville resolutions overwhelmingly carried by the biggest meeting of NSW Liberals in many, many years and it would just be, I think, appalling if those resolutions were thwarted by some machinations and exploitation of the rules. But let's talk about it next time."

block-time updated-timeUpdated at 6.50am BST

block-time published-time 6.42am BST

Should the PM be able to live in Point Piper, given the security costs, Mr Abbott?

"This is I think a reasonable question to pose and yes I got advice back in late 2013 that it would be quite costly for Margie, me and the Abbotts to stay in suburban Forestville in the end, I don't know what advice [Turnbull] got, but where he lives is a matter for him."

block-time published-time 6.38am BST

Tony Abbott is on 2GB for his regular chat.

Grab your popcorn.

And we are straight into it.

" Bill Shorten' s problem is he is always making excuses for unions... and if he got to be our prime minister, he would effectively be the PM for the CFMEU, the CFMEU PM."

block-time updated-timeUpdated at 6.40am BST

block-time published-time 6.37am BST

Who told the media about the AWU raids?

I can't tell you. But I can tell you, that despite handing the government the votes it needed to make the Registered Organisations Commission a reality, which he does not say he regrets, Nick Xenophon believes there needs to be an investigation into how the cameras made it to the AWU offices, before the police.

It taints the whole process, it should be rule of law, not a media circus, particularly with serious allegations. That is what I am interested in at the moment. People of integrity in government have said to me 'there is no way we were involved in this in any way and any suggestion that we were is completely wrong and offensive' but someone leaked this to the media. It shouldn't have been leaked because I think it casts a cloud over the whole process in terms of the investigation and the process that now needs to take place.

block-time updated-timeUpdated at 6.40am BST

block-time published-time 6.13am BST

enltrPM Malcolm Turnbull as labor attempts a suspension of standing orders [*#qt@AmyRemeikis@GuardianAus#politicslivepic.twitter.com*](mailto:#qt@AmyRemeikis@GuardianAus#politicslivepic.twitter.com)/v8k5g2jOQZ

- Mikearoo (@mpbowers) October 25, 2017

block-time published-time 6.11am BST

Nick Xenophon says the leak to the media "cast a shadow over the whole process" and needs to be investigated.

Meanwhile, in Brisbane, the ABC offices are being raided with police apparently looking for state cabinet documents in relation to LNP government cuts to the environmental department.

block-time published-time 6.07am BST

Back in the community affairs estimates hearing, and it looks as though the government's proposed drug testing trial will be delayed. The department says no contract has gone out to tender as yet, and doesn't seem overly confident it would begin on January 1 as the government had wanted (that's when it wants it reforms to kick in). Still no idea of the cost though

block-time published-time 6.02am BST

Labor have joined Nick Xenophon's call into an inquiry into how the media found out about the raids on the AWU offices. Here is what Brendan O'Connor had to say in a statement:

Labor backs Senator Nick Xenophon's call for an independent inquiry to establish who tipped off the media prior to the AFP raids on the Australian Workers Union (AWU). Turnbull and the minister have failed to answer simple yet serious questions about who tipped off the media before the raids actually occurred. If Turnbull and his Liberals have nothing to hide, then they must support this inquiry. Turnbull and his Liberals need to immediately answer what they knew, when they knew it and who they told. On the same day parliament was told that Turnbull's cuts to the AFP have meant serious crimes like drug smuggling could not be properly investigated, we saw more than 25 AFP officers used to execute these extraordinary raids. Turnbull and his Liberals will stop at nothing to attack workers and their representatives. Australians will see this for the desperate tactic that it is.

\*end statement\*

block-time updated-timeUpdated at 6.06am BST

block-time published-time 6.01am BST

No documents to be handed over until at least Friday

Maurice Blackburn principal Josh Bornstein has just left the federal court. He confirms that the AFP will not hand over any documents that it seized and the regulator will not accept any seized documents until the court hears the case. That probably won't be for a few days.

The union is very pleased at the moment that we at least got to this point, but the case, is going to go back for a hearing on Friday, where we expect a further set of direction, leading up to a full hearing of the case. We continue to believe that this warrant and the use of 32 federal police was a disgraceful overreach. We are talking here about an argument about paperwork. We don't see 32 federal police with a tip off to the media with major criminal matters, let alone a debate over the internal paperwork of unions. Unions are labouring under some of the most oppressive legislation in the OECD at the moment, they are under constant and relentless attack and the media stunt that was pulled yesterday is another dimension in the ongoing attack that is designed to de-legitimise and paint the trade union in the worst possible light.

block-time updated-timeUpdated at 6.08am BST

block-time published-time 5.38am BST

I wanted a little bit of space in between the mess of question time and the condolences that both Malcolm Turnbull and Bill Shorten offered Linda Burney and her family ahead of the official opening of questions.

The prime minister:

This morning, I spoke with the member for Barton and expressed Lucy and my deep sadness on the loss of her son at their home last night. As parents, our worst dread is the loss of a child. Linda's loss is unspeakably sad. She's not with us today, she has leave. But we are with her, we are all with her in love and in heartfelt sympathy. She is cast deep in grief but she does not grieve alone. She is a strong woman. Stronger because of the love that all of us, the sympathy that all of us, the friendship that all of us share with her at this tragic time for her and for her family.

The leader of the opposition:

As honourable members are aware, the member for Barton has taken leave from this parliament following the tragic death of her 33-year-old son Binni. As she said in her touching and sad statement this morning, she "returned to Sydney last night to be with him this one last time." On behalf of Chloe and I, and on behalf of the whole Labor family, I want to offer our deepest condolences to Linda and her family.

This is just so sad. As Jenny Macklin and I were speaking to her last night, the grief, the grief is terrible. Losing a child is every parent's nightmare. It is, as Shakespeare once said, a grief that 'fills up the room'. We know how much Linda loved her son - and we know how much her son loved Linda. In this time of deep sadness, can I please request that the media respect her family's privacy, and I know that they will. And - I should add - that the family have asked that instead of flowers, if people are so inclined could they please contribute to Central Coast Drug Alcohol Rehabilitation Centre. All of us send our love and our solidarity to our friend and colleague and her family at this time.

There was, as you could imagine, a lot of emotion in the House.

The member for Cowan Anne Aly wipes away tears as Bill Shorten speaks about the recent tragedy which has befallen Linda Burney's family. Photograph: Mike Bowers for the Guardian The member for Lindsay Emma Husar passes the tissues to the member for Cowan Anne Aly Photograph: Mike Bowers for the Guardian The member for Lindsay Emma Husar wipes away a tear as Bill Shorten speaks about the death of the member for Barton's son. Photograph: Mike Bowers for the Guardian

block-time updated-timeUpdated at 6.01am BST

block-time published-time 5.23am BST

Bit more from Mr Bowers

The leader of the house Christopher Pyne during question time Photograph: Mike Bowers for the Guardian You are very safe and protected Photograph: Mike Bowers for the Guardian Mark Butler and Chris Bowen react to deputy PM Barnaby Joyce during question time Photograph: Mike Bowers for the Guardian

block-time published-time 5.16am BST

Question time officially ends.

block-time published-time 5.15am BST

Update on the federal court hearing

enltrFed Court told ROC agrees not to receive seized union documents from AFP raid until next court hearing, possibly Friday @abcnewsMelb

- Stephanie Ferrier (@FerrierSteph) October 25, 2017

block-time published-time 5.10am BST

At least the latest gag motion gives me a chance to show you some of Mike Bowers' great work

The member for Lindsay Emma Husar reacts to deputy PM Barnaby Joyce during question time Photograph: Mike Bowers for the Guardian The leader of the house Christopher Pyne during question time in the house of representatives Photograph: Mike Bowers for the Guardian Prime Minister Malcolm Turnbull during question time Photograph: Mike Bowers for the Guardian

block-time published-time 5.04am BST

Justice Susan Kenny is due to hear the AWU's challenge of the AFP raids in the federal court at 3pm.

The originating application states the AWU is seeking a declaration the search warrant for Tuesday's raid is invalid and an order quashing the Registered Organisations Commission investigation.

The AWU has asked for an interlocutory injunction to prevent the AFP giving the ROC the information they took in the raids, and that is the aspect of the case we expect will be heard and decided this afternoon.

block-time updated-timeUpdated at 5.13am BST

block-time published-time 5.02am BST

Tony Burke is calling for a suspension of standing orders to move this motion:

That the House notes, one: yesterday it was revealed the Australian Federal Police did not have the resources to investigate the importation of 1.6 tonnes of cocaine; two: on the very same day, the prime minister's Registered Organisations Commission sent at least 25 of the officers - 25 AFP officers to look at a 10-year-old donation to GetUp. Three: in doing so, this government diverted police resources needed to fight drug syndicates to protect his own political interests. For this is just the latest example of this prime minister's willingness to abuse his power and debase the office of prime minister. And, therefore: condemns this born-to-rule prime minister for his grubby attacks and blatant abuses of power designed to protect his own political interests instead of protecting Australians.

The government seeks to gag him and the House divides.

block-time updated-timeUpdated at 5.13am BST

block-time published-time 4.57am BST

Greg Hunt gets a dixer on energy from Wide Bay MP Llew O'Brien, whom he calls "a policeman's policeman".

Bill Shorten:

My question is to the prime minister. Why hasn't the prime minister asked government agencies to undertake any investigations into Australians caught up in the Panama Papers scandal? Why does the prime minister continue to protect the banks from a royal commission despite reports that the Commonwealth Bank allowed money to be laundered by terrorists? Why won't this or the rule power to do something about misconduct at the top end of town, and stop abusing his power to attack people and organisations who highlight his failings?

Malcolm Turnbull:

I am so glad, Mr Speaker, that Melbourne's greatest sycophant has raised the top end of town. One enterprise bargain after another, sold out. Sold out to big business. One deal after another. One set of penalty rates after another. One sweetheart deal after another. And all the time, as he postured as the great friend, the great friend of big business, here he was, Mr Speaker. We know how much time he has spent there sucking up to Dick Pratt and all the other billionaires. Oh, yes. Oh, yes. There is nothing more sycophantic than a Labor politician in the presence of a billionaire. Believe me, I've seen quite a few of both. And I know these are the great sucker-uppers of all time.

And he talks about business, Mr Speaker. What was the party, what was the party? Let me remember, the party that voted against our bill to tackle multinational tax avoidance. It was the Labor party. That's right, Mr Speaker. That's how committed they were, Mr Speaker. The grovelling, the compromises, the special deals. We have seen them all. Their members have seen them all. But nothing takes the cake quite so much, quite so much, as paying members' money to GetUp, which after all, wants to put the AWU members out of work.

We move on to Peter Dutton letting us know just how protected and safe our borders and communities are. Again. We are very safe. And very protected.

block-time updated-timeUpdated at 5.09am BST

block-time published-time 4.50am BST

There is another dixer to Josh Frydenberg, who starts quoting figures on how much families have saved by taking the government's advice and shopping around for their power provider.

Back to the opposition questions, for the prime minister.

Tony Burke:

Can he confirm that his government has sent in the AFP to break into parliamentary offices during a [election] campaign due to the failings of his second NBN being exposed, referred people [from Queensland Labor] over upsetting text messages, and sent the AFP to investigate a 10-year-old donation to GetUp. Why is he diverting money towards projects of political interest to a born to rule prime minister?

Christopher Pyne makes a point of order on what he says are inaccuracies. Tony Smith says if that is the case there are three minutes for the prime minister to correct them.

Malcolm Turnbull:

It was bad enough to see John Setka attacking the integrity of the AFP. Bad enough to see that. The way in which he flaunted his and his union's defiance of the law, and then it was even worse, when we saw the member for Gorton echoing that this respect, that contempt for the law last night - that disrespect. But now we see the member for Watson standing up here in the parliament and stating what he knows to be utterly untrue, alleging that the federal police does the political bidding of the government. That is a shocking allegation against the federal police. It is a shocking allegation against the government. Above all, above all, it's impugns the integrity and the professionalism of the men and women of the federal police who work so hard to keep us safe. Labor should be ashamed of themselves.

block-time updated-timeUpdated at 5.05am BST

block-time published-time 4.44am BST

Brendan O'Connor: "Can the prime minister confirm that the prime minister went to a double dissolution election to establish is registered organisation commission. The commission was hand-picked by the employment minister, and [whether] the commission is looking into a 10-year-old donation to GetUp is because their employment minister told them to do so?"

Malcolm Turnbull: (with papers in hand)

What we know about this matter is that we, the registered organisation commission, received information which they say raise reasonable grounds for suspecting that relevant documents were maybe being interfered with by being concealed or destroyed. Now, we know, we know that there have been examples of documents being concealed and - and - and that tends to destroy them with respect to other union investigations. This is a concern that is a fact. Now, Mr Speaker, what the honourable member is suggesting is that a regulatory agency designed to ensure that unionists, and members funds, not being dealt with unlawfully. And investigating that. And believing that relevant documents were at risk of being destroyed. But they should do nothing.

How very convenient. How very convenient that would be for union officials who miss-use union members' money. And Mr Speaker, when the member for Barton, when the member for Barton gave his extraordinary interview yesterday, he said (he is corrected for naming the wrong member), the member for Gorton, Mr Speaker. When he gave that, when he gave that extraordinary interview yesterday, in which he made claims that, substantially, the claims on the AFP, oh, he did... he said that the government uses the police for police purposes, and that is precisely what the member for Gorton said yesterday.

What he also did was to follow the same line as the member for Sydney, which said, let me just say this, 'I do know of allegations made against the AWU 10 years ago. None of the allegations, were they true, warrant this sort of conduct'. Is he seriously suggesting that if a regulator charged under law to investigate wrongdoing believes that evidence is about to be destroyed, that they should do nothing? That would be very convenient for those who misuse union member's money... misuse... union members.

block-time updated-timeUpdated at 5.00am BST

block-time published-time 4.35am BST

Queensland Michelle Landry asks the next dixer to Barnaby Joyce, who nods along with it. It's on "affordable and reliable" energy policies and any alternative approaches. As she sits down, the microphone picks up someone saying "great member, great member".

Tony Burke asks about the relevance to the member's portfolio.

Tony Smith hears it again. He says it is "very line ball", adding "I will rule it in order on the basis that it talked about businesses and the deputy prime minister is responsible, certainly, for ***agricultural*** businesses. But I do question, I do say the member, I do say to the member that it is very important questions relate to ministerial responsibility."

Barnaby Joyce gives a very Barnaby Joyce answer.

block-time updated-timeUpdated at 4.55am BST

block-time published-time 4.31am BST

Tony Burke : "In his previous answer the prime minister said that Senator Cash had assured him that she did not advise the press gallery of the raids. Did Senator Cash assure the prime minister that her office did not advise the press gallery of the raids?"

Malcolm Turnbull: "The honourable member can attempt to cross-examine Senator Cash by proxy here in the House. He should make sure that his friends in the Senate can address all the questions to first hand."

block-time updated-timeUpdated at 4.54am BST

block-time published-time 4.30am BST

Adam Bandt has the crossbench question and he uses it to ask about the Adani coalmine ***planned*** for Queensland:

As former environment minister Peter Garrett pointed out this week, the Queensland Labor government is strongly backing the Adani coal mega-mine which will mean more deaths from heatwaves and bushfires. Prime minister, will you take steps to step in and override this rogue state government like Bob Hawke did with the Franklin dam? Or is the only way of stopping the Adani mine for the people of Brisbane to elect the Greens [he names three MPs, but I missed that]\* to hold the balance of power in the Queensland parliament?

We get the shortest answer of the week from Malcolm Turnbull : "as I said to the honourable member once before, I can only conclude from his question that he believes that Queenslanders should go without jobs and Indians should go without electricity.

Then Julie Bishop gets a dixer. It is on energy.

\*I've just been informed of the names I missed: A my McMahon, Michael Berkman Kirsten Lovejoy

block-time updated-timeUpdated at 4.58am BST

block-time published-time 4.27am BST

Scott Morrison gets the next dixer. It is on energy.

Tony Burke has the next opposition question: "Given TV cameras turned up at the site of AFP raids yesterday, can the prime minister guarantee that his employment minister or her office didn't notify anyone in the press gallery before the raid?

Malcolm Turnbull:

The employment minister is in estimates as we speak so I'm sure will be dealing with that, but I can assure - well, Mr Speaker, that can be addressed. But I can assure honourable members opposite that the real question here is what was, what happened to that $100,000. That's the real issue, Mr Speaker.

The whole chamber erupts. Burke has a point of order, saying he had no preamble and a very specific question. Speaker Tony Smith, after warning the chamber, says the prime minister was talking about the substance of the question, under the standing orders.

Turnbull:

Thank you very much, Mr Speaker. Mr Speaker, the minister, the minister for employment, has assured me that she did not advise any journalists about the raid and, Mr Speaker, but she will be in estimates, she's in estimates I believe this afternoon and will no doubt have the opportunity to go into this in great deal.

But Mr Speaker, the issue, the real issue, is this: why did the AWU give $100,000 of its hardworking members' union dues to GetUp? Was it authorised under the rules? Now, that is the matter the Registered Organisations Commission is investigating and that enquiry was the subject or the context of the search warrants that were exercised yesterday. And, as honourable members would know, the register Registered Organisations Commission said yesterday in a statement, since the investigation commenced, the ROC received information which raised reasonable grounds for suspecting documents relevant to this investigation may be on the premises of the AWU...

They went to a magistrate, they secured a warrant and the warrant was executed and now I see that their lawyers are in court, the AWU's lawyers are in court trying to stop the police having access to the documents.

block-time updated-timeUpdated at 4.41am BST

block-time published-time 4.20am BST

Tanya Plibersek is next on the Labor question roster:

The federal police did not have the resources to fully investigate a 1.6 tonne cocaine importation; when the federal police already don't have enough resources to do the important work they do, why is this born-to-rule prime minister diverting the limited resources of the federal police so that he can attack his political opponents?

Christopher Pyne makes a point of order about a reference to the prime minister in the question - it doesn't take a genius to know that it is 'born to rule' he is taking umbrage at.

Tony Smith allows the question, saying he doesn't like the term but terms like that have been used in the past.

Malcolm Turnbull gets to his feet, but doesn't answer the question:

I thank the honourable member for her question and, Mr Speaker, I accept the rather snide barb in her question. Let me say this to the honourable member. Throughout my life, throughout my life, my wife and I have started one business after another. We created jobs. We've invested. We know what creates enterprise and jobs. And we know that families like Nick and Louise, who get on with investment, create jobs. And all of those hereditary union princelings opposite, all of those people, regardless of the donations that they, the contributions they get from union members, giving them away, giving them to political organisations that want to put their members out of work, that, MrSpeaker, on this side of the House we know what enterprise and jobs are about. We know it's investment.

Every one of our policies, every one, is focused on creating more investment and more employment. That's why we are resolute in our determination to deliver lower electricity prices, affordable power, reliable power, that's our commitment. And we're already reducing the burden of tax on thousands of small and medium businesses and, Mr Speaker, the members on the other side can mock and scoff as much as they like... Not everybody has a privileged ride to power through a union job. No, they don't. No, they don't.

The reality is, Mr Speaker, hard work, enterprise, investment - that's what delivers the jobs, that's what's delivered 371,000 jobs over the last year. And so I say, Mr Speaker, for those who have done so well from the union movement and ridden on the backs of the workers into parliament, think a little about how the jobs those workers have were created. Not by you, but by hardworking businessmen and women like Nick and Louise.

And Tim Watts just became the first MP to be asked to leave.

block-time updated-timeUpdated at 4.35am BST

block-time published-time 4.12am BST

Craig Kelly has the dixer and he all but yells it across the chamber. You get the feeling that he wishes he could be fighting Labor on unions, but instead, he's being made to ask a question about lower energy prices and whether there are any alternative approaches.

You know what an actual alternative approach might be? Using your alloted question time to ask a question that is actually on the behalf of your constituents, instead of what your political party wants to prosecute.

I hate dixers. I hate them.

block-time published-time 4.10am BST

Question time begins

Malcolm Turnbull and Bill Shorten offer their condolences to Linda Burney. The whole chamber is silent.

I'll bring those to you shortly.

Then it's into the questions, and the first one is on the AWU raid.

Shorten:

Yesterday, it was revealed that the federal police did not have the resources to investigate the importation of 1.6 tonnes of cocaine. But on the very same day, the prime minister's Registered Organisations Commission sent at least 25 AFP officers to look at a donation to GetUp. How can the prime minister find the resources to investigate the political ...

He runs out of time, but Turnbull knows what the question is. He practically has written answers.

Turnbull:

The leader of the opposition talked about a 10-year-old donation. Is he suggesting that breaches of the law, breaches of union rules, should not be investigated because they're 10 years old? That would be very convenient for the leader of the opposition. That would, indeed, be very convenient for the Leader of the Opposition... what we have seen from the Labor party since that search warrant was executed is an attack on the integrity of the Australian Federal Police.

This is what they know as well as we do, as we all do, that the Australian Federal Police is absolutely independent in its operations. They decide who to investigate, how to investigate, that is a matter for them and so it should be. But what we saw yesterday was the member for Gorton say the government is using the power of the state to attack its political opponents. The prime minister is willing to use the police like his plaything, they are accusing the Federal Police of acting on political direction. That's what they're doing.

And, Mr Speaker, it is very, very familiar rhetoric because this is exactly what John Setka said in that notorious speech in Melbourne when he accused the Federal Police of being a political police force and of being political henchmen of the government. Mr Speaker, the reality is this: the Labor party does not respect the integrity of the Federal Police. They are all too ready to accuse them of being a political police force and, Mr Speaker, there is nothing in substance that differs from what the member for Gorton said yesterday and what John Setka said on his platform in Melbourne.

The same denial of the rule of law, the same contempt for the rule of law, the same contempt for the independence of the police and, Mr Speaker, the question for the leader of the opposition is not just why the AWU gave $100,000 to an organisation whose principle objective seems to be shutting down industries in which members of the AWU work, but also why he has not apologised for and disowned the outrageous attacks on the independence, the integrity of the men and women that keep us safe.

block-time updated-timeUpdated at 5.04am BST

block-time published-time 3.54am BST

The Greens have come together as a united front to condemn the AWU raids.

Following on from Adam Bandt this morning, leader Richard Di Natale says it "was part of a broader crackdown on people speaking out against this government".

This is a government that sought to remove the charitable status of environment organisations; it is a government that seeks to silence whistleblowers and people speaking out against detention through the imposition of harsh laws. What we have is a government that is using every tool it has to silence dissent, to crack down on civil society and effectively say to its opponents 'we are not going to tolerate you'. That is what we see in a police state, not in a democracy like Australia. Utterly shameful from a prime minister who doesn't like being held to account, who doesn't like criticism and will do everything he can to silence his opponents. We are extremely disappointed and angry that in a country like Australia we are seeing the police force being used in this way."

Di Natale says the Greens will be taking advantage of the ROC's appearance in front of an estimates committee this afternoon.

block-time updated-timeUpdated at 4.05am BST

block-time published-time 3.41am BST

We are getting very close to question time, so what do we know?

Michaelia Cash referred a historical donation matter involving the AWU and GetUp while Bill Shorten was union secretary to the Registered Organisations Commission.

The AFP, directed by the ROC, carried out raids on the AWU Sydney and Melbourne offices yesterday afternoon.

The media were tipped off, arriving before the AFP.

Labor has accused the government of misusing its power to target political rivals.

The government has denied that and accused Labor of questioning the integrity of the AFP.

Everyone is angry.

We all caught up? Other than the AWU raids, what else is on your QT bingo card? Anyone predicting what time I'll fall over? So many surprises await us!

block-time updated-timeUpdated at 4.03am BST

block-time published-time 3.34am BST

Federal court hearing set for 2.15pm over AWU raids

Maurice Blackburn, who are representing the AWU, have filed an application with the federal court, challenging the validity of the AFP raids.

Josh Bornstein, the firm's principal, said the raids were "an outrageous abuse of power" and the Registered Organisations Commission could have written to the union, or ***produced*** a summons, for the documents.

"None of these actions were taken. Instead, a highly orchestrated media strategy was implemented so that television cameras arrived before the AFP to capture the raid and thereby seek to paint the union in the worst possible light," he said in a statement.

"This is an outrageous abuse of power and a farcical misuse of police resources that raises serious questions about the conduct of both the ROC and federal minister Michaelia Cash, who instigated the investigation.

"Prior to the raid, we wrote to the ROC, expressing our concern about possible political interference by the federal government in this matter.

"We sought copies of all communications it has had with minister Cash and her staff but the ROC has declined to provide us with those documents. We will continue to press for that crucial information to be provided to the AWU."

The hearing has been set down for 2.15pm in Melbourne in the federal court.

block-time updated-timeUpdated at 3.43am BST

block-time published-time 3.09am BST

Labor's Nick Champion told Sky News he has some concerns about the AWU raids:

I am concerned for our country. I am concerned for the type of politics that are now becoming normalised by this government. What we had yesterday was a Kafkaesque show trial, where the media was notified before the union was aware. The union, as I understand it, was informed by the media subsequently appearing out the front of their offices. What this was was a government initiated show trial, it was designed for one purpose and this is to do damage to the leader of the opposition and do damage to the union movement and really there is no substance behind it other than that.

It should be noted that Michaelia Cash has denied that she or her office tipped off the media (in estimates).

Champion says he is not accusing any individual of letting the media know, but says: "it's a strange consequence that a government initiated, you know, investigation and the reference was provided by the government, after, you know, some toing and froing, the government admitted to that this morning on Sky. Those facts weren't forthcoming in the prime minister's interview but they were by the justice minister, who said Michaelia Cash provided the reference to the Registered Organisations Commission."

He reiterated that Labor "has no beef" with the AFP for doing their job.

block-time updated-timeUpdated at 3.30am BST

block-time published-time 2.54am BST

Josh Frydenberg is still trying to talk energy, but keeps hitting the roadblocks of, you know, no modelling to back up the claims.

"... Everyone has said this is a practical, workable, credible, way forward and that is why the Labor party should get on board, that is why we are getting further modelling undertaken."

Further modelling?

The analysis by the energy security board has given us a sense of where the savings will be, that is put in writing of $100 to $115, that was analysis that they undertook, based on a series of modelling that they had done previously on a whole range of relevant areas. So we need to get more modelling done, I have written to the energy security board, and when that modelling is done, it will be provided to the states through the Coag process so that we can have a constructive debate at the meeting at the end of the November.

So far, the Labor states don't seem inclined to go along. Yesterday (was it only yesterday?) Malcolm Turnbull made the somewhat extraordinary admission that the states are saying one thing to him privately and another thing publicly. Keep in mind that Queensland is expected to head to the polls (the chatter will not stop that the election is being called within days) and potentially could have another government by that Coag meeting - and One Nation could be part of it.

block-time updated-timeUpdated at 3.14am BST

block-time published-time 2.39am BST

Ken Wyatt is today's guest at the National Press Club. He's giving a speech on "Australia's New Age of Opportunity". It's focussing on aged care and the health, both physical and mental, of older Australians.

Here's a taste:

The challenge for all of us is that longevity has been rising at a remarkable rate and people have a lot more time as workers, consumers and family members to influence society and the economy. Its 85 years since the phrase "Life begins at 40" became famous as a self-help book title. It's time we helped ourselves again - our challenge is to change attitudes to ageing and, just as globalisation and technology have shaped the way we live and work, so will living longer impact on individuals, the private and public sector, and almost all aspects of society. Lynda Gratton and Andrew Scott from the London Business School cite, in their publication The 100 Year Life, state 'If the child you are thinking about was born in the US, Canada, Italy or France there is a 50% chance that they will live until at least 104. If the child you had in mind was born in Japan, then they can reasonably be expected to live to a staggering 107 years'. These projections are the real deal. Therefore, we need to seriously refocus our attention on living longer and living better. This brings challenges, even for forward-thinking governments. The reality is that in most developed countries fertility rates are falling below the population replacement line, creating a conundrum for future workforce needs that will also impact on how we deliver services to older Australians.

block-time updated-timeUpdated at 2.56am BST

block-time published-time 2.32am BST

Remember how I said Labor was angry?

Here is some of Chris Bowen, speaking to Laura Jayes on Sky a little bit ago:

Now let me be very clear. Our beef isn't with the AFP here. They are doing their job, they have no choice as to how they go about these things, but the government, a cabinet minister, a senior member of the government, Michaelia Cash, is responsible for this. She sent the reference to the Registered Organisations Commission. She asked for this witch-hunt, and if this witch-hunt is designed by the government to damage Bill Shorten, which it clearly is, then they must account for the abuse of power, taxpayers' money, which is going on here. Is this an outrage? Yes it is. Are we angry about it? Yes we are. Should the Australian taxpayers be angry about it? They have every right to be.

I expect 'who tipped off the media' will be a question time issue, as well. Bowen goes on:

Point one. Point two: the reference was sent by this cabinet minister. Not a day goes by Laura when I don't open a newspaper and find some piece of dodgy analysis which Michaelia Cash has instigated, initiated, got her department or her office to do. I don't know what this cabinet minister does apart from run a smear campaign against Bill Shorten and the Labor party. I mean she is a cabinet minister with a serious job to do. She should be concerned about wages growth in Australia. She should be concerned about actually improving the productivity and economy of the nation. All she is interested in is this witchhunt. I mean she is operating a political smear campaign as a cabinet minister and we've had enough of it and the Australian people have had enough of it. On the other point, there is a serious question. You say the process will work Laura, the media were outside the AWU's office 15 minutes before the AWU even knew there was a raid. Now there are very serious ...

Jayes: We've seen media outside other grades, for example when the AFP raided the Channel 7 offices ...

Bowen replies:

If we are told that this is a serious investigation it would be a potential breach of the efficacy of that investigation if the media were tipped off. Now we all know the media were tipped off. The media did not, with all due respect you are all very fine journalists but you didn't just wander down to the AWU thinking 'I don't know something about me tells me there's a raid on'... so there were tip-offs. So they have very serious questions to answer by this government about how the media knew about this. The fact that the media were there indicates to me this is a political stunt and a smear campaign by this Liberal government and it is an abuse of power.

Jayes: But Chris Bowen, I question how are you can call this a political stunt without at the same time questioning the integrity of the AFP.

Bowen:

We're not asserting that the AFP told the media... what I'm saying is the government has serious questions to answer as to how the media found out about it. Now I don't think it's acceptable to say the media was at Channel 7 or elsewhere, just because it's happened once before doesn't make it right. The AFP has got a job to do. Now if they have to go in and get these documents because they had no choice about it, if that's the case, then their ability to do that was undermined by the media leak. So what I'm saying to you is there are very, very serious questions to answer as to how the media found out about this. If the media was tipped off by people who weren't in the AFP it is a very serious abuse of power for political purposes by this government

block-time updated-timeUpdated at 3.06am BST

block-time published-time 2.18am BST

I have seen a lot of commentators have mentioned they are donating to GetUp on the back of these raids. The ACTU have launched their own fundraising campaign

enltrACTU has also launched a fundraising pitch on the back of the police raids #auspol[*https://t.co/WYUdDSwxcn*](https://t.co/WYUdDSwxcn)

- Katharine Murphy (@murpharoo) October 25, 2017

block-time published-time 2.14am BST

I should clarify from my earlier post - the Registered Organisations Commission is investigating the AWU Victoria branch over financial obligations and record-keeping as stated but the AFP raid was specifically investigating the AWU's donation to GetUp and other political donations to Labor candidates, including then national secretary Bill Shorten's election in 2007 in Maribyrnong.

GetUp received $100k from the AWU in 2005 and Guardian Australia has confirmed the AWU made a total of $130,500 in donations to Labor candidates before the 2007 election, including $25,000 for Shorten's election.

The AWU national secretary, Daniel Walton, said:"The AWU national executive met to determine and approve the donations to GetUp and the ALP... Those donations were made to further the interests of AWU members, we stood by them then and stand by them today." Walton said the donations were disclosed to the Australian Electoral Commission at the time.

The AWU Vic secretary, Ben Davis, said: "We believe the [GetUp] donation was made in accordance with rules and objectives of the AWU. It's a matter for the Registered Organisations Commission, they're investigating it, but instead of issuing us with a notice ***produce*** they came yesterday with the AFP."

Davis said the donations were disclosed and the AWU had even "bragged in [its] journal" about supporting GetUp at the time.

"It's a matter of public record, the fact that we'd give a donation is hardly a shock, especially to Labor candidates including our [then] national secretary [Bill Shorten]."

block-time updated-timeUpdated at 2.22am BST

block-time published-time 1.54am BST

The education minister, Simon Birmingham, after also giving his condolences to Linda Burney, had a few things to say about the Productivity Commission report.

(It seems like that was handed down a lifetime ago. It was about this time yesterday, but I have aged about 40 years in that time.)

As it pertains to higher education, and the government's proposed cuts, this is what Birmingham had to say:

Well, I would hope that people will see the merit in delivering sustainability in higher education across the country. Universities have seen vast growth in their funding - some 70 plus per cent of growth in funding since 2009, a rate that's twice the rate of economic growth - we're proposing to simply slow the rate of funding growth. Under our reforms universities would still see funding growth of around 23% over the next four years. There are many small businesses around the country who would love that type of funding growth and I call upon the parliament, particularly the crossbenches but also the Labor party, to recognise the commonsense in simply slowing that rate of growth to make university funding more sustainable for the long term.

He still wants to get there by the end of the year, but first he has to convince the Nick Xenophon Team, which so far, have said no.

Look, I remain hopeful and committed to working for solutions and, of course though, as we've indicated with the Xenophon Team stance they took last week, if those solutions cannot be found then we will have to consider the implications, not only for higher education policy, but also to make sure, as we always do, that those budget issues are addressed. And given the rate of spending growth in universities over the last few years and its contribution to the budget deficit to date, it is entirely reasonable to continue to expect that universities make some contribution to budget repair with a slightly lower rate of growth in their funding.

block-time updated-timeUpdated at 1.57am BST

block-time published-time 1.47am BST

Before estimates this morning, Labor senator Doug Cameron was doorstopped and said it was time to go to an election.

He said he didn't see the need to further scrutinise the connection between Labor and GetUp:

Why would there be need for any scrutiny? I mean GetUp is an organisation that has got similar views to Labor in some issues, it has got different views to Labor on other issues. It's an organisation that is part of the democratic process in this country and all we see now is attacks by this divided rabble of a government, a government that's in almost terminal decline, can't get on with each other, can't provide decent policy in this country and set out to attack the trade union movement.

This is an absolute disgrace. We are now turning into one of those countries where ordinary workers can't organise effectively, the democratic rights of workers at work are being taken away by the attacks of this government and it's about time that this government actually concentrated on the real issues for government.

The public understand what's been happening here yesterday. It's nothing more than a political attack on Bill Shorten, a political attack on the Labor Party and a political attack on the AWU and the trade union movement generally.

This government is an absolute disgrace, the public have had enough of them. We have had poll after poll saying they are not delivering and it's about time to let them go to an election and let's resolve this quickly.

block-time updated-timeUpdated at 1.50am BST

block-time published-time 1.41am BST

Inflation rose 0.6% in September quarter

The inflation report helps work out how the RBA reacts on a number of things, including interest rates, and it has had a fairly long-held inflation target band of between 2 and 3%.

Well, CPI rose by 0.6% in the September quarter, the ABS reports, which is short of the 0.8% expectation. That brings the year on year inflation rate to 1.8%, short of that 2% target.

Here are some of the ABS's headline figures:

OVERVIEW OF CPI MOVEMENTS

* The most significant price rises this quarter are electricity (+8.9%), tobacco (+4.1%), international holiday travel and accommodation (+4.1%) and new dwelling purchase by owner-occupiers (+0.8%).

1. The most significant offsetting price falls this quarter are vegetables (-10.9%), automotive fuel (-2.3%) and telecommunication equipment and services (-1.5%).

block-time updated-timeUpdated at 1.49am BST

block-time published-time 1.21am BST

As for the government argument that the Registered Organisations Commission was about making sure union members' money was being spent correctly, Ed Husic had this to say:

Yeah and they go through all the internal processes of making sure that unions and their decision-making bodies tick them off properly and they have to account for them when they get their books looked at by again, the workplace relations authorities that you have to submit your financial reports to and the way that decisions get made and the way that you can get audited. As I said, the Coalition has form on this, they set up a royal commission into pink bats, they set up a royal commission into trade unions. In fact they've set up a royal commission into pink bat safety - why can't we get a report out of this government that says what they have done to improve safety on job ***programs*** like work for the dole, where people have lost their lives, Kieran, and we still can't get the minister to front up and say this is what we're doing to make our job ***programs*** safer.

block-time updated-timeUpdated at 1.26am BST

block-time published-time 1.18am BST

Tax office and border protection aren't complying with cybersecurity requirements

While all eyes in Canberra are on the AWU controversy, parliament's joint committee of public accounts and audit has this morning given two major government agencies - the ATO, and immigration and border protection - a public blast for not being compliant with mandatory mitigation strategies for cybersecurity, and for not being "cyber resilient".

The committee has given the two agencies a deadline of June 2018 to report back on actions they are taking to improve their cyber security "including advice as to barriers and timelines to complete outstanding actions."

The ATO told the committee they intended to be compliant with the government's mitigation strategies by November 2017, but the Department of Immigration and Border Protection "could not provide a date for when full compliance with all of the top four mitigation strategies would be achieved, despite previously advising the committee that full compliance would be achieved by December 2016".

The chair of the committee is the Liberal senator Dean Smith. He says cybersecurity needs to be a top priority for all government entities. He says there needs to be a strong culture of prioritising cybersecurity "within the context of entity-wide ***strategic*** objectives".

block-time updated-timeUpdated at 1.42am BST

block-time published-time 1.18am BST

'In Australia, you don't send in the police against your political opponents' - the Greens MP

The Greens MP Adam Bandt also had a few things to say about the raid this morning:

This is a dark day for democracy and the rule of law. When there are claims that 7/11 were stealing money from their workers, the government didn't lift a finger. When there's claims that casino bosses are rigging machines and breaking the law, the government doesn't lift a finger. But when a union donates money to a citizens' group, to speak up and hold the government to account, the government sends in the police in the full view of the nightly news. This isn't to do with the AFP - the AFP were doing the job that was asked of them. This is squarely at the foot of the government, who established a little while ago, the Registered Organisations Commission, an organisation people may not have heard of, but is turning out to be for unions what the ABCC was for the construction industry.

The ROC has shown it is not a watchdog, it is an attack dog. And it beggars belief, it beggars belief that the first port of call when you want to get documents from someone in a case that is before the court, is to send in the police. This organisation, well, let's look at the chronology - the government said 'let's look at the organisations commission, we want you to start an investigation into a union and a claims it might have given money to a political organisation, a campaigning organisation called GetUp', the next thing we know, they start that investigation and before they even ask the union to hand over the documents, they send in the police.

Now, I don't have any particular connection with the AWU, the AWU have publicly criticised the Greens for moving too quickly towards renewables. But that is not the point, that is not the point. In Australia, you don't send in the police against your political opponents. You don't have raids on organisations for documents, that they would have been willing to hand over, and indeed, properly did hand over, in the royal commission a couple of years ago.

Malcolm Turnbull is becoming more like Donald Trump every day. We are back now in the Joh Bjelke-Petersen era, where if you dare to speak up in this country, the government will crack down on you. We are seeing it with environmental groups and we are seeing it with unions - if you've got a white collar, the government turns a blind eye, but if you have a blue collar, the government throws the book at you.

block-time updated-timeUpdated at 1.42am BST

block-time published-time 1.05am BST

Back in employment estimates for a moment and Michaelia Cash said she learned of the raids on the Australian Workers' Union offices from the television.

Another official, whose name I missed, said when she spoke to Cash's office, to alert them to the raids (that's what I believe the context to be, I was watching three things at once), they said they knew because they were watching it on the television.

block-time updated-timeUpdated at 1.12am BST

block-time published-time 12.58am BST

Registered Organisation Commissions annual report released

The Registered Organisation Commission 's 2016/17 annual report has just been released and gives news details of what it is investigating the Australian Workers' Union for - possible breaches of financial obligations and record keeping.

According to the report, there are 10 referrals regarding the Victorian branch of the AWU from the Trade Union Royal Commission that are subject of investigation.

The referrals relate to section 331 of the Registered Organisations Act which "enables the commissioner... to conduct an investigation if there are reasonable grounds to believe financial obligations or civil penalty provisions have been contravened".

"The 10 referrals were accompanied by more than 23,000 pages of supporting materials across a broad range of potential contraventions, including failing to maintain proper records. The ROC is continuing this investigation."

The report also says that the ROC started an investigation in November 2016 "regarding alleged breaches of the requirements to maintain proper records by the Vic branch of the AWU". The investigation is listed as ongoing, and estimated to be completed on 30 November, 2017. It specifies two sections it is investigating:

* The obligation to keep a register of members ; and

1. The obligation for financial reports to "give a true and fair view of the financial position and performance" of the union.

block-time updated-timeUpdated at 1.43am BST

block-time published-time 12.58am BST

The treasury secretary John Fraser has given his opening statement in treasury estimates, painting quite the rosy picture:

[There are] positive outlooks for both the domestic and global economy, we remain on track to return to budget balance in 2020-21, as expected in the May budget. Since the budget, we released the final budget outcome for 2016-17 which showed that the outcome for the underlying cash balance and net operating balance were better than expected in May and significantly so. I might add, that some very, very preliminary data for the first quarter of this financial year was very encouraging on the receipt side.

But he said Australia still needed to "get its own house in order"

We can lead by example by remaining open to pursuing structural reforms that make our economy stronger and more flexible and ensuring our fiscal policy is credible.

But it's also not great news for wage growth.

As the cyclical constraints that have weighed on the economy recede, wages growth will accelerate. This will be assisted by inflation and inflationary expectations moving higher.

In other news, it will take some time.

This also happened.

enltrIan Macdonald is asking Treasury boss John Fraser how people can afford "outlandishly expensive boats" on Sydney harbour.

- Henry Belot (@Henry\_Belot) October 24, 2017

And the answer?

enltrJohn Fraser says that it all starts with avocados. Then people want a better car. Then they want a huge boat they never use. [*https://t.co/5MDk2fk7Zd*](https://t.co/5MDk2fk7Zd)

- Henry Belot (@Henry\_Belot) October 24, 2017 The secretary to the treasury, John Fraser, and finance minister Mathias Cormann before the Senate economics committee in Parliament House. Photograph: Mike Bowers for the Guardian

block-time updated-timeUpdated at 1.15am BST

block-time published-time 12.46am BST

I didn't get a chance to transcribe Tanya Plibersek's interview with Fran Kelly this morning, but the transcript has just dropped from Bill Shorten's office (this is normal and both leaders' usually do it, but there is no timeframe on when a transcript may arrive).

Here's a taste of what I heard this morning from Plibersek:

What they're doing is they've set up a royal commission, which found nothing. That didn't work, so they've now set up the Registered Organisations Commission and then the government is using that commission to try and get the Australian federal police to launch these raids. And this is not the fault of the Australian federal police - we support them and support their work. But on the very day when the police commissioner is giving evidence that they are under-resourced, that the $185m budget cuts to the Australian federal police have meant this year alone, 151 staff will be lost from the Australian federal police, and they are not investigating serious crimes, like drug trafficking, like gun trafficking, international organised crime, because they don't have the resources to do it. The Registered Organisations Commission sending them out on these goose hunts, wild goose chases, because it can. Now, does any Australian really think that it is unusual or surprising that the Australian Workers' Union has backed Labor candidates in the federal election context? I mean, they've done it campaign after campaign. You heard the national secretary on Sabra Lane this morning explaining very coherently that in its over 100-year history, the Australian Workers' Union has tried to get Labor members into parliament because they know that Labor members of parliament will always stand up for the pay and conditions of working people. Big surprise there Fran. Is anybody honestly surprised?

block-time updated-timeUpdated at 12.51am BST

block-time published-time 12.44am BST

Community services estimates is on today. Alan Tudge' s office have released a statement, the headline figures of which are:

An almost eightfold increase in departure prohibition orders over the least two years has netted almost $10m in outstanding child support debts. In 2016/17 more than 1,800 departure prohibition orders (DPOs) were issued to parents with significant outstanding child support debts, up from just 218 in 2014-15. The value of debts recovered has almost doubled to $9.9m.

block-time updated-timeUpdated at 12.54am BST

block-time published-time 12.35am BST

I'm at the Australian Council of Social Services Conference in Melbourne, where Bill Shorten's standard address to the annual conference was replaced with a prerecorded video message to account for the sitting week. The video featured the opposition leader affecting a casual pose alongside Jenny Macklin, with the two taking turns summarising Labor policy for four minutes.

The most interesting part of the presentation was its introduction by the Victorian Council of Social Services chief executive, Emma King, who took a moment to reflect on the the "astonishing" Australian federal police raids on Australian Workers' Union offices in Melbourne and Sydney last night.

Said King: "I think we are powerfully reminded about how important it is that we as a community stand and act in solidarity to demand the kind of democracy that we deserve."

block-time updated-timeUpdated at 12.42am BST

block-time published-time 12.34am BST

AWU secretary Daniel Walton talks court action

The national secretary of the Australian Workers' Union, Daniel Walton, has told Sky that once all the court issues are worked through, he would be happy to release the documents in question.

He has also made it clear that the union has no criticism of the Australian federal police:

On Friday they decided to commence an investigation, yesterday we were meeting with our lawyers to work out how to prepare and respond to that in a proper matter. What we then later found out during that meeting, was a whole lot of media had started to gather out the front of our offices in Sydney and Melbourne and the media informed our staff that there was about to be a warrant served by the AFP. That draws significant concerns as to the integrity of the investigation from the registered organisations commission... Some 15 minutes later, we then get a phone call come through from the Registered Organisations Commission, saying 'heads up we are about issue a warrant and raid your office' and shortly thereafter, the AFP turned up. We certainly have no issues in terms of the AFP, in fact they were incredibly nice people who were in the office yesterday. They are who we want police to be, they are extremely smart and diligent people, they were there under the orders of the registered organisations commission, the ROC which was set up by the Turnbull government to investigate trade unions. We are concerned it is a misuse of police power at a time when the commissioner is talking about the inability, due to a lack of resources at the AFP to investigate... "

Walton said today's court action, aimed at having the documents returned, was due to the union's concerns about how the investigation was commenced.

block-time updated-timeUpdated at 1.44am BST

block-time published-time 12.16am BST

Labor's Stephen Jones also pointed the finger at the government for the raids:

Labor has got absolutely nothing to hide. The union has absolutely nothing to hide. They have already ***produced*** the documents. This is what is most ridiculous about what occurred yesterday. The union has already ***produced*** the documents. They ***produced*** them to the government's $46m royal commission which ***produced*** diddly squat, by the way. So the union has already ***produced*** the documents and now, the government has been involved in this massive charade clearly to distract attention from its own political problems. They are rightly condemned for an improper use of the agencies of government."

The government is painting Labor's response as an attack on the integrity of the Australian federal police. Labor says it is criticising the government's use of the AFP. Question time is going to be a free for all.

block-time updated-timeUpdated at 12.21am BST

block-time published-time 12.08am BST

Michaelia Cash is facing employment estimates and has faced questioning from Doug Cameron about Nigel Hadgkiss - the former ABCC boss who was made to step down after being found guilty of breaching the Fair Work Act.

She has been asked to clarify when she first learned of the allegations (22 August 2016) against Hadgkiss and why she did not step him down. She said she did not act, because at the time, they were unproven allegations and she gave Hadgkiss the presumption of innocence.

"I assume you'll be doing a press conference after this, asking Mr Shorten to stand aside, in relation to the allegations, that have been made against him, that donations were not properly authorised when he was in charge of the AWU. Or is it that they are merely allegations at this stage and he should be afforded due process."

And then it turned a little nasty.

Cameron: "Did you simply accept Mr Hadgkiss's denial as a fact?"

Cash: "Mr Hadgkiss denied the allegations. It would not have been appropriate for me to prejudge the allegations against Mr Hadgkiss before the court process had concluded. If you want to start prejudging, I am very happy though to sit here and have questions asked about every CFMEU official that has alleged that they will rape children, happy to talk about that. Happy to talk about Luke Collier, your very, very good friend, and yes, we will be getting to him later on today, not only has he been found to have committed domestic violence, he is now on an assault charge in my home state of Western Australia. Very happy to talk about his criminal record. Happy to talk about the criminal record of John Setka, who actually said, what was it, that they would hunt down the families of ABCC inspectors happy to talk about all of that and whether or not you have verified whether or not that was true or false."

Cameron denied he was a "very, very good friend" of Collier, adding he didn't think he had met him.

Employment Minister Michaelia Cash before the senate Education and Employment committee in Parliament House Photograph: Mike Bowers for the Guardian

block-time updated-timeUpdated at 12.48am BST

block-time published-time 11.51pm BST

Doors were busy this morning.

Mike Bowers was out catching the arrivals

Senators line up to speak to the media. Simon Birmingham and Doug Cameron wait for Nick Xenophon to finish talking. Photograph: Mike Bowers for the Guardian Senator Matt Canavan and the member for Wills, Peter Khalil, walk from the Senate oval to Parliament House Photograph: Mike Bowers for the Guardian Senator Pauline Hanson passes education minister Simon Birmingham at the Senate doors. Photograph: Mike Bowers for the Guardian

block-time updated-timeUpdated at 12.02am BST

block-time published-time 11.42pm BST

Labor MP Matt Thistlethwaite (a name, as someone who has a lisp, that will haunt me in my sleep) has also had a few things to say this morning, and he brought a prop:

This is the statement of claim that's been filed against the Commonwealth Bank by Austrac, 53,000 alleged breaches of Australia's anti-money laundering and terrorism financing laws, in 1,640 allegations of money laundering used for drug trafficking and other terrorism financing purposes by the Australian federal police and Austrac against the Commonwealth Bank. Do you think that the AFP raided the Commonwealth Bank offices when these allegations were made? Of course they didn't, of course they didn't. The Commonwealth Bank's been involved in the CommInsure scandal, in the wealth management scandal, ANZ, the NAB and Westpac have been alleged to rig the bank bill swap rate, do you think the AFP raided any of those banks offices when those allegations were made? Of course they did not. Yet a union is alleged to have made a donation to an organisation 10 years ago and the AFP turn up with 26 officers with the media waiting outside in what appears to be a politically motivated raid on a union and a witch-hunt aimed at smearing the reputation of the opposition leader. Now the government have some very, very serious questions to answer in respect to what occurred yesterday, most notably, did the minister Michaelia Cash, anyone in her office or anyone in this Turnbull government, request the Registered Organisations Commission seek warrants to raid the AWU officers? And did anyone in the minister's, prime minister's or anyone in the Turnbull government tip the media off to ensure they were there to film these raids? The government's seeking to turn the AFP into an episode of CSI for political purposes, if that is the case it's a new low in Australian politics and the Turnbull government have some serious questions to answer.

Labor is angry. Properly angry about these raids. I hope the government wasn't ***planning*** on talking about anything else today, because I don't think they will get the chance.

block-time updated-timeUpdated at 11.46pm BST

block-time published-time 11.38pm BST

Alan Tudge has just released a statement in support of Linda Burney and her family:

I would like to offer my deepest condolences to the shadow minister for human services, Linda Burney, and her family on the passing of her son, Binni Kirkbright-Burney.

It is a terrible tragedy for any family to lose a cherished child.

My thoughts and prayers are with her and her family at this extremely sad time.

block-time updated-timeUpdated at 11.41pm BST

block-time published-time 11.32pm BST

Michael Keenan responds to Brendan O'Connor

Michael Keenan has had a few things to say about Brendan O'Connor's statement yesterday.

For a refresher, here is some of what O'Connor said:

Well it is unusual to see the police involved in what is a civil regulator's coercive powers. I mean, it may well be the case that the police could be used as authorised officers of the Registered Organisations Commission. That may well be the case. But it's a very good question in the sense that at the very - this is a civil regulator, and yet we've got crime fighters raiding offices because of the role of a civil regulator. And that again, I think, highlights that the priority of this government is to deploy federal police for civil matters, because it's about attacking its political opponents, rather than fighting crime. And that should not be the priority of the police. And as someone who was the minister for justice, and I have a very high regard for the Australian federal police, having worked with them as their minister for three years, I have to say they must feel compromised in having to deal with this matter in this way.

Let me just say this. Raiding two offices because of, at the very best, an administrative or civil breach that may have happened or may not have happened 10 years ago, using federal police in such a manner, having the media called in to make sure it was all broadcast, is a remarkable thing to happen. Ten years after the alleged event, which is a civil matter. It is quite extraordinary. And it only points to this. That this grubby prime minister is willing to use the police like his plaything, his own personal asset, to go after his political opponents. This prime minister has got a glass jaw. We saw it on election night. We saw it when he wanted to call the police because he didn't like the Medicare campaign Labor ran. And they've called the police today. And the prime minister and the minister for employment have a lot of questions to answer. So does the regulator, by the way. But the correlation must be this government has used its agencies in a manner that is unreasonable, unconscionable and deserves censure.

Keenan responded:

[Brendan O'Connor] went out there and said we are using the Australian federal police as a political tool. Now that is an outrageous slur on the federal police and it needs to be repudiated by Bill Shorten and others who lead the Labor party.

The referral was made by Minister Cash. Now many people make referrals to members of our law enforcement and others in the law enforcement community all of the time. The Labor party makes referrals all of the time. Then the agency that has got the referral makes a judgment about whether they are going to investigate and how that investigation may proceed.

We have professionals working for us, whose role is to uphold the law, and they go about their job upholding the law in a way that they deem necessary and they deem fit. Now these search warrants yesterday, like all search warrants, were granted by a magistrate. Is the Labor party accusing us of also interfering with the judiciary? This is a remarkable thing, particularly for a former home affairs minister to say, it is really up to Bill Shorten to stand up and say does he agree that the AFP is a political police force, like others in the union movement have been accusing, or will he repudiate it and stand with the men and women in our law enforcement community and allow them to do their job?

Justice minister Michael Keenan on his way to a press conference in the mural hall Photograph: Mike Bowers for the Guardian

block-time updated-timeUpdated at 1.44am BST

block-time published-time 10.58pm BST

Malcolm Turnbull speaks on the raids

Michael Keenan and Craig Laundy have been defending the raids this morning. But before we get to them, here is a little more of what Malcolm Turnbull said this morning:

The AFP are completely independent as Labor knows, as indeed as Mr Shorten has said on previous occasions. He knows that as well as all of us. This is just the desperation of a Labor party that is a wholly owned subsidiary, a wholly owned subsidiary of the CFMEU, a trade union that treats the law as nothing to be concerned about. Look at Sally McManus, the head of ACTU, she goes on television and says unions should be entitled to break the law - you know what, they are not. Everyone has to comply with the law, that is what the rule of law means, the rule of law means that everyone is bound by the law and that includes unions and it is about time that Labor and Mr Shorten recognise that Australians will not accept their continued defence and complicit support of the CFMEU, a union which has, whose rap sheet is as long as your arm, have got dozens of union officials up before the courts, and of course you have seen the appalling language and threats in Queensland that they have made against workers at North Oakey.

I have got no comment other than to say the royal commission did a very, had a very long inquiry, made some valuable recommendations, many of which we have now been able to legislate through the parliament.

These are again, we set up... institutions like this [registered organisations commission] are set up to uphold the law and they are conducting an investigation and they should be allowed to do that and the political abuse that we've seen heaped on the police, by the Labor party is a disgrace.

The only smear is the smear Labor is trying to conduct against the Australian federal police. They are accusing the Australian federal police of being politically motivated. That is a disgrace. Bill Shorten knows that is a lie and he should apologise for it.

The police arrangements in respect of our home are the same as have been the case for previous prime ministers, including Kevin Rudd, who of course, his home was in Brisbane, that is the fact and our track record on keeping Australians safe, whether it is providing the police, our intelligence agencies or the ADF with the financial, legal, technological tools they need to keep us safe speak for themselves. Thirteen, 13 terrorist plots disrupted since 2014. That is a record of the persistence, the professionalism, the commitment of our agencies. They are the best in the world and I call on the Labor party to support them and to stop this continued denigration. The rule of law applies to everybody and what happens is when there is an investigation, that affects the union, immediately the Labor party attacks the police. Just consider what [CFMEU boss] John Setka said about the Australian federal police in that speech at the rally in Melbourne to which Bill Shorten sent a greeting message. Setka's attack on the Australian federal police was abusive, vile, disgusting; has Bill Shorten disassociated himself from that? When is Bill Shorten going to stand up for the rule of law? When is he going to say to Australia the Labor party will disassociate itself from the CFMEU and its thugs and criminals? When is he going to have the courage to do what Bob Hawke did with the Builders Labourers' Federation? The reason he won't is money. The CFMEU is the biggest donor to the Labor party. Labor is a wholly owned subsidiary of a trade union that regards the law as something of no account.

The matter is... the ROC matters, matters are referred to the ROC, but as to what they investigate and how they investigate it, is entirely a matter for them. This is a matter that the ROC is investigating independently and they should be allowed to do their work. Full stop. And it is about time that the Labor party stopped interfering and trying to use, you know, their threats in the media, to intimidate the agencies, including the AFP, whose job it is to enforce and maintain the rule of law.

The matter is being referred to the ROC, they are entitled to inves... look, ah, police, ah, agencies, ah, you know, various regulatory agencies have many matters referred to them. You know, Mark Dreyfus is always referring things to the Australian federal police, he is, he is, he is always doing that. And... they look at all of these things, all of this information, ah, and it is their duty to consider them independently and objectively and then take such action as they believe is appropriate. Let me be very clear. I stand for the rule of law. I stand for defending and respecting the agencies that enforce it and uphold it and keep us safe and the question for Bill Shorten is, where does he stand? Does he only support the Australian federal police and the rule of law when it doesn't impact on him? Is he like Sally McManus who thinks the law should apply to everybody except big trade unions? The rule of law applies to everyone, unions, business, governments. Everybody. It is about time Bill Shorten told us where he stands. Does he stand for the law, for the rule of law and the agencies that uphold it, or is he going to just continue to be apologist for unions that break, defy and hold the law in contempt.

block-time updated-timeUpdated at 1.45am BST

block-time published-time 10.35pm BST

Bill Shorten talks on the raids

He moves on to what he calls "the extraordinary events of late yesterday".

I am proud of having spent my adult life working and standing up for working people and the less disadvantaged of our society and I am frankly appalled at the Turnbull government hitting a new low yesterday, with their attempts to smear myself, Labor and unions. This is an increasingly desperate government who stands for nothing and their last resort is to smear their opponents. And this is not the first time the desperate Liberals have tried to smear me. A whole royal commission was set up in no small part to attack my reputation. $80m of taxpayer money wasted. I answered and attended that royal commission over two days and I answered nearly 1,000 questions and at the end of that massive waste of money, that political smear fest, there were no adverse findings made and yet again, yesterday, the government is wasting taxpayer money in an increasingly grubby effort, by a grubby government and quite frankly a grubby prime minister, who have been exposed for standing for nothing and all they have left is to try and damage the reputation of their opponents. I want to make this pledge to the Australian people: Turnbull can be as focused as he wants on smearing me, I am focused on serving you."

He said the use of "30 AFP officers to collect documents, which the union has said all they had to do is ring up, was an amazing waste of money".

But we understand what this is about - and I have the greatest respect for the Australian federal police and its serving officers. What I don't respect is that the regulator, at the behest of the government, is conducting a political witch hunt designed to throw mud in the hope that some will stick. Now I know that this government can keep digging and digging and digging and they can keep wasting taxpayer money right up to the next election, there is nothing of substance or foundation and the royal commission established that. The royal commission had many more resources than this latest pitiful attempt. But the fact of the matter is, this is a government that has run out of anything positive to say, so all they can do is attack their opponents.

The AFP just didn't work this out on their own, no doubt they were directed by the Registered Organisations Committee. This is a little-known organisation which was set up in the last few months by the government to do exactly what we predicted they would do - hunt down and smear the reputation of the opponents of the government. I do think the government has serious questions to answer. I think Turnbull and his minister have serious questions to answer. How is it possible that journalists were able to be there in advance of the police visit and how on earth did the journalists know about the raid? I don't think the AFP told the media, I am sure it was the government.

The AFP have got a job to do. My criticism is with the government of Australia. They are using the Registered Organisations Commission and through them, the federal police to carry out the political dirty work of the government. I think it is a low use of high office. We all know why the police were there yesterday. They are looking at matters which the government want them to look at through through the Registered Organisations Committee. Does anyone think, that if I wasn't leader of the opposition, any of this farce would have happened yesterday?

I have the greatest of respect for the AFP, I don't question the integrity of the AFP, I question the integrity of Turnbull and the government. Is this really the best use of scarce police resources, is this really the best use of the AFP, when we need them out there catching the drug criminals, going after the crime syndicates. Only yesterday morning, the commissioner of the Australian federal police made it clear that anti-crime operations were going wanting because there weren't enough resources. I think the government should hang their head in shame in this matter.

It is not about the AFP as far as I am concerned. Let's really get to the heart of this matter - the government doesn't like the fact that unions make donations to progressive causes promoted by Labor candidates and the government don't like me, but they shouldn't be using taxpayer resources on this nonsense.

We didn't get a chance to ask any questions on this, as we did not receive an alert for the press conference. It doesn't look like a lot of media organisations did.

block-time updated-timeUpdated at 1.45am BST

block-time published-time 10.17pm BST

Bill Shorten has extended his condolences to Linda Burney and her family.

Yesterday, her son passed away. A dearly loved, 33-year-old son, of Linda Burney. I can't imagine what it is like as a parent to lose your child. I know how much her son loved Linda and how much Linda loved her son. At this time, on behalf of Linda and her family, we would request that the media respect her privacy.

block-time updated-timeUpdated at 10.37pm BST

block-time published-time 10.13pm BST

It doesn't feel right to jump straight back into politics after learning of such heartache, but that is the job.

Malcolm Turnbull has just finished his press conference. He tried to make it about energy, and continued what has become his latest press conference gimmick-holding his own question and answer session with a business owner.

But as you would expect, it was all about the AWU raids. Here is some of what he had to say:

The AWU has questions to answer, Bill Shorten has questions to answer, why his union was making $100,000 donation to GetUp, an organisation which I might say, is opposed to most of the industries which employ members of the AWU. But they are questions for Mr Shorten to answer and I just want to say that the hysterical attack by Brendan O'Connor on the integrity of the Australian federal police is a disgrace and Bill Shorten should disown that and apologise for that immediately. The police keep us safe. They keep us safe from crime, they keep us safe from terrorism and they uphold the rule of law. And the AWU should comply with the law and when they have spokesman like Mr O'Connor, that would prefer to defend the thugs and the criminals in the CFMEU then stand up for the police that keep us safe, that shows you a lot of the values of the Labor party of Bill Shorten.

block-time updated-timeUpdated at 10.28pm BST

block-time published-time 10.01pm BST

Our thoughts are obviously with Linda Burney and her family.

block-time published-time 9.56pm BST

Linda Burney has made a statement, following the death of her son Binni overnight.

I will be taking leave from the parliament.

I wish to advise that my beloved son, Binni Kirkbright-Burney was found dead last night at our family home in Sydney. The NSW police advise that there appears to be no suspicious circumstances but the cause of death is yet to be determined.

I returned to Sydney last night to be with him this one last time. Binni is 33 years old. He is a caring and loving man. He has struggled with mental health and with addiction. He tried so hard to conquer his demons, as I and my family have tried so hard to support him in every way we could. I don't want to pre-empt subsequent inquiry but we all thought we were getting somewhere. I don't know what life will be like without him.

I understand I am a public figure but in this dire, grief-stricken time for me, I ask that you respect my and my family's privacy in all respects. When I can, I will speak about this.

In Australia, the crisis support service Lifeline is on 13 11 14. In the US, the National Suicide Prevention Hotline is1-800-273-8255. In the UK, the Samaritans can be contacted on 116 123. Hotlines in other countriescan be found here

Related: Linda Burney takes leave from parliament after son found dead at family home

block-time updated-timeUpdated at 12.57am BST

block-time published-time 9.54pm BST

Good morning

We left you yesterday as the Australian Workers' Union offices in Melbourne and Sydney had been raided by the Australian federal police, at the direction of the Registered Commissions Organisation, which is looking into some historical donations under Bill Shorten's stewardship.

The fallout continues today. Labor have labelled the raids "an abuse of ministerial power" and have pointed the finger squarely at Malcolm Turnbull.

The prime minister returned fire this morning, calling the Labor response an "hysterical attack" and said Shorten and the AWU had questions to answer. He accused Brendan O'Connor of smearing the AFP, by claiming the raid was politically motivated and called on Shorten to apologise.

He and Josh Frydenberg tried to take back the agenda this morning, heading to Sutton to carry out another Q&A in front of the cameras with a business owner about power prices.

It didn't work. All questions were about the raid. That's going to continue all day.

Estimates continues, with community affairs, Treasury and Defence under the spotlight today. That includes the Australian Competition and Consumer Commission and the Australian Bureau of Statistics. So that should also keep us busy.

Mike Bowers will be out and about, and the Guardian Australia brains trust will be keeping their eyes peeled. Comments are open, and as always, you can reach us on Twitter @mpbowers and @amyremeikis and Mr Bowers adds a few more pictures to his Instagram @mikepbowers.

Got your coffee? You're going to need it today.

block-time updated-timeUpdated at 10.12pm BST

**Load-Date:** October 25, 2017

**End of Document**



[***Register of Commission documents: Letter from COREPER following the agreement on the EFSD and establishing the EFSD guarantee and the EFSD guarantee fund Document date: 2017-06-28 CJ31\_LA(2017)006345 COREPER letter confirming agreement***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5P8C-YRC1-JDG9-Y4B7-00000-00&context=1516831)

Impact News Service

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**Length:** 10774 words

**Body**

Brussels: Public Register European Parliament has issued the following document:

1 A 006345 29.06.2017 2 ANNEX REGULATION (EU) 2017/… OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of … on the European Fund for Sustainable Development (EFSD) and establishing the EFSD Guarantee and the EFSD Guarantee Fund THE EUROPEAN PARLIAMENT AND THE COUNCIL OF THE EUROPEAN UNION, Having regard to the Treaty on the Functioning of the European Union, and in particular Articles 209(1) and 212(2) thereof, Having regard to the proposal from the European Commission, After transmission of the draft legislative act to the national parliaments, Acting in accordance with the ordinary legislative procedure, Whereas: (1) The Union’s External Investment ***Plan*** (EIP) provides for the creation of the European Fund for Sustainable Development (EFSD) as its first pillar, alongside technical assistance (second pillar) and improving investment climate and overall policy environment in partner countries (third pillar). 3 (2) The EFSD aims to support investments primarily in Africa and the Union’s Neighbourhood as a means to contribute to the achievement of the Sustainable Development Goals of the 2030 Agenda, in particular poverty eradication, as well as the commitments under the recently revised European Neighbourhood Policy, thus addressing specific socio-economic root causes of migration, including irregular migration, and contribute to the sustainable reintegration of migrants returning to their countries of origin, and strengthening transit and host communities.

The EFSD, as part of the EIP, should also contribute to the implementation of the Paris Agreement on Climate Change (Paris Agreement). (3) Investments under the EFSD should complement and reinforce efforts carried out in the context of the Union’s migration policy with third countries, including, where appropriate, the implementation of the New Partnership Framework with Third Countries under the European Migration Agenda. 4 (4) The EFSD should be guided by the objectives of Union external action set out in Article 21 of the Treaty on European Union (TEU) and of Union development cooperation policy set out in Article 208 TFEU. It should also allow ▌ investors and private companies, in particular micro, small and medium-sized enterprises, to contribute more effectively to sustainable development in partner countries in line with Union development and neighbourhood policies. The EFSD should maximise additionality, address market failures and sub-optimal investment situations, deliver innovative products and crowd in private sector funds. EFSD operations should be clearly distinct from, and complementary to, other support, including the European Investment Bank’s external lending mandate operations and Economic Resilience Initiative, and the ACP Investment Facility. They should also be complementary to the existing activities of other eligible financial institutions. (5) The EFSD should contribute to the implementation of the 2030 Agenda, which recognises international migration as a multi-dimensional reality of major relevance for the development of countries of origin, transit and destination, requiring coherent and comprehensive responses, while underlining the potential for migrants to contribute to inclusive growth and sustainable development. Investments will contribute towards addressing migratory pressures stemming from poverty, conflict, instability, underdevelopment, inequality, human rights violations, demographic growth, lack of employment and economic opportunities as well as from climate change. 5 (6) The EFSD should be in line with the Union commitment under the Addis Ababa Action Agenda on Financing for Development and the internationally agreed development effectiveness principles. (7) The purpose of the EFSD is in line with the Union Global Strategy for Foreign and Security Policy which embeds challenges such as migration and resilience in the overall EU foreign policy, ensuring that Union external policy is fully coherent with the objectives of development policy and ensuring synergies with European development and Neighbourhood policies. Its purpose is also in line with the Charter of Fundamental Rights of the European Union and international human rights law, ensuring a human rights-based approach while addressing forced displacement and irregular migration. (8) The EFSD should foster decent job creation, economic opportunities and entrepreneurship, and green and inclusive growth with particular focus on gender equality and the empowerment of women and young people in line with the Union’s Gender Action ***Plan*** 2016-2020, while strengthening the rule of law, good governance, human rights and equitable access to and use of natural resources. 6 (9) Involvement of the private sector in the Union’s cooperation with partner countries through the EFSD should yield measurable and additional development impact, without distorting the market and should be cost-effective, based on mutual accountability and risk and cost sharing. Such involvement should build on a commitment to internationally agreed guidelines and principles, including the Principles for Responsible Investment and the United Nations Guiding Principles on Business and Human Rights and the Organisation for Economic Cooperation and Development’s (OECD) Guidelines for Multinational Enterprises. (10) In order to fulfil the political commitments of the EU on climate action, renewable energy and resource efficiency, a minimum share of 28 % of the funding under the EFSD should be devoted to financing and investment operations relevant for these sectors. (11) Actions under this Regulation should be designed in such a way so as to: fulfil the criteria for Official Development Assistance (ODA) established by the Development Assistance Committee (DAC) of the OECD, taking into account the specificities of private sector development; reflect the needs of countries identified as experiencing fragility or conflict, LDCs and heavily indebted poor countries; provide appropriate support to investments in the Southern and Eastern Neighbourhood. 7 (12) Technical assistance to partner countries should constitute the second pillar of the EIP. In this context, the Commission should step up assistance in order to help partner countries attract investment by better preparing and promoting projects, developing a higher number of bankable projects and making them known to the international investor community. A project web-portal, in the form of a publicly accessible and user-friendly database, should be established to provide relevant information for each project. (13) The improvement of the investment climate and overall policy environment in partner countries should constitute the third pillar of the EIP. In the context of the Union’s existing political relations with partner countries, the Commission and the High Representative of the Union for Foreign Affairs and Security Policy (High Representative) should maintain policy dialogues aimed at developing legal frameworks, policies and institutions that promote economic stability, sustainable investment and inclusive growth. Those policy dialogues should cover, inter alia, the fight against corruption, organised crime and illicit financial flows, good governance, the inclusion of local markets, the boosting of entrepreneurship as well as local business settings, the respect for human rights and the rule of law as well as gender-responsive policies. 8 (14) The EFSD should be composed of regional investment platforms, which should be established on the basis of the working methods, procedures and structures of the existing external blending facilities of the Union and which should combine their blending operations and the EFSD Guarantee. The EFSD Guarantee should support financing and investment operations in partner countries in Africa and the Neighbourhood. (15) In the light of the findings of the Court of Auditors regarding the use of blending in the external relations of the Union, it is essential that blending be used where its added value can clearly be demonstrated. ▌ 9 (16) A ***strategic*** board of the EFSD should be created to support the Commission in setting ***strategic*** guidance and overall investment goals as well as in ensuring an appropriate and diversified geographical and thematic coverage for investment windows. The ***strategic*** board should support overall coordination, complementarity and coherence between the regional investment platforms, between the three pillars of the EIP, between the EIP and the Union’s other efforts on migration and on the implementation of the 2030 Agenda, as well as with the relevant Union external financing instruments and trust funds as well as with the external lending mandate operations managed by the EIB, including the EIB resilience initiative and the ACP Investment Facility, without prejudice to the internal rules of governance of the EIB. (17) The ***strategic*** board should be composed of representatives of the Commission and of the High Representative, of all Member States and of the EIB. The European Parliament should have observer status. Contributors, eligible counterparts, partner countries, relevant regional organisations and other stakeholders may be given observer status, where appropriate. The ***strategic*** board should adopt its rules of procedure. The rules of procedure should define the framework for the involvement of observers, having regard to their respective status and roles. 10 (18) The Commission and the EIB should conclude an agreement specifying the conditions of their cooperation in the management of the EFSD Guarantee and should present that agreement to the ***strategic*** board. (19) Each regional investment platform should have an operational board, which should draw on the experience of the operational boards of the existing blending facilities. The operational boards should provide support to the Commission in the implementation of this Regulation. They should support the Commission in defining and monitoring regional and sectorial investment goals, regional, sectorial and thematic investment windows, formulating opinions on the blending operations and discussing the use of the EFSD Guarantee in line with the investment windows to be defined. (20) An appropriate level of information to the European Parliament and the Council should be ensured in respect of the orientation of the use of the EFSD Guarantee through the establishment of investment windows. (21) The EFSD should operate as a ʻone-stop-shop’, receiving financing proposals from financial institutions and public or private investors and delivering a wide range of financial support to eligible investments. The EFSD Guarantee should be backed by the EFSD Guarantee Fund. 11 (22) The EFSD should deploy innovative instruments to support investments and involve the private sector in particular micro-, small- and medium-sized enterprises. It should also allow European investors and private companies, including micro-, small- and medium-sized enterprises, to participate more effectively in efforts to achieve sustainable development in partner countries. Bottlenecks and obstacles to investments need to be addressed in this respect. (23) The EFSD Guarantee should privilege funding projects which have a high impact on job creation and whose cost-benefit ratio enhances the sustainability of investment. When supporting operations with the EFSD Guarantee, an in-depth ex ante assessment of environmental, financial and social aspects should be carried out. The EFSD Guarantee should not be used to replace government responsibility for providing essential public services. (24) European Union delegations in partner countries should include information about EFSD funding opportunities in their communication targeted at civil society and the general public and contribute to the coherence between the pillars of the EIP. 12 (25) The EFSD Guarantee should be granted to eligible counterparts for financing and investment operations or guarantee instruments for an initial investment period up to 31 December 2020. (26) In order to provide for flexibility, increase the attractiveness for the private sector and maximise the impact of the investments it is appropriate to provide for a derogation from Article 58(1)(c)(vii) of Regulation (EU) No 966/2012 of the European Parliament and the Council1 by which the eligible counterparts who are bodies governed by private law could also be bodies which are not entrusted with the implementation of a public-private partnership and could also be bodies governed by the private law of a partner country. (27) The Commission should conclude guarantee agreements with the eligible counterparts setting out the specific provisions under which the EFSD Guarantee is granted to them. These guarantee agreements should provide the legal basis for adequate risk sharing, thus providing incentives for the eligible counterparts to provide financing, as well as the mechanisms and procedures for potential calls on the EFSD Guarantee. 1 Regulation (EU, Euratom) No 966/2012 of the European Parliament and the Council of 25 October 2012 on the financial rules applicable to the general budget of the Union and repealing Council Regulation (EC, Euratom) No 1605/2002 (OJ L 298, 26.10.2012, p. 1). 13 (28) The Union should make available a guarantee of EUR 1 500 000 000 to establish the EFSD Guarantee. Member States and other contributors should be invited to contribute further to support the EFSD Guarantee Fund in the form of cash (Member States and other contributors) or guarantees (Member States) in order to increase the liquidity cushion and thus allow the increase of the total volume of EFSD Guarantee. ▌ Member States, public financial institutions and other contributors should be invited to provide additional funding to the EFSD Guarantee Fund under conditions that should be established in an agreement to be concluded between the Commission on behalf of the Union and ▌ the contributor. (29) The EFSD Guarantee Fund should be established as a liquidity cushion in the event of a call on the EFSD Guarantee. To reach a level that adequately reflects EU financial liabilities in relation to the EFSD Guarantee, the Union should make available EUR 750 000 000. (30) In order to increase the impact of the EFSD Guarantee in view of the needs in the regions concerned, Member States and EFTA countries should have the possibility of providing contributions in the form of a guarantee or cash. 14 (31) As the funds of the EDF are to be used ▌, a minimum of EUR 400 000 000 of EFSD Guarantee coverage should be allocated for investments in partner countries eligible under the 11th European Development Fund (EDF) throughout the implementation period of the EFSD Guarantee. The EFSD Guarantee should only become available when a contribution of EUR 400 000 000 of 11th EDF funds ▌ to the EFSD Guarantee Fund has been confirmed. (32) As the funds of the European Neighbourhood Instrument, established by Regulation (EU) No 232/2014 of the European Parliament and of the Council, are to be used, a minimum of EUR 100 000 000 of the EFSD Guarantee coverage should be allocated for investments in the partner countries from the Eastern and Southern Neighbourhood throughout the implementation period of the EFSD Guarantee. 15 (33) The Commission should report annually to the European Parliament and the Council on the financing and investment operations covered by the EFSD Guarantee, with a view to ensuring full accountability to the European citizens and scrutiny and control by the European Parliament and the Council. The report should be made public in order to allow relevant stakeholders, including civil society, to express their views. The Commission should also report annually to the European Parliament and the Council on the management of the EFSD Guarantee Fund so that accountability, transparency are ensured. The Commission should also inform the ACP-EU Council and the ACP-EU Joint Parliamentary Assembly as regards the use of the EDF funds. (34) In order to ensure the monitoring and accountability of the EFSD and of the EIP, the European Parliament or the Council may organise hearings as part of a dialogue with the Commission, the High Representative, the EIB and other eligible financial institutions as well as private sector and civil society organisations. 16 (35) In order to take into account lessons learned and allow for further evolvement of the EFSD, the functioning of the EFSD and the use of the EFSD Guarantee Fund should be evaluated by the Commission and external evaluators and subjected to an annual consultation process with relevant stakeholders, including civil society organisations. The application of this Regulation should be evaluated independently in order to assess the level of conformity of the implementation with the legal basis, but also to establish the applicability and practicability of the Regulation in the achievement of its objectives. (36) In order to protect the financial interests of the Union, with a view to establishing whether there has been fraud, corruption, money laundering or any other illegal activity affecting the financial interests of the Union in connection with any financing and investment operations covered by this Regulation, the European Anti-Fraud Office (OLAF) is entitled to carry out investigations in accordance with Regulation (EU, Euratom) No 883/2013 of the European Parliament and of the Council2, Council Regulation (Euratom, EC) No 2185/963 and Council Regulation (EC, Euratom) No 2988/95.4 2 Regulation (EU, Euratom) No 883/2013 of the European Parliament and of the Council of 11 September 2013 concerning investigations conducted by the European Anti-Fraud Office (OLAF) and repealing Regulation (EC) No 1073/1999 of the European Parliament and of the Council and Council Regulation (Euratom) No 1074/1999 (OJ L 248, 18.9.2013, p. 1). 3 Council Regulation (Euratom, EC) No 2185/96 of 11 November 1996 concerning on-the-spot checks and inspections carried out by the Commission in order to protect the European Communities’ financial interests against fraud and other irregularities (OJ L 292, 15.11.1996, p. 2). 4 Council Regulation (EC, Euratom) No 2988/95 of 18 December 1995 on the protection of the European Communities financial interests (OJ L 312, 23.12.1995, p. 1). 17 (37) Financing and investment operations supported by the EFSD should adhere to the relevant EU policy on non-cooperative jurisdictions for tax purposes which is laid down in the legal acts of the Union and Council Conclusions, notably those of 8 November 2016, in particular in their Annex, and any subsequent updates. ▌ HAVE ADOPTED THIS REGULATION: 18 CHAPTER I INTRODUCTORY PROVISIONS Article 1 Subject matter 1. This Regulation establishes the European Fund for Sustainable Development (EFSD), the EFSD Guarantee and the EFSD Guarantee Fund. 2. For the purposes of paragraph 1, this Regulation provides for the Commission on behalf of the Union to conclude guarantee agreements with the eligible counterparts as defined in Article 10. Article 2 Definitions For the purposes of this Regulation, the following definitions apply: (1) ʻregional investment platforms’ means blending facilities in line with Article 4(1)(e) of Regulation (EU) No 236/2014 of the European Parliament and the Council5 and with Article 40 of Council Regulation (EU) 2015/3236 for the contribution from the 11th European Development Fund (EDF) combined with the granting of the EFSD Guarantee as set out in Article 6. 5 Regulation (EU) No 236/2014 of the European Parliament and the Council of 11 March 2014 laying down common rules and procedures for the implementation of the Union’s instruments for financing external action (OJ L 77, 15.03.2014, p. 95). 6 Council Regulation (EU) 2015/323 of 2 March 2015 on the financial regulation applicable to the 11th European Development Fund (OJ L 58, 03.03.2015, p. 17). 19 (2) ʻinvestment window’ means a targeted area for support by the EFSD Guarantee to portfolios of investments in specific regions, countries or sectors and implemented via the regional investment platforms; (3) ʻcontributor’ means a Member State, an international financial institution or a public institution of a Member State, a public agency or other entities contributing in cash grants or in guarantees to the EFSD Guarantee Fund; (4) ʻpartner countries’ means countries that are signatories to the Partnership Agreement between the members of the African, Caribbean and Pacific Group of States of the one part, and the European Community and its member States, of the other part, signed in Cotonou on 23 June 2000 7, countries that are listed in Annex I to Regulation (EU) No 232/2014 of the European Parliament and of the Council8 as well as countries that are eligible for geographic cooperation under Regulation (EU) No 233/2014 of the European Parliament and of the Council 9. 7 OJ L 317, 15.12.2000 as last amended by OJ L 287, 4.11.2010 8 Regulation (EU) No 232/2014 of the European Parliament and of the Council of 11 March 2014 establishing a European Neighbourhood Instrument (OJ L 77, 15.3.2014, p. 27). 9 Regulation (EU) No 233/2014 of the European Parliament and of the Council of 11 March 2014 establishing a financing instrument for development cooperation for the period 2014-2020 (OJ L 77, 15.3.2014, p. 44). 20 (5) ʻadditionality’ means the principle ensuring that the EFSD Guarantee support contributes to sustainable development by operations which could not have been carried out without the EFSD Guarantee, or which achieve positive results above and beyond what could have been achieved without it. Additionality also means crowding in private sector funding and addressing market failures or sub-optimal investment situations as well as improving the quality, sustainability, impact or scale of an investment. EFSD Guarantee operations shall not replace the support of a Member State, private funding or another Union or international financial ***intervention***, and shall avoid crowding out other public or private investments. Projects supported by the EFSD Guarantee typically have a higher risk profile than the portfolio of investments supported by the eligible counterparts under their normal investment policies without the EFSD Guarantee. 21 CHAPTER II EUROPEAN FUND FOR SUSTAINABLE DEVELOPMENT Article 3 Purpose 1. The purpose of the EFSD as an integrated financial package, supplying financing capacity in the form of grants, guarantees and other financial instruments to eligible counterparts, shall be to support investments and increased access to financing, primarily in Africa and the European Neighbourhood, in order to foster sustainable and inclusive economic and social development and promote the socio-economic resilience of partner countries, including, where appropriate, in the context of the European Neighbourhood Policy and the New Partnership Framework with Third Countries under the European Agenda on Migration, with a particular focus on sustainable and inclusive growth, creation of decent jobs, youth and women, socio-economic sectors and micro, small and medium sized enterprises while maximising additionality, delivering innovative products and crowding in private sector funds. 22 2. The EFSD shall be guided by the objectives of Union external action set out in Article 21 of the Treaty on European Union (TEU) and of Union development cooperation policy set out in Article 208 TFEU and the internationally agreed development effectiveness principles. It shall contribute to the achievement of the Sustainable Development Goals of the 2030 Agenda, in particular poverty eradication and, where appropriate, contribute to the implementation of the European Neighbourhood Policy, thus addressing specific socio-economic root causes of migration and fostering sustainable reintegration of migrants returning to their countries of origin, and strengthening transit and host communities. 3. The EFSD shall contribute to the implementation of the Paris Agreement by also targeting investments to sectors that advance climate change mitigation and adaptation. 4. The EFSD shall be consistent with the objectives set out in the external financing instruments established by Regulations (EU) 2014/232, (EU) 2014/233, and EDF Regulation (EU) 2015/323 and with the priorities contained in the national or regional ***programmes*** and strategy papers, where available. 23 Article 4 Structure of the EFSD 1. The EFSD shall be composed of regional investment platforms, established on the basis of the working methods, procedures and structures of the existing external blending facilities of the Union and which shall combine their blending operations and the EFSD Guarantee. 2. The management of the EFSD shall be ensured by the Commission. The Commission shall work in close cooperation with the EIB supported by other eligible counterparts as regards the operational management of the EFSD Guarantee. To that end, a technical assessment group on the Guarantee shall be established. 24 Article 5 ***Strategic*** board of the EFSD 1. In the management of the EFSD the Commission shall be advised by a ***strategic*** board. 2. The ***strategic*** board shall advise the Commission on the ***strategic*** orientations and priorities of EFSD Guarantee investments and contribute to their alignment with the guiding principles and objectives of the Union external action, neighbourhood and development policy, as well as with the purpose of the EFSD as set out in Article 3. It shall also support the Commission in setting overall investment goals as regards the use of the EFSD Guarantee and monitor an appropriate and diversified geographical and thematic coverage for investment windows while giving special attention to countries identified as experiencing fragility or conflict, Least Developed Countries and heavily indebted poor countries. 25 3. The ***strategic*** board shall also support overall coordination, complementarity and coherence between the regional investment platforms, between the three pillars of the EIP, between the EIP and the Union’s other efforts on migration and on the implementation of the 2030 Agenda, as well as with the relevant Union external financing instruments and trust funds as well as with the external lending mandate operations managed by the EIB, including the EIB resilience initiative and the ACP Investment Facility, without prejudice to the internal rules of governance of the EIB. 4. The ***strategic*** board shall be composed of representatives of the Commission and of the High Representative, of all Member States and of the EIB. The European Parliament shall have observer status. Contributors, eligible counterparts, partner countries, relevant regional organisations and other stakeholders may be given observer status, where appropriate. The ***strategic*** board shall be consulted prior to the inclusion of any new observer. The ***strategic*** board shall be co-chaired by the Commission and the High Representative. 26 5. The ***strategic*** board shall meet at least twice a year and, when possible, adopt opinions by consensus. Additional meetings may be organised at any time by the chair and upon request of one third of its members. In case consensus cannot be achieved, voting rights, taking due account of the source of financing, shall apply as agreed during the first meeting of the ***strategic*** board and laid down in its rules of procedure. The rules of procedure shall set out the framework regarding the role of observers. The minutes and agendas of the meetings of the ***strategic*** board shall be made public, following their adoption. 6. The Commission shall report annually to the ***strategic*** board about the progress made. The ***strategic*** board shall regularly organise a consultation of relevant stakeholders on the orientation and implementation of the EFSD. 7. During the implementation phase of the EFSD, the ***strategic*** board shall, as soon as possible, adopt and publish guidelines setting out how conformity of EFSD operations with the objectives and eligibility criteria set out in Article 8 is to be ensured. 8. In its ***strategic*** guidance, the ***strategic*** board shall take due account of relevant European Parliament resolutions and Council decisions and conclusions. 27 Article 5a Regional operational boards Each regional investment platform shall have an operational board. Operational boards shall support the Commission at the implementation level in defining regional and sectoral investment goals and regional, sectoral and thematic investment windows and shall formulate opinions on blending operations and on the use of the EFSD Guarantee. CHAPTER III EFSD GUARANTEE AND EFSD GUARANTEE FUND Article 6 The EFSD Guarantee 1. The Union shall, after careful consideration of the viability of a project, provide an irrevocable and unconditional guarantee on first demand to the eligible counterpart for the financing and investment operations covered by this Regulation. 1a. The EFSD Guarantee shall support financing and investment operations in partner countries in Africa and the Neighbourhood. 2. The EFSD Guarantee shall be granted as a guarantee on first demand in respect of the instruments referred to in Article 9 and in compliance with the eligibility criteria referred to in Article 8. 28 Article 7 Requirements for the use of the EFSD Guarantee 1. The granting of the EFSD Guarantee shall be subject to the conclusion of the respective EFSD guarantee agreement between the Commission on behalf of the Union and the eligible counterpart. 2. The ▌ investment period during which the EFSD guarantee agreements for supporting financing and investment operations can be concluded with the eligible counterparts shall last until 31 December 2020. 3. The maximum period allowed for eligible counterparts to conclude agreements with co-financing private sector partners, financial intermediaries or final beneficiaries shall be four years after the conclusion of the relevant guarantee agreement. 29 Article 8 Eligibility criteria for the use of the EFSD Guarantee 1. The financing and investment operations eligible for support through the EFSD Guarantee in accordance with the purpose of the EFSD as provided for in Article 3 shall be consistent and aligned with Union policies, in particular development and neighbourhood policies of the Union, as well as with the partner countries’ strategies and policies. Such operations shall take into account other Union and international support to ensure complementarity with other initiatives and shall support the following objectives: (a) contribute to sustainable development in its economic, social and environmental dimensions, and to the implementation of the 2030 Agenda for Sustainable Development and, where appropriate, the European Neighbourhood Policy, with particular focus on the eradication of poverty, creation of decent jobs, economic opportunities, skills and entrepreneurship, promoting in particular gender equality and the empowerment of women and young people, while pursuing and strengthening the rule of law, good governance and human rights; 30 (aa) contribute to the implementation of the Union’s migration policy, including, where appropriate, the New Partnership Framework with Third Countries; (ab) contribute, by promoting sustainable development, to addressing specific root causes of migration, including irregular migration, as well as foster resilience of transit and host communities, and contribute to the sustainable reintegration of migrants returning to their countries of origin, with due regard to the strengthening of the rule of law, good governance and human rights; (b) strengthen socio-economic sectors, in particular public and private infrastructure including renewable and sustainable energy, water and waste management, transport, information and communications technologies, as well as environment, sustainable use of natural resources, sustainable ***agriculture*** and blue growth, social infrastructure, health, human capital, in order to improve the socio-economic environment; (c) provide finance and support to private and cooperative sector development, with a particular focus on local companies and micro, small and medium-sized enterprises, while addressing market failures and limiting market distortions and encouraging the contribution of European companies to the EFSD objectives; 31 (d) address bottlenecks to private investments by providing f

inancial instruments, including first loss guarantees to portfolios guarantees to private sector projects such as loan guarantees for small and medium-sized enterprises and guarantees for specific risks for infrastructure projects and other risk capital; financial instruments provided may be denominated in the local currency of the partner country concerned; (e) leverage private sector financing, with a particular focus on micro-, small-, and medium-sized enterprises, by addressing bottlenecks and obstacles to investment; (ea) contribute to climate action and environmental protection and management, thus ***producing*** climate co-benefits, allocating at least 28 % of the financing to investments that contribute to climate action, renewable energy and resource efficiency. 2. The EFSD Guarantee shall support financing and investment operations which address market failures or sub-optimal investment situations and which: (a) provide additionality; (aa) ensure complementarity with other initiatives, making sure that EFSD guarantee operations are clearly distinct, in particular from the external lending mandate operations managed by the EIB; 32 (b) ensure alignment of interest by providing adequate risk sharing by the respective eligible counterpart and other prospective partners; (c) are economically and financially viable, with due regard to the possible support from, and co-financing by, private and public partners to the project, while taking into account the specific operating environment and capacities of countries identified as experiencing fragility or conflict, Least Developed Countries and heavily indebted poor countries where more concessional terms can be given; (d) are technically viable and are sustainable from an environmental and social point of view; and (e) maximise, where possible, the mobilisation of private sector capital; (ea) respect the principles of development effectiveness as set out in the Busan Partnership for Effective Development Cooperation and reaffirmed in Nairobi in December 2016, including, ownership, alignment, focus on results, transparency and mutual accountability, as well as the objective of untying aid; 33 (eb) are designed so as to fulfil the criteria for ODA established by the Development Assistance Committee of the OECD, taking into account the specificities of private sector development; and (ec) are implemented in full respect of internationally agreed guidelines, principles and conventions including the UN Principles for Responsible Investment, UN Guiding Principles on Business and Human Rights, OECD Guidelines for Multinational Enterprises, and the UN Food and ***Agriculture*** Organisation’s Principles for Responsible Investment in ***Agriculture*** and Food Systems, and International Labour Organisation conventions, as well as international human rights law. 3. On a case by case basis operations may combine financing from different Union instruments to the extent that it is needed for the success of the investment project backed by the EFSD and as long as this does not lead to reduced financing for other developmental objectives. 34 4. Taking due account of the advice provided by the ***strategic*** board, after consultation with the operational boards and after informing the European Parliament and the Council, the Commission shall define investment windows for specific regions or partner countries or for both, for specific sectors, for specific projects or for specific categories of final beneficiaries or for both to be funded by instruments referred to in Article 9 to be covered by the EFSD Guarantee up to a fixed amount. The information to the European Parliament and Council shall specify how the investment windows are aligned with the requirements set out in Articles 3 and 8 and their detailed funding priorities. The EIB should provide a written opinion on banking related matters to accompany each proposal for investment windows. All requests for financial support within investment windows shall be made to the Commission. The choice of investment windows shall be duly justified by an analysis of the market failure or sub-optimal investment situations. Such analysis shall be carried out by the Commission in cooperation with potentially eligible counterparts and stakeholders. 35 Within the Africa Investment Platform, a significant share of the EFSD Guarantee shall be allocated to fragile and conflict-affected countries, landlocked countries and Least-Developed Countries. The Commission shall assess the operations supported by the EFSD guarantee against the eligibility criteria established in Article 8(1) and 8(2), where possible drawing on eligible counterparts’ existing result measurement systems. It shall publish the result of its assessment for each investment window on an annual basis. Article 9 Eligible instruments for the EFSD Guarantee 1. The EFSD Guarantee shall be used to cover the risks for the following instruments: (a) loans, including local currency loans; (b) guarantees; (c) counter-guarantees; (d) capital market instruments; (e) any other form of funding or credit enhancement, insurance, equity, quasi-equity participations. 36 2. The instruments listed in paragraph 1 may be provided by eligible counterparts ▌ under an investment window or individual project administered by an eligible counterpart. They may be provided for the benefit of partner countries, including countries experiencing fragility or conflict or facing challenges in reconstruction and post-conflict recovery, and these partner countries’ institutions, including their public national and private local banks and financial institutions as well as private sector entities of these partner countries. In countries experiencing fragility or conflict, as well as other countries when justified, support may be provided to public sector investments that have relevant effects on private sector development. 37 Article 10 Eligibility and selection of counterparts 1. The eligible counterparts for the purposes of the EFSD Guarantee shall be: (a) the European Investment Bank and the European Investment Fund; (b) public law bodies; (c) international organisations and their agencies; (d) bodies governed by private law with a public service mission to the extent that they provide adequate financial guarantees; (e) bodies governed by the private law of a Member State that provide adequate financial guarantees, by derogation from Article 58(1)(c)(vii) of Regulation (EU) No 966/2012; (f) bodies governed by the private law of a partner country that provide adequate financial guarantees, by derogation from Article 58(1)(c)(vii) of Regulation (EU) No 966/2012. 38 2. Eligible counterparts shall comply with the rules and conditions provided for in Article 60 of Regulation (EU, Euratom) No 966/2012. For bodies governed by the private law of a Member State or a partner country, preference shall be given to those that provide disclosure of information related to Environment, Social and Corporate Governance criteria. The guarantee shall be implemented whenever possible under the lead of a European eligible counterpart in line with the criteria set out in this regulation. The Commission shall ensure an effective, efficient and fair use of resources available among eligible counterparts, while promoting cooperation between them. The Commission shall ensure fair treatment for all eligible counterparts and shall ensure that conflicts of interest are avoided throughout the stages of implementation of the EFSD. In order to ensure complementarity, the Commission may request any relevant information from eligible counterparts about their non-EFSD operations. 3. The Commission shall select the eligible counterparts pursuant to Article 61 of Regulation (EU, Euratom) No 966/2012. 3a. Eligible counterparts may be invited to an exchange of views by the European Parliament or the Council concerning financing and investment operations covered by this Regulation. 39 Article 11 Coverage and terms of the EFSD Guarantee 1. The EFSD Guarantee shall not, at any time, exceed EUR 1 500 000 000 without prejudice to paragraph 2. 2. Member States and EFTA countries may contribute to the EFSD Guarantee Fund in the form of guarantees or cash. Subject to the opinion of the ***strategic*** board and Commission approval, other contributors may contribute, in the form of cash. The amount of the Guarantee exceeding the amount indicated in paragraph 1 shall be granted on behalf of the Union. Aggregate net payments from the general budget of the Union under the EFSD Guarantee shall not exceed EUR 1 500 000 000. Payments for guarantee calls shall be made, where necessary, by the contributing Member States or other contributors on pari passu basis with the Union, without prejudice to paragraph 4. A contribution agreement shall be concluded between the Commission, on behalf of the Union, and the contributor, which shall contain, in particular, provisions concerning the payment conditions. 40 3. The EFSD Guarantee shall only become available when a contribution in cash of EUR 400 000 000 from the 11th European Development Fund (EDF)10 to the general budget of the Union has been confirmed. The Member States may contribute to the EFSD Guarantee in the form of guarantees or cash. The Commission shall inform the European Parliament and the Council without delay about the contributions confirmed. 4. The contributions made by the Member States in the form of a guarantee may only be called for payments of guarantee calls after the funding from the general budget of the Union increased by any other cash contributions has been used on payments of guarantee calls. At the request of the Member States in the ***strategic*** board, the contributions made by them may be earmarked for the initiation of projects in specific regions, countries, sectors or existing investment windows. Any contribution may be used to cover guarantee calls regardless of earmarking. 10 Internal Agreement between the Representatives of the Governments of the Member States of the European Union, meeting within the Council, on the financing of European Union aid under the multiannual financial framework for the period 2014 to 2020, in accordance with the ACP-EU Partnership Agreement and on the allocation of financial assistance for the Overseas Countries and Territories to which Part Four of the Treaty on the Functioning of the European Union applies, OJ L 210, 6.8.2013, p. 1. 41 5. At least EUR 400 000 000 of EFSD Guarantee coverage shall be allocated for investments in the partner countries eligible under the 11th EDF throughout the implementation period of the EFSD Guarantee, in line with the objectives of the Cotonou Partnership Agreement. 5a. At least EUR 100 000 000 of EFSD Guarantee coverage shall be allocated for investments in the partner countries from the Eastern and Southern Neighbourhood, in line with Regulation (EU) No 232/2014 of the European Parliament and of the Council. Article 12 Implementation of the EFSD guarantee agreements 1. The Commission on behalf of the Union shall conclude EFSD guarantee agreements with the eligible counterparts selected pursuant to Article 10 and paragraph 4, on the granting of the EFSD Guarantee, which shall be unconditional, irrevocable, at first demand, in favour of the selected eligible counterpart. 2. One or more guarantee agreements shall be concluded for each investment window between the Commission and the eligible counterpart or eligible counterparts selected. In order to address specific needs, the EFSD Guarantee may be granted for individual financing or investment operations. Agreements can be concluded with a consortium of two or more eligible counterparts. All guarantee agreements shall be made available to the European Parliament and the Council upon request, taking into account the protection of confidential and commercially sensitive information. 42 3. The guarantee agreements shall contain, in particular, provisions concerning the following: (a) detailed rules on the provision of the EFSD Guarantee, including its arrangements on the coverage and its defined coverage of portfolios and of projects of specific types of instruments as well as a risk analysis of project and portfolio, including on sectoral, regional and national levels; (aa) the objectives and purpose of this Regulation, a needs assessment and an indication of the expected results, taking into account the promotion of corporate social responsibility and responsible business conduct, including, in particular through respect of the internationally agreed guidelines, principles and legal instruments referred to in Article 8(2)(ec); (b) the remuneration of the guarantee, which shall reflect the risk level; it shall be possible for the remuneration to be partly subsidised in order to give more concessional terms, in duly justified cases, in particular in the countries referred to in point (c) of Article 8(2); 43 (c) requirements for the use of the EFSD Guarantee, including payment conditions, such as specific time frames, interest to be paid on due amounts, expenses and recovery costs and possibly necessary liquidity arrangements; (d) claims procedures, including but not limited to triggering events and waiting periods; and provisions and procedures regarding the recovery of claims; (e) provisions regarding the monitoring, reporting and evaluation obligations pursuant to Articles 15 and 16; (ea) clear and accessible complaints procedures for third parties that could be affected by the implementation of the EFSD Guarantee projects. 4. The Commission, when concluding guarantee agreements with eligible counterparts, shall take due account of: (-aa) the advice and guidance of the boards, in accordance with articles 4 and 5; (a) the objectives of the investment window; (b) the experience, operational, financial and risk management capacity of the counterpart; (c) the amount of own resources as well as private sector co-financing that the counterpart is ready to mobilise for the investment window. 44 5. The approval of financing and investment operations shall be made by the eligible counterpart following its own rules and procedures and in compliance with the terms of the guarantee agreement. 6. The EFSD Guarantee may cover: (a) for debt instruments the principal and all interests and amounts due to the selected eligible counterpart, but not received by it in accordance with the terms of the financing operations after an event of default has occurred; (b) for equity investments the amounts invested and their associated financing costs; (c) for other financing and investment operations referred to in Article 8(2) the amounts used and their associated funding costs; (d) all relevant expenses and recovery costs related to an event of default, unless deducted from recovery proceeds. 7. The guarantee agreements shall lay down detailed rules on the cover, requirements, eligibility, eligible counterparts, and procedures. 45 Article 13 The EFSD Guarantee Fund 1. The EFSD Guarantee Fund shall constitute a liquidity cushion from which the eligible counterparts shall be paid in the event of a call on the EFSD Guarantee pursuant to the relevant EFSD guarantee agreement. 2. The EFSD Guarantee Fund shall be endowed by: (a) contributions from the general budget of the Union and other sources; (b) voluntary contributions from Member States and other contributors; (c) returns on invested resources of EFSD Guarantee Fund ; (d) amounts recovered from defaulting debtors in accordance with the recovery provisions laid down in the guarantee agreements; (e) revenues and any other payments received by the Union in accordance with the guarantee agreements. 46 3. Revenues of the EFSD Guarantee Fund as provided for in points (c) and (e) of paragraph 2 shall constitute internal assigned revenue in accordance with Article 21(4) of Regulation (EU, Euratom) No 966/2012. 4. The resources of the EFSD Guarantee Fund referred to in paragraph 2 shall be directly managed by the Commission and invested in accordance with the principle of sound financial management and shall follow appropriate prudential rules. The Commission shall submit to the European Parliament and the Council by 30 June 2019 an independent external evaluation of the advantages and disadvantages of entrusting the financial management of the assets of the guarantee fund for external action and of the European fund for sustainable development to the Commission, EIB, or a combination of the two, taking into account the relevant technical and institutional criteria used in comparing asset management services, including the technical infrastructure, comparison of costs for the services given, institutional set-up, reporting, performance, accountability and expertise of each institution and the other asset management mandates for the EU Budget. The evaluation shall where appropriate be accompanied with a legislative proposal. 5. Endowments to the EFSD Guarantee Fund shall be used to reach an appropriate level of provisioning to cover the total EFSD Guarantee obligations. The provisioning rate shall be at 50 % of the total EFSD Guarantee obligations covered by the general budget of the Union. 6. Following an assessment of the adequacy of the level of the EFSD Guarantee Fund in accordance with the report provided for under Article 15(3), the following payments shall be made: (a) without prejudice to paragraph 8 of this Article, any surplus shall be paid to the general budget of the Union; (b) any replenishment of the EFSD Guarantee Fund shall be paid in annual tranches during a maximum period of three years starting from year n+1. 47 7. From 1 January 2021, if, as a result of calls on the EFSD Guarantee, the level of resources in the Guarantee Fund falls below 50 % of the provisioning rate referred to in paragraph 5, the Commission shall submit a report on: (a) the cause of the shortfall, with detailed explanations; and (b) where deemed necessary, any exceptional measures that may be required to replenish the EFSD Guarantee Fund. 8. After a call on the EFSD Guarantee, endowments to the EFSD Guarantee Fund provided for in points (c), (d) and (e) of paragraph 2 exceeding the resources necessary to reach the provisioning rate at the level referred to in paragraph 5 or any surplus provided for in point (a) of paragraph 6 of this Article shall first be used within the limits of the maximum period provided for in Article 7(3) to restore the EFSD Guarantee up to its initial amount. Article 14 Funding of the EFSD Guarantee Fund from the general budget of the Union A contribution of EUR 350 000 000 shall be provided by the general budget of the Union. 48 CHAPTER IV REPORTING, ACCOUNTING AND EVALUATION Article 15 Reporting and accounting 1. The Commission shall submit an annual report to the European Parliament and to the Council on the financing and investment operation covered by the EFSD Guarantee. This report shall be made public. It shall include the following elements: (-aa) an assessment of the results contributing to the purpose and objectives set out in Article 3 and Article 8(1) and (2); (a) an assessment of the financing and investment operations in operation and covered by the EFSD Guarantee, sector, country and regional levels and their compliance with this Regulation including the risk measures and their impact on the financial and economic stability of the partners; (b) an assessment, on the basis of the indicators provided for in Article 8(4a), of the additionality and added value, the mobilisation of private sector resources, the estimated and actual outputs and the outcomes and impact of the financing and investment operations covered by the EFSD Guarantee on an aggregated basis, including the impact on decent job creation, the eradication of poverty and on the way in which the root causes of migration, including irregular migration are addressed; this assessment shall include a gender analysis of the operations covered based on evidence and gender-disaggregated data where possible; 49 (c) an assessment of the compliance with the requirements concerning the use of the EFSD Guarantee and key performance indicators established for each proposal submitted; (d) an assessment of the leverage effect achieved by the operations covered by the EFSD Guarantee; (e) the financial amount transferred to beneficiaries and an assessment of financing and investment operations by each counterpart on an aggregated basis; (f) an assessment of the additionality and added value of financing and investment operations of the eligible counterparts, and of the aggregate risk associated with those operations; (g) detailed information on calls on the EFSD Guarantee, losses, returns, amounts recovered and any other payments received as well as overall risk exposure; 50 (h) the financial reports on financing and investment operations of the eligible counterparts covered by this Regulation audited by an independent external auditor; (ha) an assessment of the synergies and complementarity between operations covered by the EFSD Guarantee and the second and third pillars of the EIP based on existing reports for the relevant instruments, with particular regard to progress made on good governance, including in the fight against corruption and illicit financial flows, respect for human rights, the rule of law and gender-responsive policies, as well as the boosting of entrepreneurship, local business environment and local financial markets; (hb) an assessment of the compliance of EFSD Guarantee operations with the internationally agreed development effectiveness principles; (hc) an assessment of the remuneration of the guarantees and of the implementation of Article 20. 51 2. For the purposes of the Commission’s accounting, its reporting of the risks covered by the EFSD Guarantee and its management of the EFSD Guarantee Fund, the eligible counterparts with whom a guarantee agreement has been concluded shall provide the Commission and Court of Auditors annually with the financial reports on financing and investment operations covered by this Regulation audited by an independent external auditor, containing, among other, information on: (a) the risk assessment of financing and investment operations of the eligible counterparts including information on the Union liabilities measured in compliance with the accounting rules of the Union set by the accounting officer of the Commission based on the internationally accepted accounting standards for the public sector; (b) the outstanding financial obligation for the Union arising from the EFSD Guarantee provided towards the eligible counterparts and their financing and investment operations, broken down by individual operations. The Counterparts shall upon request provide to the Commission any additional information necessary to fulfil the Commission’s obligations in relation to this Regulation. 52 3. By 31 March of each year, the Commission shall submit to the European Parliament, to the Council and to the Court of Auditors, in the context of the financial statements of the Commission, the required information on the situation of the EFSD Guarantee Fund. In addition, it shall, by 31 May of each year, submit to the European Parliament, to the Council and to the Court of Auditors an annual report on the management of the EFSD Guarantee Fund in the previous calendar year, including an assessment of the adequacy of the provisioning and the level of the Guarantee Fund and of the need for its replenishment. The annual report shall contain the presentation of the financial position of the EFSD Guarantee Fund at the end of the previous calendar year, the financial flows during the previous calendar year as well as the significant transactions and any relevant information on the financial accounts. The report shall also include information about the financial management, the performance, and the risk of the guarantee fund at the end of the previous calendar year. 53 Article 16 Evaluation and review 1. By 31 December 2019, the Commission shall evaluate the initial functioning of the EFSD, its management and its effective contribution to the purpose and objectives of this Regulation. The Commission shall submit its evaluation report to the European Parliament and the Council, containing an independent external evaluation of the application of this Regulation, accompanied by a reasoned proposal to amend this Regulation, as appropriate, in particular with a view to extending the initial investment period referred to in Article 7(2). That evaluation report shall be accompanied by an opinion of the Court of Auditors. 2. By 31 December 2019 and every three years thereafter, the Commission shall evaluate the use and the functioning of the EFSD Guarantee Fund. The Commission shall submit its evaluation report to the European Parliament and the Council. That evaluation report shall be accompanied by an opinion of the Court of Auditors. 54 CHAPTER V GENERAL PROVISIONS Article 17 Transparency, communication, and public disclosure of information 1. In accordance with its transparency policies and Union rules on access to documents and information and data protection, the eligible counterparts shall proactively and systematically make publicly available on their websites information relating to all financing and investment operations covered by the EFSD Guarantee under this Regulation, relating in particular to the manner in which those operations contribute to the objectives and requirements of this Regulation. Where possible, such information shall be broken down at project level. Such information shall always take into account the protection of confidential and commercially sensitive information. 2. The Commission shall publish on its web-portal information on financing and investment operations and the essential elements of all guarantee agreements, including information on the legal identity of counterparts, expected development benefits and complaints procedures in accordance with point (ea) of Article 12(3), taking into account the protection of confidential and commercially sensitive information. 55 3. Eligible counterparts shall publicise the Union support in all information which they publish on financing and investment operations covered by the EFSD guarantee in accordance with this Regulation. 4. European Union delegations shall include information about funding opportunities provided by the EFSD in their communication targeted at civil society and the public at large. Article 17a Grievance and redress mechanism In view of possible grievances of third parties in partner countries, including communities and individuals affected by EFSD Guarantee supported projects, the Commission and European Union delegations shall publish on their websites direct references to the complaints mechanisms of the relevant counterparts which have concluded agreements with the Commission. The Commission shall also provide the possibility of directly receiving complaints related to the treatment of grievances by eligible counterparts. It shall take that information into account in view of future cooperation with those counterparts. 56 Article 18 Auditing by the Court of Auditors 1. The external audit of the activities undertaken in accordance with this Regulation shall be carried out by the Court of Auditors in accordance with Article 287 of the Treaty on the Functioning of the European Union (TFEU) and the activities are thus subject to the discharge procedure in accordance with Article 319 TFEU. 2. For the purpose of paragraph 1 of this Article, the Court of Auditors shall, at its request and in accordance with Article 287(3) TFEU, be granted access to any document or information necessary to carry out its auditing tasks. Article 19 Anti-fraud measures 1. The Commission or the eligible counterparts shall immediately notify the European Anti-Fraud Office (OLAF) when, at any stage of the preparation, implementation or closure of financing and investment operations covered by this Regulation, they have grounds for suspecting fraud, corruption, money laundering or any other illegal activity that may affect the financial interests of the Union. They shall provide it with all necessary information to enable a full and thorough investigation to be carried out. 57 2. OLAF may carry out investigations, including on-the-spot checks and inspections, in accordance with the provisions and procedures laid down in Regulation (EU, Euratom) No 883/2013 of the European Parliament and of the Council, Council Regulation (Euratom, EC) No 2185/96 and Council Regulation (EC, Euratom) No 2988/95 in order to protect the financial interests of the Union, with a view to establishing whether there has been fraud, corruption, money laundering or any other illegal activity affecting the financial interests of the Union in connection with any financing and investment operations covered by this Regulation. OLAF may transmit any information obtained in the course of its investigations to the competent authorities of the Member States concerned. Where such illegal activities are proven, the eligible counterparts shall undertake recovery efforts with respect to its financing and investment operations covered by this Regulation that are concerned by such activities, and shall also provide to the relevant authorities all information needed for investigation and possible prosecution. 58 Article 20 Excluded activities and non-cooperative jurisdictions 1. In their financing and investment operations, the eligible counterparts shall comply with applicable EU legislation and agreed international and EU standards and, therefore, shall not support projects under this Regulation that contribute to money laundering, terrorism financing, tax avoidance, tax fraud and tax evasion. In addition the eligible counterparts shall not enter into new or renewed operations with entities incorporated or established in jurisdictions listed under the relevant EU policy on non-cooperative jurisdictions, or that are identified as high risk third countries pursuant to article 9.2 of Directive (EU) 2015/849, or that do not effectively comply with EU or internationally agreed tax standards on transparency and exchange of information. The eligible counterparts may derogate from this principle only if the project is physically implemented in one of those jurisdictions, and does not present any indication that the relevant operation falls under any of the categories listed in paragraph 1. When concluding agreements with financial intermediaries, the eligible counterparts shall transpose the requirements referred to in this Article into the relevant agreements and shall request the financial intermediaries to report on their observance. 59 2. In its financing and investment operations, the eligible counterpart shall apply the principles and standards set out in Union law on the prevention of the use of the financial system for the purpose of money laundering and terrorist financing and in particular Regulation (EU) 2015/847 of the European Parliament and of the Council and Directive (EU) 2015/849 of the European Parliament and of the Council. The eligible counterparts shall make both direct funding and funding via intermediaries under this Regulation contingent upon the disclosure of beneficial ownership information in accordance with Directive (EU) 2015/849 (the EU Anti-Money Laundering Directive) and publish country-by-country reporting data in accordance with Article 89(1) of Directive 2013/36/EU of the European Parliament and of the Council. CHAPTER VI FINAL PROVISIONS Article 21 Entry into force This Regulation shall enter into force on the ▌day following that of its publication in the Official Journal of the European Union. This Regulation shall be binding in its entirety and directly applicable in all Member States. Done at Brussels, For the European Parliament For the Council The President The President

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[***Council of the European Union: List of Council preparatory bodies ST 10075 2017 INIT***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5P52-B041-F0YC-N326-00000-00&context=1516831)

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**Body**

Brussels: Council of the European Union has issued the following document:

10075/17 1 GIP 1 B EN Council of the European Union Brussels, 19 June 2017 (OR. en) 10075/17 POLGEN 87 NOTE From: General Secretariat of the Council To: Delegations Subject: List of Council preparatory bodies 1. The list of Council preparatory bodies is attached in Annex I1. 2. For preparatory bodies marked with a single asterisk, all delegates should have a valid EU personnel security clearance at least to the level SECRET UE/EU SECRET. For preparatory bodies marked with a double asterisk, all delegates should have a valid EU personnel security clearance at least to the level CONFIDENTIEL UE/EU CONFIDENTIAL2. 3. Annex II sets out certain security requirements governing access to meetings, in particular where classified information is discussed. 1 This list does not include Joint Committees and other bodies with third countries. Nor does it include certain bodies (e.g the Schengen Joint Supervisory Authority and the Standing Committee on Employment) which, although they meet in the Council building, are not Council preparatory bodies.

2 These references in Annex I cancel and replace 8683/05 + COR 1. 10075/17 2 GIP 1 B EN 4. Annex III lists all the preparatory bodies with a fixed chair (i.e committees or Working Parties with an elected/appointed chair, chaired by a representative of the High Representative or chaired by the General Secretariat of the Council). 5. Committees or Working Parties may only be set up by, or with the approval of, the Council or Coreper. Only the committees and Working Parties on this list may meet as Council preparatory bodies (Article 19(3) of the Council's Rules of Procedure). Ad hoc Working Parties cease to exist once their terms of reference have been fulfilled. Their terms of reference should expressly state this rule or be time-limited. 6. Substantial and important new technical proposals requiring specific expertise should, as a rule, be included within the remit of the competent existing Working Party. If necessary for practical reasons, a specific sub-area may be listed rather than creating a new permanent or ad hoc Working Party. The listing of sub-areas does not imply that Working Party remits are confined to the sub-areas in question; Working Parties cover any other matters falling within their general scope. The Presidency may request the listing of such sub-areas on the basis of practical need. 7. Meetings should only be convened when a sufficiently substantive agenda exists or objective deadlines require it. 10075/17 3 ANNEX I GIP 1 B EN ANNEX I LIST OF COUNCIL PREPARATORY BODIES A. Committees established by the Treaties, by intergovernmental decision, by Council act and groups closely associated with Coreper 4 B. General Affairs 7 C. Foreign Affairs 8 D. Economic and Financial Affairs 10 E. Justice and Home Affairs 11 F. ***Agriculture*** and Fisheries 12 G. Competitiveness (Internal Market, Industry, Research and Space) 14 H. Transport/Telecommunications/Energy 15 I. Employment/Social Policy/Health/Consumer Affairs 15 J. Environment 15 K. Education/Youth/Culture/Sport 15 10075/17 4 ANNEX I GIP 1 B EN COMMITTEES ESTABLISHED BY THE TREATIES A.1 Permanent Representatives Committee (Coreper) \* - Part II - Part I - Article 503 A.2 Economic and Financial Committee4 (°) \*\* A.3 Employment Committee5 (°) A.4 Trade Policy Committee (TPC)6 \*\* - Full Members - Deputies - Experts (STIS, Services and Investment) A.5 Political and Security Committee (PSC)(°°) \* A.6 Standing Committee on Operational Cooperation on Internal Security (COSI)7 \* A.7 Social Protection Committee8 (°) \* All delegates should be security cleared at least to the level SECRET UE/EU SECRET. \*\* All delegates should be security cleared at least to the level CONFIDENTIEL UE/EU CONFIDENTIAL. (°) Committees and Working Parties with elected/appointed chairs. (°°) Committees and Working Parties chaired by a representative of the High Representative of the Union for Foreign Affairs and Security Policy. 3 Following the notification by the United Kingdom under Article 50 TEU, the members of the European Council, the Council and its preparatory bodies representing the United Kingdom do not participate in the discussions or in decisions concerning it. In these instances, Coreper (Article 50) is convened. 4 This advisory body, established under Article 134 of the Treaty on the Functioning of the European Union (TFEU), formulates opinions at the request of either the Council or the Commission and contributes to the preparation of Council proceedings. It has an elected chair and its secretariat is provided by the Commission (OJ L 158, 27.6.2003, p. 58). 5 This advisory body, established under Article 150 of the TFEU, formulates opinions at the request of either the Council or the Commission or on its own initiative and contributes to the preparation of Council proceedings. It has an elected chair and its secretariat is provided by the Commission (OJ L 121, 14.5.2015, p. 12). 6 The Trade Policy Committee assists the Commission in the negotiation of trade agreements and advises the Commission on the common commercial policy. Its consultative role is without prejudice to the functions of the relevant geographical Working Parties responsible for bilateral relations with third countries (16864/09 and 5662/10). 7 This Committee, provided for by Article 71 of the TFEU, was set up by Council Decision 2010/131/EU of 25 February 2010 (OJ L 52, 3.3.2010, p. 50). 8 This advisory body, established under Article 160 of the TFEU, prepares reports, formulates opinions or undertakes other work within its fields of competence at the request of either the Council or the Commission or on its own initiative. It has an elected chair and its secretariat is provided by the Commission (OJ L 121, 14.5.2015, p. 16). 10075/17 5 ANNEX I GIP 1 B EN COMMITTEE ESTABLISHED BY INTERGOVERNMENTAL DECISION A.8 Special Committee on ***Agriculture*** (SCA)9 COMMITTEES AND GROUPS ESTABLISHED BY COUNCIL ACT A.9 European Union Military Committee (EUMC)10 (°) \* A.10 Committee for Civilian Aspects of Crisis Management (CivCom)11 (°°) \* A.11 Economic Policy Committee12 (°) A.12 Financial Services Committee13 (°) A.13 Security Committee14 (°°°) \* - Information Assurance (AQUAs, Tempest Experts: Implementation Tempest Taskforce/ITTF)15 - Security Accreditation Board (SAB) A.19 Ad hoc Working Party on Article 50 TEU16 (°°°) \* All delegates should be security cleared at least to the level SECRET UE/EU SECRET. (°) Committees and Working Parties with elected/appointed chairs. (°°) Committees and Working Parties chaired by a representative of the High Representative of the Union for Foreign Affairs and Security Policy. (°°°) Committees and Working Parties chaired by the General Secretariat of the Council. 9 The Special Committee on ***Agriculture*** (SCA) was established by a decision of the Representatives of the Governments of the Member States on 12 May 1960 to prepare decisions of the ***Agriculture*** Council. 10 Council Decision 2001/79/CFSP of 22 January 2001, OJ L 27, 30.1.2001, p. 4. This Committee has an elected chair, as is confirmed by note 2 to Annex II to Council Decision 2009/908/EU of 1 December 2009, OJ L 322, 9.12.2009, p. 28. 11 Council Decision 2000/354/CFSP of 22 May 2000, OJ L 127, p. 1. 12 Council Decision 2000/604/EC of 29 September 2000, OJ L 257, 11.10.2000, p. 28. This Committee has an elected chair and its secretariat is provided by the Commission. 13 Council Decision of 18 February 2003, OJ L 67, 12.3.2003, p. 17. 14 Council Decision 2013/488/EU of 23 September 2013, OJ L 274, 15.10.2013, p. 1 (Article 17). 15 Council Decision 2013/488/EU of 23 September 2013, OJ L 274, 15.10.2013, p. 1 (Article 17 (3)). 16 Council Decision 2017/900 of 22 May 2017, OJ L 138, 25.05.2017, p. 138. 10075/17 6 ANNEX I GIP 1 B EN GROUPS CLOSELY ASSOCIATED WITH COREPER A.14 Antici Group \* Antici Article 50 Group\*17 A.15 Mertens Group \* A.16 Friends of the Presidency Group - Regulatory procedure with scrutiny (RPS) adaptation18 - Integrated Political Crisis Response arrangements and Solidarity Clause Implementation (IPCR/SCI) - Integrated Maritime Policy (IMP) - EU Maritime Security Strategy (EUMSS) - Macro-regional Strategies - Valletta Summit on Migration - Multiannual Financial Framework (MFF) Review/Revision/Omnibus financial regulation - External Investment ***Plan***/European Fund for Sustainable Development (EIP/EFSD)19 - EU approach to international cultural relations - Implementation of Action 1 of the Joint Framework on countering hybrid threats20 COUNSELLORS/ATTACHES A.18 Counsellors/Attachés21 \* All delegates should be security cleared at least to the level SECRET UE/EU SECRET. 17 Following the notification by the United Kingdom under Article 50 TEU, the members of the European Council, the Council and its preparatory bodies representing the United Kingdom do not participate in the discussions or in decisions concerning it. In these instances, Coreper (Article 50) is convened. 18 5707/17 19 12293/16 20 9502/17 21 Formal Counsellor or Attaché meetings are convened and organised based on established practices. 10075/17 7 ANNEX I GIP 1 B EN GENERAL AFFAIRS B.1 Working Party on General Affairs B.3 High-Level Working Group on Asylum and Migration22 B.4 Horizontal Working Party on Drugs (HDG)23 B.5 Working Party on Structural Measures B.6 Working Party on Outermost Regions B.7 Working Party on Atomic Questions \*\* B.8 Working Party on Statistics24 B.9 Working Party on Information (°°°) B.11 Coordination Committee for Communication and Information Systems (CCCIS)25 (°°°) \* - CCCIS (TECH)26 B.12 Working Party on Codification of Legislation (°°°) B.13 Working Party of Legal/Linguistic Experts (°°°) B.14 Working Party on the Court of Justice B.15 Working Party on the Staff Regulations B.17 Ad hoc Working Party on the follow-up to the Council conclusions on Cyprus of 26 April 200427 B.18 Ad hoc Working Party on the Cooperation and Verification Mechanism for Bulgaria and Romania28 B.19 Working Party on Enlargement and Countries Negotiating Accession to the EU29 B.21 Working Party on E-Law(°°°)30 \* All delegates should be security cleared at least to the level SECRET UE/EU SECRET. \*\* All delegates should be security cleared at least to the level CONFIDENTIEL UE/EU CONFIDENTIAL. (°°°) Committees and Working Parties chaired by the General Secretariat of the Council. 22 Approved by the Council on 25 January 1999 and updated on 3 June 2002. 23 The Horizontal Working Party retains a general overview of all drug-related questions. The Presidency and the General Secretariat will accordingly ensure that it receives information on all drug-related issues being handled in other Working Parties. 24 Deals in particular with Economic and Financial Affairs Council (ECOFIN), internal market, ***agricultural*** and fisheries, social policy and health/consumer protection statistics. This Working Party retains a general overview of all statistical questions. The Presidency and the General Secretariat accordingly ensure that it receives information on all statistics-related issues being dealt with in other Working Parties (cf. 7003/03, p. 2). 25 14195/10 26 5189/11 27 11083/1/04 REV 1 28 5144/07 29 10249/06 30 16113/10 10075/17 8 ANNEX I GIP 1 B EN FOREIGN AFFAIRS C.1 Working Party of Foreign Relations Counsellors (RELEX) \* - Sanctions31 C.2 Working Party on Public International Law \*\* - International Criminal Court C.3 Working Party on the Law of the Sea C.4 United Nations Working Party (CONUN) (°°) \*\* C.5 Working Party on Organization for Security and Co-operation in Europe(OSCE) and the Council of Europe (COSCE) (°°) \*\* C.6 Working Party on Human Rights (COHOM) (°°) \*\* C.7 Working Party on Transatlantic Relations (COTRA) (°°) \* C.9 Working Party on Eastern Europe and Central Asia (COEST) (°°) \* C.10 Working Party on European Free Trade Association (EFTA)32 \*\* C.11 Working Party on the Western Balkans Region (COWEB) (°°) \* C.12 Ad hoc Working Party on the Middle East Peace Process (COMEPP) (°°) \* C.13 Middle East/Gulf Working Party (MOG)(°°) \* C.14 Mashreq/Maghreb Working Party (MAMA)(°°) \* C.15 Africa Working Party (COAFR)33 (°°) \* C.16 African, Caribbean and Pacific (ACP) Working Party34 \*\* C.17 Asia-Oceania Working Party (COASI) (°°) \* C.18 Working Party on Latin America and the Caribbean (COLAC) (°°) \* C.19 Working Party on Terrorism (International Aspects) (COTER) \* C.20 Working Party on Non-Proliferation (CONOP) (°°) \* C.21 Working Party on Conventional Arms Exports (COARM) (°°) \* C.22 Working Party on Global Disarmament and Arms Control (CODUN) (°°) \*\* - Space \* All delegates should be security cleared at least to the level SECRET UE/EU SECRET. \*\* All delegates should be security cleared at least to the level CONFIDENTIEL UE/EU CONFIDENTIAL. (°°) Committees and Working Parties chaired by a representative of the High Representative of the Union for Foreign Affairs and Security Policy. 31 5603/04 32 In addition to the EFTA countries and the Faroe Islands, this Working Party covers matters relating to Monaco, Andorra, San Marino and the Holy See. 33 8745/08 34 Includes ACP/FIN. 10075/17 9 ANNEX I GIP 1 B EN C.23 Working Party on Dual-Use Goods \*\* C.25 Politico-Military Group (PMG)(°°) \* C.26 Military Committee Working Group (EUMCWG)35 (°) \* - Headline Goal Task Force (HTF) C.27 Working Party on Trade Questions \*\* C.28 Working Party on the Generalised System of Preferences (GSP) C.30 Working Party on Development Cooperation (CODEV) \*\* C.31 Working Party on Preparation for International Development Conferences \*\* C.32 Working Party on Humanitarian Aid and Food Aid (COHAFA) C.33 Working Party on Commodities (PROBA) C.34 Working Party on Consular Affairs (COCON) \*\* C.36 Nicolaidis Group36(°°) \* C.38 Working Party on restrictive measures to combat terrorism (COMET)37 \* \* All delegates should be security cleared at least to the level SECRET UE/EU SECRET. \*\* All delegates should be security cleared at least to the level CONFIDENTIEL UE/EU CONFIDENTIAL. (°) Committees and Working Parties with elected/appointed chairs. (°°) Committees and Working Parties chaired by a representative of the High Representative of the Union for Foreign Affairs and Security Policy. 35 This Working Group has an elected chair (see note 2 to Annex II to Council Decision 2009/908/EU of 1 December 2009, OJ L 322, 9.12.2009, p. 28). Experts may be convened to meet concurrently with the Working Group meeting (400/1/00 ADD 1 REV 2, pp. 37-95). 36 8441/03 37 14612/1/16 REV 1 10075/17 10 ANNEX I GIP 1 B EN ECONOMIC AND FINANCIAL AFFAIRS D.1 Working Party on Own Resources D.2 Working Party of Financial Counsellors D.3 Working Party on Financial Services D.4 Working Party on Tax Questions - Indirect Taxation - Direct Taxation D.5 Code of Conduct Group (Business Taxation)38 (°) - Subgroup A39 - Subgroup B40 - Subgroup (Anti-abuse issues related to inbound and outbound profit transfers and mismatches between tax systems) 41 - Subgroup third countries42 - Subgroup (third and fourth criteria of the Code)43 D.6 High Level Working Party44 D.7 Budget Committee D.8 Working Party on Combating Fraud D.9 Working Party on Insurance45 D.11 Export Credits Group46 D.14 Ad hoc Working Party on the Strengthening of the Banking Union (°) Committees and Working Parties with elected/appointed chairs. 38 High-level representatives of the Finance Ministers. 39 12530/98, point 13 40 12530/98, point 13 41 11967/09, point 4 42 Report endorsed by ECOFIN on 17 June 2016 (9912/16, items 46 and 48). 43 Council conclusions adopted at ECOFIN on 8 March 2016 (6900/16, item 10). 44 Established to ensure the coordination of work including to achieve parallel progress on the tax package (9915/01). 45 5441/07 - Listed here since 'insurance' is dealt with by ECOFIN. 46 Tasks defined in S/477e/74, Council Decision of 27.9.1960 10075/17 11 ANNEX I GIP 1 B EN JUSTICE AND HOME AFFAIRS E.1 ***Strategic*** Committee on Immigration, Frontiers and Asylum (SCIFA)47 E.2 Working Party on Integration, Migration and Expulsion E.3 Visa Working Party E.4 Asylum Working Party E.6 Working Party on Frontiers48 E.7 Working Party on Civil Law Matters E.12 Working Party on Terrorism E.13 Customs Cooperation Working Party E.14 Working Party on Cooperation in Criminal Matters49 E.15 Working Party on Substantive Criminal Law E.21 Working Party on Civil Protection (PROCIV) \*\* E.22 Working Party on Fundamental Rights, Citizens' Rights and Free Movement of Persons (FREMP)50 E.23 Working Party on Information Exchange and Data Protection51 E.24 Justice and Home Affairs-Foreign Relations Counsellors (JAI-RELEX) Working Party52 E.25 Coordinating Committee in the area of police and judicial cooperation in criminal matters (CATS)53 E.26 Law Enforcement Working Party E.27 Working Party for Schengen Matters E.28 Working Party on General Matters including Evaluation E.30 Horizontal Working Party on Cyber Issues (Cyber)54 \*\* All delegates should be security cleared at least to the level CONFIDENTIEL UE/EU CONFIDENTIAL. 47 17182/11 endorsed by Coreper on 23-24 November 2011 and 12516/15 endorsed by the Council on 8 October 2015. 48 Including false documents. 49 OJ L 52, 3.3.2010, p. 50. 50 Coreper (Part 2) of 27 April 2005 (8457/05 CRS CRP 20). On 17 December 2009, Coreper decided to task this Working Party with all matters relating to fundamental rights and citizens' rights, including free movement of persons, negotiations on accession of the Union to the ECHR and the follow-up of reports from the EU Agency for Fundamental Rights. The Working Party should be able to meet in different formations whenever necessary depending on the subject on the agenda. Made permanent by Coreper on 17 December 2009 (17653/09). 51 6259/5/06 REV 5, 9208/1/08 REV 1 (17653/09). 52 14431/1/08. Made permanent by Coreper on 17 December 2009 (17653/09). 53 16070/09 and 17187/11. 54 13114/16 + COR 1 10075/17 12 ANNEX I GIP 1 B EN ***AGRICULTURE***/FISHERIES F.1 High Level Group on Agriculture55 F.2 Working Party on ***Agricultural*** Structures and Rural Development - ***Agriculture*** and Environment - Rural Development - Outermost Regions and Aegean Islands F.3 Working Party on Horizontal ***Agricultural*** Questions - Simplification of the EU's Common ***Agricultural*** Policy (CAP) - Strengthening of Controls56 F.4 Working Party on the Promotion of ***Agricultural*** Products F.5 Working Party on Genetic Resources in ***Agriculture*** F.6 Working Party on Foodstuff Quality - Organic Farming - Geographical Indications and Designations of Origin - Certificates of Specific Character F.7 Working Party on Animal Products F.8 Working Party on Arable Crops F.9 Working Party on Sugar and Isoglucose F.10 Working Party on Fruit and Vegetables F.11 Working Party on Olive Oil57 F.12 Working Party on Wines and Alcohol58 F.13 Working Party on Special Plant Products F.14 Working Party on Products not listed in Annex I F.15 Working Party on Financial ***Agricultural*** Questions (AGRIFIN) F.16 Working Party on Forestry F.17 Working Party on ***Agricultural*** Questions - Labelling of Processed ***Agricultural*** Products - Feedingstuffs - Seeds and Propagating Material - Harmful Organisms - Pesticide Residues - Pesticides/Plant Protection Products - Plant Breeder Rights - Genetically Modified Organisms (GMO) F.18 Working Party of Chief Plant Health Officers 55 13642/05. This Group meets at the level of Deputies of Ministers. 56 Including the integrated system. 57 Including table olives. 58 Including vinegar. 10075/17 13 ANNEX I GIP 1 B EN F.19 Working Party on Plant Health - Protection and Inspection - Propagating and Planting Materials - Roosendaal Group - International Plant Protection Convention / Commission on Phytosanitary Measures (IPPC/CPM) Affairs59 F.20 Working Party of Chief Veterinary Officers F.21 Working Party of Veterinary Experts - Public Health - Animal Health - Animal Welfare - Animal Husbandry - Fishery Products - Potsdam Group F.22 Coordination Working Party - Food and ***Agriculture*** Organization (FAO) - Organisation for Economic Co-operation and Development (OECD) F.23 Codex Alimentarius Working Party60 F.24 Working Party on External Fisheries Policy F.25 Working Party on Internal Fisheries Policy F.26 Working Party of Directors-General of Fisheries Departments 59 10953/13 60 This Working Party meets in different configurations depending on the item under consideration. 10075/17 14 ANNEX I GIP 1 B EN COMPETITIVENESS (Internal Market, Industry, Research and Space61) G.1 Working Party on Competitiveness and Growth62 G.2 Working Party on Public Procurement G.3 Working Party on Intellectual Property - Patents - Copyright - Design - Trademarks - Enforcement G.4 Working Party on Company Law G.6 Working Party on Establishment and Services G.7 Working Party on Technical Harmonisation - Motor Vehicles - Fertilisers G.8 Working Party on Customs Union G.12 Working Party on Competition G.13 Working Party on Research G.14 Joint Working Party on Research/Atomic Questions G.21 European Research Area and Innovation Committee (ERAC)63 G.22 Working Party on Space64 G.23 Working Party on Consumer Protection and Information G.24 High Level Working Group on Competitiveness and Growth65 G.25 High Level Working Party of the Directors General of Customs66 61 Following the entry into force of the TFEU, in particular Article 189, a decision to include the denomination on Space was endorsed by the European Council of 16 September 2010 on a recommendation by the General Affairs Council (GAC). 62 Including internal market, industry, better regulation and tourism. In line with the Coreper decision (14818/02), this Working Party meets in different configurations depending on the agenda. 63 This Committee is co-chaired by the Commission and an elected representative from the Member States (9342/15). The secretariat is provided by the Council Secretariat. ERAC has two dedicated configurations, namely the High Level Group on Joint ***Programming*** (GPC) and the ***Strategic*** Forum for International S&T Cooperation (SFIC), both having elected chairs from among the Member States. 64 14274/10 65 15006/14 66 14649/16 10075/17 15 ANNEX I GIP 1 B EN TRANSPORT/TELECOMMUNICATIONS/ENERGY H.1 Working Party on Land Transport67 H.2 Working Party on Shipping 59 H.3 Working Party on Aviation 59 H.4 Working Party on Transport - Intermodal Questions and Networks 59 H.5 Working Party on Telecommunications and Information Society H.6 Working Party on Postal Services H.7 Working Party on Energy68 \*\* EMPLOYMENT/SOCIAL POLICY HEALTH AND CONSUMER AFFAIRS I.1 Working Party on Social Questions I.2 Working Party on Public Health I.3 Working Party on Public Health at Senior Level69 I.4 Working Party on Pharmaceuticals and Medical Devices I.5 Working Party on Foodstuffs ENVIRONMENT J.1 Working Party on the Environment J.2 Working Party on International Environment Issues70 EDUCATION/YOUTH/CULTURE/SPORT K.1 Education Committee K.2 Youth Working Party K.3 Cultural Affairs Committee K.4 Audiovisual Working Party K.5 Working Party on Sport71 \*\* All delegates should be security cleared at least to the level CONFIDENTIEL UE/EU CONFIDENTIAL. 67 These Working Parties also meet in special configurations according to operational needs, including as special committees provided for in Council negotiating directives. 68 Includes the High-level Working Party on Energy. 69 16139/08 70 These Working Parties meet in several different configurations depending on the subject under consideration. 71 5009/1/10 REV 1 10075/17 16 ANNEX II GIP 1 B EN ANNEX II SECURITY PROCEDURES FOR MEETINGS OF COUNCIL PREPARATORY BODIES Access to meeting rooms 1. Rooms where meetings are in progress are considered protected areas and may be subject to access and presence control by the organising entity or by General Secretariat staff. Meetings of certain Council configurations or meetings where sensitive matters are discussed may be subject to access and presence controls by Security Office staff. For meetings where EU classified information is discussed, further details are provided below. Presence at other meetings is checked by peers under the responsibility of the chair. 2. Delegates' identification badges must be worn visibly. Room attendants may ask to verify any delegate's identification badge and, where an individual cannot ***produce*** it, request the assistance of the Security Office. Security Office agents are authorised to deny access or to remove any unidentified or unauthorised individuals from a meeting. Holders of day badges will only be admitted if their badges specifically authorise attendance at the meeting. Discussion of classified items 3. All discussion of classified items must be organised in accordance with the Council's security rules for protecting EU classified information72. Security clearance 4. Delegates attending meetings of the Council preparatory bodies where classified items are discussed regularly must be cleared at least to the levels indicated in Annex I of this document. 5. Delegations will be reminded in advance of the security clearance requirement for any item classified CONFIDENTIEL UE/EU CONFIDENTIAL or above in the notice convening the meeting. 6. It is the responsibility of the meeting chair to announce the discussion of an item classified at level CONFIDENTIEL UE/EU CONFIDENTIAL or above and to ensure that all delegates attending are appropriately security cleared. It is the responsibility of Member States to send only appropriately cleared representatives to such meetings. The chair may request the assistance of the Security Office to deal with any issues that may arise. 72 Council Decision 2013/488/EU (OJ L 274, 15.10.2013, pp. 1-50). 10075/17 17 ANNEX II GIP 1 B EN 7. For delegates (and interpreters) attending items classified CONFIDENTIEL UE/EU CONFIDENTIAL or above, a personnel security clearance certificate (PSCC) must be forwarded by the appropriate national authorities, the Commission Security Directorate or the EEAS Security Office to the GSC Security Office ([*security.clearances@consilium.europa.eu*](mailto:security.clearances@consilium.europa.eu)). Exceptionally, the original PSCC certificate may be hand-carried by the delegate concerned. CONFIDENTIEL UE/EU CONFIDENTIAL 8. Discussion of items involving information classified CONFIDENTIEL UE/EU CONFIDENTIAL may take place in any meeting room. Access to meetings or items classified CONFIDENTIEL UE/EU CONFIDENTIAL is subject to spot checks conducted by the GSC Security Office with the assistance of the GSC official servicing the meeting. Electronic devices (portable computers, tablet devices, mobile phones, PDAs, etc.) are particularly vulnerable to being compromised for eavesdropping. Delegations must switch off such devices for the duration of items classified CONFIDENTIEL UE/EU CONFIDENTIAL. The Chair or the GSC official servicing the meeting should remind delegates of this before discussion of the item. SECRET UE/EU SECRET 9. Discussion of items involving information classified SECRET UE/EU SECRET must always take place in the room designated for this purpose. Access to meetings or items classified SECRET UE/EU SECRET is controlled by the GSC Security Office with the assistance of the GSC official servicing the meeting. The Security Office is instructed not to allow any exceptions to the possession of a SECRET UE/EU SECRET personal security clearance, nor to allow the presence of electronic devices. 10075/17 18 ANNEX III GIP 1 B EN ANNEX III LIST OF PREPARATORY BODIES WITH A FIXED CHAIR I. Committees and Working Parties with elected/appointed chairs A.2 Economic and Financial Committee A.3 Employment Committee A.7 Social Protection Committee A.9 European Union Military Committee (EUMC) A.11 Economic Policy Committee A.12 Financial Services Committee C.26 Military Committee Working Group (EUMCWG) - Headline Goal Task Force (HTF) D.5 Code of Conduct Group (Business Taxation) II. Committees and Working Parties chaired by a representative of the High Representative of the Union for Foreign Affairs and Security Policy A.5 Political and Security Committee (PSC) A.10 Committee for Civilian Aspects of Crisis Management (CivCom) C.4 United Nations Working Party (CONUN) C.5 Working Party on OSCE and the Council of Europe (COSCE) C.6 Working Party on Human Rights (COHOM) C.7 Working Party on Transatlantic Relations (COTRA) C.9 Working Party on Eastern Europe and Central Asia (COEST) C.11 Working Party on the Western Balkans Region (COWEB) C.12 Ad hoc Working Party on the Middle East Peace Process (COMEPP) C.13 Middle East/Gulf Working Party (MOG) C.14 Mashreq/Maghreb Working Party (MAMA) C.15 Africa Working Party (COAFR) C.17 Asia-Oceania Working Party (COASI) C.18 Working Party on Latin America and the Caribbean (COLAC) C.20 Working Party on Non-Proliferation (CONOP) C.21 Working Party on Conventional Arms Exports (COARM) C.22 Working Party on Global Disarmament and Arms Control (CODUN) C.25 Politico-Military Group (PMG) C.36 Nicolaidis Group 10075/17 19 ANNEX III GIP 1 B EN III. Committees and Working Parties chaired by the General Secretariat of the Council73 A.13 Security Committee, and its sub-areas A.19 Ad hoc Working Party on Article 50 TEU B.9 Working Party on Information B.11 Coordination Committee for Communication and Information Systems (CCCIS) B.12 Working Party on Codification of Legislation B.13 Working Party of Legal/Linguistic Experts B.21 Working Party on E-Law 73 Decision N° 20/2017 of the Secretary-General (DE 20/17).

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HINA Digest

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**Body**

Zagreb, 22 September 2017 (Hina) - Plenkovic defends withdrawal from border arbitration in UN speechZAGREB, Sept 21 (Hina) - Croatian Prime Minister Andrej Plenkovic said in his address to the United Nations General Assembly on Thursday that Croatia had had to withdraw from the compromised border arbitration with Slovenia, warning that such "undermining of international law" discouraged other countries from settling their disputes with the help of third parties.Croatia refuses the ruling handed down by the arbitration tribunal because Slovenian officials illegally communicated with the judges and inserted documents in the case file based on which the Permanent Court of Arbitration in The Hague ruled on the matter two months ago. Slovenia, on the other hand, insists on the implementation of the ruling and rejects Zagreb's proposal to settle the dispute through bilateral dialogue."Compromising the impartiality or independence of international adjudicators and tribunals, as was the case in the terminated arbitration process between Croatia and Slovenia, makes their decisions legally void and left Croatia with no choice other than to withdraw from the arbitration process," the Croatian prime minister said in his speech."We consider that this example of undermining the rule of law is a discouragement for states considering third-party dispute settlement," he added.Plenkovic also spoke of current global issues such as the Korean Peninsula crisis, the conflict in eastern Ukraine, the Paris agreement on climate change, and migration.Although his initiative had already prompted negative reactions from Russia, he again offered Croatia's experience to Ukraine in peacefully reintegrating its areas controlled by pro-Russian rebels.One of the most successful peacekeeping missions to date was UNTAES – the UN Transitional Administration in Eastern Slavonia, which ended in January 1998 with the peaceful reintegration of territories formerly occupied by the former Yugoslav People's Army and local Serbs."We put at disposal this unique know-how and extensive expertise as a useful complementary contribution to the international community's efforts in similar situations, such as with the implementation of the Minsk Agreements in Ukraine, where we can draw many parallels," Plenkovic said.He described nuclear and missile tests conducted by North Korea as "a direct threat to international peace and security.""We appeal to North Korean authorities to discontinue developing and testing nuclear weapons and to fully meet their commitments under international law, relevant UN Security Council resolutions and global non-proliferation regime," the Croatian prime minister said.Plenkovic expressed support for the Paris agreement on climate change, a stumbling block between most of its signatories and the United States, which has announced its withdrawal from this global pact aimed at combating climate change."In the recent months, unfortunately, my country was not spared wildfires and floods either, which reached unprecedented dimensions.

These increasingly worrying warnings are a call to action – without delay," he said.The Croatian prime minister drew attention to Bosnia and Herzegovina, a non-functioning country where ethnic and social problems have been smouldering since the end of the war in 1995."We believe in building strong societies in our neighbourhood, aiming to shift away from containing crises towards prevention, political dialogue and active engagement. This is especially important in neighbouring Bosnia and Herzegovina, where proper implementation of the constitutional equality of its three constituent peoples – Bosniaks, Serbs and Croats – is a prerequisite for ensuring the full functionality and stability of the state and its European integration process which we wholeheartedly support," he said.He recalled that Croatia had been faced with a huge migrant wave in 2015, taking an approach that "puts people first"."In the framework of the European Union Croatia is working with its partners on stemming illegal flows of people, especially from the Eastern Mediterranean – Balkan route, while at the same time providing concrete support to countries of origin to address root causes, in particular through its development aid ***programmes***," the PM said.Plenkovic also touched on a current domestic issue, the education reform, saying that the reform was necessary to achieve sustainable development and youth employment."It is our global task to adjust our educational systems to form the future responsible citizens, to give them job opportunities and fit the real needs of our labour markets," he said.Noting that Croatia had become a UN member 25 years ago, Plenkovic emphasised Croatia's firm commitment to multilateralism, and called for the reform of the UN Security Council and for increasing the number of both permanent and non-permanent members of the world organisation's most important body."It is vital that its membership – both permanent and non-permanent – is regionally balanced and more reflective of the world seventy years into the organisation's life," Plenkovic said.Cerar cancels visit to Zagreb after Plenkovic's speech in NYZAGREB, Sept 22 (Hina) - Slovenian Prime Minister Miro Cerar said on Thursday that he had cancelled his meeting with his Croatian counterpart Andrej Plenkovic, scheduled for 27 September in Zagreb, after the Croatian premier said in his address to the United Nations General Assembly earlier in the day that Croatia had had to withdraw from the compromised border arbitration with Slovenia, due to "undermining of international law".Cerar who was also in New York told the Slovenian television RTV Slovenia on the phone that Plenkovic's speech was the reason for the cancellation of his visit to Zagreb.Cerar went on to say that Slovenia "remains open to dialogue only of Croatia accepts the arbitration ruling."PM: Very bad if Bosnian intelligence indeed wire-tapped Croatian officialsZAGREB, Sept 21 (Hina) - Croatian Prime Minister Andrej Plenkovic said on Thursday that it would be very bad if it was true that Croatian and Bosnian Croat officials and business people were being wire-tapped by the Bosnian Intelligence and Security Agency (OSA).Speaking to reporters in New York where he was attending a UN General Assembly session, Plenkovic said that at this point he did not have full information on the matter, but that he had spoken with the director of the Croatian Security and Intelligence Agency (SOA) and expected a full report when he returned to Croatia.Bosnian Security Minister Dragan Mektic has confirmed an article in the latest issue of Nacional weekly that OSA wire-tapped Croatian politicians and business people."It was all done completely legally, legitimately, and there is nothing new about it. Every country does that, not just in Europe, but elsewhere in the world as well. Bosnia and Herzegovina's security institutions also do that and so does its intelligence agency," Mektic told reporters.Nacional said it had seen several secret reports by OSA indicating that the Bosnian intelligence agency "is waging special warfare against Croatia, Croatian Prime Minister Andrej Plenkovic and the Croatian government's foreign policy, as well as against Croats in Bosnia and Herzegovina."Plenkovic said that for now he could not make any definitive judgements. "The matter is too sensitive. For me, Bosnia and Herzegovina as a state is the closest and most important one, we have a great interest in good relations and in Croats who are a constituent people there. I have shown this since my first day in office, making seven visits to Bosnia and Herzegovina in less than 11 months," he said.Plenkovic said that he always bears in mind that there are so many things that connect the two countries and that outstanding issues are certainly not insoluble.Dalic: CETA provides better framework for economic cooperation with CanadaZAGREB, Sept 21 (Hina) - The entry into force of the CETA agreement marks a new chapter in economic relations between Croatia and Canada, and the agreement provides a better framework for economic cooperation than the bilateral agreement did, Economy Minister Martina Dalic told a press conference in Zagreb on Thursday, held to mark the agreement's provisional entry into force.CETA, the Comprehensive Economic and Trade Agreement between the European Union and Canada, opens up new possibilities for Croatian companies in Canada and it is up to them to make full use of it, the press conference was told.The press conference was held at Europe House and was attended by Branko Baricevic, head of the European Commission Representation; Daniel Maksymiuk, Canadian ambassador in Croatia; Joe Basic, president of the Canadian-Croatian Business Network (CCBN); and Zelimir Kramaric, vice-president of the Croatian Chamber of Commerce (HGK).CETA provisionally entered into force on September 21, removing customs duties on 98% of products. Customs duties will remain for two percent of Croatian exports, including some ***agricultural*** products such as poultry and eggs.Baricevic highlighted the political aspect of the agreement, saying that the European Commission expected CETA to serve as a model not just in trade but also in spreading the values of the European Union.By lifting customs duties and simplifying procedures for doing business with Canada, the agreement will help European companies save EUR 590 million annually, Baricevic said.Public procurement in Canada and the European Union is open as of today and Croatian companies can compete in Canada for projects worth 110 billion dollars, Maksymiuk said. He said that the advantages of CETA would be visible only if companies made use of the new possibilities, adding: Let's buy Croatian in Canada as well.Basic emphasised the CCBN's contribution to the adoption of the agreement and announced that his organisation was preparing a new trade mission to Canada in 2018 to boost interest among Croatian companies in developing business in Canada. He drew attention to the need for a Croatian trade attache in Canada.Kramaric said that the sizeable Croatian diaspora in Canada could provide Croatian companies with better business links with Canada.Croatia has a EUR 49 million surplus in trade with Canada, with Croatian exports worth EUR 87 million and Canada's EUR 38 million.Croatian exports to Canada mostly comprise machinery and equipment (15.5%), chemicals and plastics (11%), jams and marmalades (12%), footwear and textiles (12%), metal and mineral products, yachts and vessels for leisure and sport (9.5%), and sauces and sauce preparations (9.5%).CETA negotiations began in 2009 and the agreement was signed in 2016 after the Council of the European Union approved it. CETA will be provisionally in force until it has been ratified by all member states, including 38 parliaments, either national or regional. It has been ratified by five member states so far - Croatia, Denmark, Spain, Latvia and Malta, as well as by the European and Canadian parliaments.Maric and Schulz call for boosting Croatia-Germany economic cooperationZAGREB, Sept 21 (Hina) - It is possible tointensifyeconomic cooperation between Croatia and Germany, particularly investments in tourism and in the Slavonia region, Croatian Minister for State Property Goran Maric and German Ambassador Thomas E. Schulz said at a meeting in the ministry on Thursday.The meeting focused on the promotion of economic cooperation, investment projects and the new Croatian law on state property management and the state property register.Schulz said that Croatia was an important partner to Germany and that German companies were eager to discuss investment possibilities, especially in Slavonia.Maric said that his ministry ***planned*** to put to use state-owned land that had been neglected for decades and that the new bill that would make this possible was expected to enter into force by the end of this year."The new law will enable speedier activation of state property and simplify the lease, concession and sale procedures. Investments are the basis of a society's development and I believe that many projects will be implemented," the minister said.Maric said that his ministry was also preparing a bill on the state property register, which will be run by the Central State Office for Development of Digital Society."It will be a comprehensive register containing information on all forms of property owned by the Republic of Croatia,not just the property managed by the ministry but also the property managed by other bodies," Maric said.Erste Bank revises upward economic growth estimate to 3%ZAGREB, Sept 21(Hina) - Erste Bank analysts have revised upward their estimate of Croatia'seconomic growth in 2017 from 2.7% to 3%, owing to a record high tourism turnover and strong domestic demand, noting that the crisis at Agrokor could only have a limited impact.After growing at a slow rate in Q1, GDP picked up in Q2 to 2.8% on the year, mostly due to a 3.8% increase inhousehold spending, the analysts said.Investment growth in Q2 slowed down to 3.2% on the year, which supports the assessment that the Agrokor crisis is affecting the investment activity to some extent, the analysts said.Nonetheless, the faster GDP growth in Q2 shows that the economy is resilient to the crisis, they noted.No major surprises are expected until the end of the year, and healthy domestic demand and record-high tourism results could lead to a modest increase in economic growth, the analysts said, noting that investment growth could pick up to 4%-5% owing to investments in the tourism sector and in projects co-financed by the EU.The Erste Bank analysts expectthe economy to grow by 2.8% in 2018 and this year's budget deficit to be close to last year's level of 0.8% of GDP.The share of public debt in GDP is expected to slide to 80.7% by the end of this year, which supports expectations of good news from rating agencies in the months to come, said the analysts.'Let's Buy Croatian' campaign marks 20th anniversaryZAGREB, Sept 21 (Hina) - The Croatian Chamber Of Commerce (HGK) campaign "Let's Buy Croatian", in which over 300 Croatian ***producers*** are selling their products at promotional prices, is being held in downtown Zagreb on Thursday and Friday."Today we are celebrating 20years of the 'Let's Buy Croatian' campaign and in these 20 years we've had nearly 300 campaigns involving about 2,000 companies,"HGK president Luka Burilovic said, opening the campaign.He said the campaign was widely known and had led to all retailers stocking Croatian products because they had recognised their value and quality.Burilovic said it was important that the campaign encouraged the sale of Croatian products and boosted the economy, helped to keepjobs and created prerequisites for job creation.The campaign promotes quality Croatian products, notably those bearing the "Originally Croatian" and"Croatian Quality" designations. Its aim is to raise awareness of the importance of production as well as of buying domestic products in order to boost the economy's competitiveness and nurture the national identity.Farm minister visits new plant at PPK meat factory in KarlovacZAGREB, Sept 21 (Hina) - ***Agriculture*** Minister Tomislav Tolusic on Thursday visited a new production plant at the PPK meat factory, in which HRK 95 million has been invested over the last three years, the Karlovac-based company reported.The investment involved the construction of a new fresh meat processing plant to increase the production capacity to more than 20,000 tonnes annually.New production, packaging andprocessing machines were obtained and all capacities have been streamlined for the production of salamis and sausages.PPK now has a complete line for carving and mechanically separating fresh meat with a daily capacity of 60 tonnes as well as a new line for sterilised cans with a capacity of 2,000 tonnes, the company said."Following trends in technology, developing new products and continually improving existing and retaining traditional components is our lasting direction in business," said PPK's management board chair Igor Miljak.Total investments in the company are more than HRK 350 million and the initial plant of 3,000 square metres has grown to today's 20,000 square metres.All the investments were from accumulated funds and European funds and were directed to technology and increasing capacities which is related to the increased number of employees with 400 new workers being employed in the last 14 years. Currently,640 are on the company's payroll.Annual carp production in Croatia expected to be 5,000 t by 2023ZAGREB, Sept21(Hina) - Carp production in Croatia is expected to reach 5,000 tonnes a year by 2023, the president of the Croatian Chamber of Commerce fisheries association, Milan Bozic, told an international conference on carp breeding on Thursday.The European Union meets only 35% of its carp demand from its own production, so this is an opportunity for Croatia, he said, adding that fish demand in the EU was big but production was insufficient.There are about 20 carp breeders in Croatia, about 15,000 tonnes were ***produced*** before the war while today annual production is about 3,000, he said, adding that thewhole industry was "at a stage of technological recovery."***Agriculture*** Ministry state secretary Marija Vuckovic said freshwater fish breeding in Croatia was a ***strategic*** industry as it was one of the fastest growing, with an average growth rate of 10%. Carp production is important as it encompasses75% of all freshwater aquaculture production and is second to white fish production, she added.Andrzej Lirski of the Polish Stanislaw Sakowicz Inland Fisheries said carp was the most important fish in European aquaculture with annual production at3.8 million tonnes, or 5.7% of the world's fish production.In 2015, 71,210 tonnes of the common carp were ***produced*** in Europe, with 17,260 tonnes exported and 19,110 tonnes imported, the conference heard. Breeding is on the rise and the EU market has been growing by 9% over the past 10 years.Hungary has the highest carp consumption, 1.16 kg per capita annually. Bulgaria and Romania are next. In Croatia, 400 grams of carp per capita areconsumed on average.Draft settlement proposal with creditors for Agrokor expected in Nov.ZAGREB, Sept21(Hina) -The first draft of a settlement proposal with creditors for indebted Croatian food company Agrokor is expected in November, a source familiar with the company's restructuring process told Reuters on Wednesday."I expect the first proposal for the final settlement to be ready in November. By that time we should have the permanent council of creditors in place and ready to discuss the settlement," the source said.Reuters described Agrokor as "the Balkan region's biggest private employer" whichwas put under state management in April after building up debts of at least 40.4 billion kuna ($6.5 billion) by the end of March.Within weeks, Agrokor is expected to make public the final amount of overall claims against the company and consolidated 2016 group results for which the company has hired PricewaterhouseCoopers to carry out an audit.The crisis management team at Agrokor is expected to remain in place for up to 15 months during which time the firm is expected to reach the settlement with creditors.Croatia has selected New York-based AlixPartners to advise on Agrokor restructuring, says the news agency."I believe that 15 months will be enough time to reach the final settlement and complete the (restructuring) process," the source said.Analysts expect the restructuring process to lead to the sale of Agrokor's food and retail operations and that creditors will have to write off a part of their claims.Croatian minister: No signs of revival of Balkan migration routeZAGREB, Sept21(Hina) - Croatian Interior Minister Davor Bozinovic said on Thursday there were no signs of new migration flows along the Balkan route."The public can be at peace. If anything changes, the Croatian police are integratedinto the European system," Bozinovic said duringa conference of the European Border and Coast Guard Agency (Frontex) in Zagreb, asked by the press if the migration crisis remained the biggest border challenge in 2018 for the Western Balkans, Croatia and the Frontex member states.He said Croatia would meet all the technical requirements for joining the Schengen Area. He also said the migration crisis had resulted in better cooperation in dealing with possibly big migration flows.He dismissed as incorrect the information that about 500 migrants crossed the Serbian-Croatian "green border" in the Vukovar area every day and that police then chased them in localvillages. "That's not true. The police are doing their job by protecting both the 'green' and all other borders as well as Croatia's sovereignty in the border area."He said the police were readyto deal with any kind of illegal border crossing. "The numbers are not those at all and we are handling this very efficiently and you can be at peace."Responding to questions from the press, Frontex deputy director Berndt Koerner said the situation in the Mediterranean was under control butthe border service must be on the alert. He agreed with Bozinovic that the situation in the Western Balkans had improvedbut said one must remain on the alert for alternative routes.We have heard about the latest incidents on the Black Sea and the possibility of rerouting directly towards Italy, so the situation should be carefully monitored, he said.The Frontex conference of chiefs of partner police academies from the member states brought together representatives of 22 countries and 34 academies for the signing of a partnership agreement and the presentation of certificates to partner academies.The Croatian Interior Ministry said Frontex experts had assessed the border police training through the implementation of Frontex projects at the Zagreb Police Academy as an example of good practice, addingthat this was why the Academy was chosen to host the conference.Bozinovic said the point of thepolice academy network was to intensify cooperation between training centres towardsa European border service. "Croatia has something to offer as a host also based on the extensiveexperience it gained in the past few years," he said, adding that being chosen to hostthe Frontex conference was an honour and a step forwardin the recognitionof the Croatian Interior Ministry and police.Police arrest four migrant smugglersZAGREB, Sept 21 (Hina) - Two Pakistanis aged 28 and 29 suspected of smuggling at least 47 migrants into Croatia, thusearning about HRK 350,000, have beenarrested, Zagreb police said on Thursday."The suspects, together with other yet unidentified persons, organised the arrival of foreign citizens in Croatia who did not meetthe formal and legal requirements for entry and who were prepared to pay to be illegally transported from Serbia toCroatia and on to other European Union countries. It was determined that the suspects transported at least 47 people and earned at least HRK 350,000," the police said on itswebsite.The Pakistanis were escorted to prison and criminal charges have been filed with the Anti-Corruption and Organised Crime Office (USKOK) for illegal entry, movement or sojournin Croatia and other EU member states orsignatories of the Schengen Agreement.The police added that an investigation is continuing, "aimed at identifying other persons involved in this crime."Vukovar-Srijem police on Thursday reported that two men had been arrested in Vrbanja municipality, suspected of illegally transporting migrants, mostly Afghans,from Serbia into Croatia.The two men aged 31 and 23 from Zagreb were stopped by police on Wednesday night and were found to be transporting 12 Afghans who had illegally entered the county.The two were taken to prison. If the migrants do not seek asylum in Croatia, they will be returned to Serbia.Franak hails ECJ ruling on loans in Romania, HUB says it's irrelevant for CroatiaZAGREB, Sept21(Hina) - Franak, the Croatian association of holders of loans previously indexed to the Swiss franc, on Thursday welcomed the judgement by the EU Court of Justicein the case of Ruxandra Paula Andriciuc and Others against Romanian lender Banca Romaneasc, which ruledthat the bank should have clearly warned the borrowers "in plain intelligible language" about risks stemming fromlending in foreign currencies.Franak representatives said at a news conference in Zagreb that the judgement published on Wednesday was a historic victory for all borrowers who had loans tied to the CHF.They insistthat the judgement (C-186/16,) handed down by the European Court of Justice should be binding on all Croatian courts and the starting pointfor the ongoing arbitration in Washington.The EU court ruledthat "the requirement for a contractual term to be drafted in plain intelligible language entails that the term relating to the repayment of the loan in the same currency must be understood by the consumer both on a formal and grammatical level, and also in terms of its concrete effect, in the sense that the average consumer, who is reasonably well informed and reasonably observant and circumspect, would not only be aware of the possibility of a rise or fall in the value of the foreign currency in which the loan was taken out, but also able to assess the potentially significant economic consequences of such a term for his financial obligations."The main argument put forward by the borrowers was that"at the time of conclusion of the contract the bank presented its product in a biased manner, only pointing out the benefits to the borrowers without highlighting the potential risks and the likelihood of those risks occurring," the ECJ disclosed in a press statement.The representatives of the NGO said that the judgement by the EU court also corroborated their claims about unfair terms in consumer contracts regarding CHF-denominated loans.Croatian Banking Association: ECJ ruling has no direct impact on CroatiaAt the time relevant to the concluding of contracts on CHF-indexed loans, Croatian lenders were not able to predict the trends in the exchange rate of the Swiss franc, the Croatian Banking Association (HUB) said on Thursday in its comment on the ECJ judgement.HUB insists that the ECJ ruling has nothing to do with Croatia and the ruling shows that the time framework the conclusion of loanswas crucial."It is a crucial question whether a lender could have known in advancethe future trends in the exchange rate of currencies and whether it could have predicted the unprecedented appreciation of the Swiss currency," according to the HUB explanation.The HUB also points out adistinction between the CHF-indexed loans, such was the case in Croatia, and the obligation stemming from the loan agreement in Romania in this case that the borrowers would have to repay the loan in CHF and bear the risk of any currency fluctuations between the RON and CHF.SDP Presidency member: Bernardic's replacement would lead to party's disintegrationZAGREB, Sept 21 (Hina) - Social Democratic Party (SDP) Presidency member Romana Jerkovic stood in defence of SDP president Davor Bernardic on Thursday, saying that the legally elected leader was being subjected to one of the worst attacks in Croatian political history and that his replacement would lead to the party's disintegration."Frankly speaking, I don't remember such an attack every happening in Croatian political history, on a person who does not have a suspicious past, who does not have property of suspicious origin, who is not involved in any scandals and who has no loose ends," Jerkovic told Hina in a comment on criticisms of Bernardic by party members and calls for a new party election.She in particular disapproved of the statement by deputy leader Pedja Grbin, who said on Wednesday, that he hoped for a new party election at the national level, noting that Grbin should settle his disagreements at leadership meetings rather than attack Bernardic in the media.Jerkovic said that Bernardic was "legally and legitimately" elected leader at the party election only nine months ago when all candidates had a chance to prove they were better. That's why she thought Grbin's statement was "damaging to the party".SDP official comments on intra-party problemsZAGREB, Sept21(Hina) -Primorje-Gorski Kotar County head Zlatko Komadina of the Social Democratic Party (SDP) said on Thursday that SDP members who were acting destructively were not part of the solution to the situation in the party."I am not denying that there are problems in the SDP but those who actdestructively are not part of the solution to those problems," Komadina said when asked by reporters to comment on SDP MP Pedja Grbin's statement that SDP leader Davor Bernardic should step down."I have told them to get to work because the amount of energy that is now being used to malign party colleagues has not been used for long to fight for ideas of social democracy or against political rivals. They should be ashamed," Komadina said ahead of a session of the county assembly.SDP officials started publicly criticising Bernardic after a session of the party caucus held on Tuesday, at which a decision was made on whether the biggest opposition party would make the appointment of three Constitutional Court judges, who have already been agreed on with the ruling HDZ party, conditional on the establishment of a commission of inquiry into the debt-laden Agrokor concern.Commenting on the criticism on his Facebook wall, Bernardic said: "If my insistence on the commission of inquiry has causedthis much noise, I can't but wonder again who is behind the whole case and who is trying to cover it up.""Proposal on election of minority MPs lowest typeof right-wing policy"Asked about a proposal by the civil society organisation "In the name of the family", led by Zeljka Markic, that ethnic minority MPs not be elected to parliament on special slates, Komadina said: "Woe to minorities should the right protect them and regulate matters important to them."Problems of minorities must be dealt with by the majority because a minority cannot regulate its rights on its own, Komadina said, adding that nothing must be done to restrict the already acquired minority rights."Proposals to throw minority MPs out of parliament are the lowest type of right-wing policy. Discussions should be held about possible changes to the Constitution andelection legislation but marginal individuals on the right-wing scene are the least competent to do it," he said.Conflict of Interest Commission won't launch proceedings against presidentZAGREB, Sept21(Hina) - TheConflict of Interest Commissionunanimously decided on Thursday not to launch proceedings against President Kolinda Grabar-Kitarovic in two cases, one of which isabout the clemency she grantedto executive Danko Seiter who committed a criminal offence in favour of businessman Nikola Hanzal, one of the biggest donors of Grabar-Kitarovic's presidential campaign, and the other in connection with abirthday party organised for her by controversialfootball manager Zdravko Mamic.Concerning thepardoning of Danko Seiter, the Commission decided that it would not launchproceedings bearing in mind that the granting of clemency is a discretionary prerogative of the head of state, and this power is stipulatedby the Constitution and is unlimited on principle, according to an explanation given by the commission's chairwoman, Dalija Oreskovic, after this body held a meeting on Thursday.Seiter committed a criminal offence to the benefit of Hanzel, whose company donated more than 197,000 kuna to Grabar-Kitarovic during her presidential campaign.Oreskovic said that in the second case,in which the request for launching the proceedings described a birthday party organised by controversial businessman Mamic as illegal gratuity, the commission decided not to launch the proceedings due to lack of documents that might corroborate such statements.Other state bodies decided not to provide the documentation to the Commission, citing confidentiality. As a result, the Commission could not obtain the documentationthat might prove the allegations that the party had taken place or that Grabar-Kitarovic attended such an event.Gender equality committee supports ratification of Istanbul ConventionZAGREB, Sept 21 (Hina) - Violence against women by their current of former partners is one of the most common forms of violence in Croatia, where300 women have been killedin the past ten yearsand last year that number increased significantly, the parliamentary Gender Equality Committee said at a meeting on Thursday ahead of the National Day for the Elimination of Violence against Women, callingfor the urgent ratification of the Istanbul Convention.According to the 2016Report by the Gender Equality Ombudswoman, of 19 persons killed by persons known to them, 15 were women. That is the highest percentage in the last seven years, it was said at the meeting.The main topic of the meeting was femicide.Femicide is globally recognised as the leading cause of premature death of women. Since data and research into this phenomenon is limited, the aim of the meeting was to highlight femicideasthe most extreme and gravest consequence of violence by partners and the gravest form of gender based violence, it was said."Violence against women has rapidly increased in the past three years," said the head of the Autonomous Women's House Zagreb, Neva Tolle, expressing support to Prime Minister Andrej Plenkovic and Minister of Demography, Family, Youth and Social Policy Nada Mugranic for the urgent ratification of the Istanbul Convention.The Acting Director of the Office for Gender Equality, Helena Stimac Radin, said that the Istanbul Convention is focused on how to eliminate violence against women, what can be done to help victims and how to improve their position and strengthen institutional capacities.She said that a recent report by the European Union Agency for Human Rights in Austria shows that almost every third woman in the EU is faced with some form of violence or sexual harassment while only 14% of them report violence by partners.President says violence is language of cowardsZAGREB, Sept 22 (Hina) - On the occasion of Croatia's National Day for the Prevention of Violence against Women, President Kolinda Grabar-Kitarovic says in her message that violence is the language of cowards and that the duty of the authorities is to ensure a society free of violence.Croatia marks National Day for the Prevention of Violence against Women on 22 September in tribute to three women killed during divorce proceedings at a Zagreb court on 22 September 1999, when Mato Oraskic shot to death his wife Gordana, judge Ljiljana Hvalec and attorney Hajra Prohic and severely wounded a clerk.President Grabar-Kitarovic also calls for permanent upbringing in non-violence."It is our parental duty to teach our children that any violence against women and children is utterly unacceptable," she writes in her message.According to the 2016 Report by the Gender Equality Ombudswoman, of 19 persons killed by persons known to them, 15 were women. That is the highest percentage in the last seven years.One in five Croats at risk of poverty in 2016ZAGREB, Sept 21 (Hina) - The poverty risk rate in Croatia last year was 19.9%, whereas 28.5% of the population was at risk of poverty and exclusion, according to the latest results of a survey on income conducted by the State Bureau of Statistics (DZS).The poverty threshold in 2016 for a one-member household amounted to HRK 25,668 per annum while a household of two adults and two children under the age of 14 amounted to HRK 53,903 a year.When social security benefits were excluded from income, the percentage of people at risk of poverty increased from the initial 19.9% to 27.8%.When social security benefits and pension allowances were excluded from income, the poverty risk rate was as high as 44.9%.The poverty risk rate in 2016 was a little lower in comparison to 2012 when it was 20.4%.A comparison with other EU member states indicates that the highest poverty risk rate was recorded in Romania (25.3 %), followed by Bulgaria (22.9%) and Spain (22.3%).On the other hand the lowest rates were recorded in the Czech Republic (9.7%), Finland (11.6%), Denmark (11.9%), Slovakia (12.7%) and the Netherlands (12.8%).Croatia'smaterial deprivation rate 30.7%The rate of material deprivation in Croatia last year amounted to 30.7%.This indicates the number people in a household that cannot afford at least three of nine items such as rent, bills, mortgages or personal loans; a week's holiday; meals that contain meat and so on.The rate of material deprivation of persons who cannot afford four of the nine items amounted to 12.6%.Captain Dragan dismisses war crimes chargesZAGREB, Sept21(Hina) - Dragan Vasiljkovic aka Captain Dragan, charged with war crimes against Croatian soldiers and civilians, on Thursday presentedhis defence at the Split County Court anddismissed all the charges.Vasiljkovic would not answer questions from the trial chamber, prosecution or defence counsel.He described the trial as a case of "obsessive fascist persecution", and after Judge Damir Romac warned him not to insult the court, he went on to say that his trial would come to nothing "if there were no fascistisation of Croatia."He dismissed allegations about his role in the prison in Knin Castle, wondering how one could be aprisonerof war before a war, given that the war in Knin began in 1995."It was I who suggested that the prison be relocated and that a toilet block be built. I don't know why anyone would describeme as theprison warden given that there were so many police there. I have been in custody for 12 years, of which 11 without having been indicted. They have robbed me of 12 years of my life," said Vasiljkovic.He also said that he left Glina on 27 July and that charges against him referred to events that happened on July 30, objecting that newspaper reports about him were ridiculous.Vasiljkovic is charged with torturing and killing Croatian soldiers and policemen imprisoned in Knin Castle in June and July 1991. He is also held responsible for ***planning*** an attack on a police station in Glina, as well as on Glina's Jukinac suburb and the nearby villages of Gornji Vidusevac and Donji Vidusevac, in July 1991. The attack left civilians killed and wounded and their properties damaged and looted, as local residents were forced to flee their homes.Vucic finds Croatian war veterans law's article "very difficult" for SerbsZAGREB, Sept21(Hina) - Serbia's President Aleksandar Vucic considers some of the formulations in the Croatian law regulating war veterans' rights as very difficult, notably the article reading that Croatia had been exposed to military aggression launched by Serbia and a part of Croatia's population, namely Serb rebels who embraced a Great Serbia policy.The article mentioning the aggression launched by Serbia and Croatian Serbs who embraced the Great Serbia policy "is very difficult for the Serbs. Thatis extremelydifficultfor us," said Vucic in an interview with the Serbian national broadcaster RTS.Asked by the interviewer if he had discussed this issue with Croatian Prime Minister Andrej Plenkovicwhile the two were in New York during the UN General Assembly meeting, Vucic explained that his meeting with Plenkovic had occurred theday before he had received information about the wording of the bill passed by the Croatian legislature."Of course, I will discuss this matter with them (the Croatian side). I hope that they do not want us to reciprocate withourlaws. Thatwouldn't be good," said Vucic who is leading the Serbian delegation attending the current UN General Assembly.REKOM urges ex-Yugoslav countries to ink agreement on fact-finding commissionZAGREB, Sept21(Hina) - The Coalition for REKOM callson the presidents of ex-Yugoslav countries to sign an agreement on the establishment of a Regional Commission to ascertain facts on war crimes and other grave cases of human rights violations committed in the former Yugoslavia from 1991 to 2001, the Coalition, which brings together more than 1,800 civil society organisations and individuals from ex-Yugoslav countries, said in a statement on Thursday.The Coalition for REKOM says that the agreement would contribute to the building of good neighbourly relations andpublic recognition of all victims as a precondition for building peace and trust, as well as provide a guarantee that war crimes willnot happen again.It is an obligation of the presidents and governments of post-Yugoslav countries to ensure a lasting peace in the region, and founding REKOM has significant potential to help them in that obligation, the Coalition says in its statement.The initiative for REKOM has become part of the Berlin Process, and the Western Balkans summit in Trieste on 12 July 2017 recognised REKOM as a unique regional mechanism for successful regional cooperation and post-war reconciliation, it said.The Berlin Process is a diplomatic initiative connected with the future EU enlargement to Western Balkan countries.Conferences of the Berlin Process are ***planned*** to be held every year in the period 2014-2018. The first conference was held in Berlin in 2014 and the following were held in Vienna, Paris and Trieste. The last one is expected to be held in London in 2018. The previous conferences were attended by the then prime ministers of Croatia, Zoran Milanovic and Tihomir Oreskovic, as well as the incumbent Prime Minister Andrej Plenkovic, the Coalition said.Among the more than 1,800 civil society organisations gathered in the Coalition for REKOM are associations of missing persons' families, war veterans, journalists, minority ethnic communities andhuman rights activists.In other news:Cyclotourism seen asecologically more sustainable, more profitableZAGREB, Sept21(Hina) - There cannot be a more sustainable and more ecologically aware society without changing the transport system, and cyclotourism is the right path towards that, a panel in Zagreb concluded on Thursday at whichEuropean Parliament member Michael Cramer (Greens) presented his vision of cyclotourism.The panel was held as part ofEuropean Mobility Week and hosted by Croatian MEP Davor Skrlec (Greens).European Mobility Week is being held for the 16th year in a row and the events held as part of it discuss legislation which should result in sustainable mobility in the next decade, notably in the context of the Paris climate agreement, which the European Union has signed.A panelon sustainable mobility in cities and cyclotourismwas held in Koprivnica and Zagreb on Wednesday and Thursday.The Zagreb panel heard that cyclotourism is an increasingly popular form of sustainable tourism, in which Cramer, a passionate cyclist, is an expert. He launched the EuroVelo13 cyclotourism project and is the author of a book on theIron Curtain Trail in which he connected sustainable tourism with Europe's history and culture.As a resident of Berlin, a city on which the Iron Curtain left its most evident mark, Cramer initiated the establishment of a route along the entire length of the Iron Curtain. Today theIron Curtain Trail is 10,400-km-long and crosses 20 countries, from theNorway-Russia border, via 13 EU member states, including Croatia, to the Bulgarian Black Sea coast.Exhibition "Gutenberg and Slavic World" opens in ZagrebZAGREB, Sept21(Hina) - The exhibition "Gutenberg and the Slavic World", featuring panels with photographs of the first printed Bulgarian books as well as originals of the first Croatian printed books, opened at the Croatian Academy of Sciences and Arts (HAZU) Library in Zagreb on Wednesday.The exhibition features 24 illustrated panels highlighting the crucial periods in the development of the Cyrillic letterpress printing between the 15th and 19th centuries, with emphasis on the chronology of letterpress printing in Bulgaria.Attending the opening were the president of the Bulgarian National Community in Croatia, Rasko Ivanov, the head of the Sofia-based "Prof. Ivan Dujcev" Centre for Slavic-Byzantine Studies, Vasja Veselinova, the authors of the Croatian part of the exhibition, Anica Nazor and academician Josip Bratulic, and HAZU president Zvonko Kusic.Veselinova said that the exhibition was dedicated to the centuries-long tradition of Cyrillic letterpress printing in Bulgaria, the cradle of the Cyrillic script."Our two peoples - the Bulgarians and the Croatians - have saved Cyril and Methodius' work," she said, recalling that Croats had preserved the Glagolitic script and that the Cyrillic script originatedfrom Bulgaria.The exhibition marks the 560 years since the appearance of the first printed book, the GutenbergBible, and the 520 years since the publishing of the first book in the Cyrillic script in the Balkans, "Oktoih", printedin Cetinjein 1494.ZSE indices reboundZAGREB, Sept 21 (Hina) - The main Zagreb Stock Exchange (ZSE) indices rebounded on Thursday, with the Crobex increasing by 0.35% and the specialised Crobex10 gaining 0.54%.The Crobex ended the trading day at 1,827.54 points and the Crobex10 at 1,087.87. Turnover in regular trading reached HRK 4.09 million, about 500,000 less than on Wednesday.None of the stocks turned over a million kuna or more. The most traded stock was that of the Djuro Djakovic metal and mechanical engineering group, turning over HRK 746,300. The price of its share fell by 2.41% to HRK 28.30.(EUR 1 = HRK 7.470764)THIS BULLETIN INCLUDES ITEMS RELEASED BY 0830 HOURS FRIDAY. (Hina) vm Masthead Brief News Bulletin is published by the Croatian News Agency HINA Marulićev trg 1610 000 ZagrebCroatia web:[*www.hina.hr*](http://www.hina.hr) mail: [*hina@hina.hr*](mailto:hina@hina.hr) phone: (+385 1) 48 08 660; fax (+385 1) 48 08 822 Publisher: Branka Gabriela Valentić, DirectorEditor in Chief: Serđo Obratov Bulletin Editor: Marija Šestan

ZAGREB, Sept 21 (Hina) - Croatian Prime Minister Andrej Plenkovic said in his address to the United Nations General Assembly on Thursday that Croatia had had to withdraw from the compromised border arbitration with Slovenia, warning that such "undermining of international law" discouraged other countries from settling their disputes with the help of third parties.

Croatia refuses the ruling handed down by the arbitration tribunal because Slovenian officials illegally communicated with the judges and inserted documents in the case file based on which the Permanent Court of Arbitration in The Hague ruled on the matter two months ago. Slovenia, on the other hand, insists on the implementation of the ruling and rejects Zagreb's proposal to settle the dispute through bilateral dialogue.

"Compromising the impartiality or independence of international adjudicators and tribunals, as was the case in the terminated arbitration process between Croatia and Slovenia, makes their decisions legally void and left Croatia with no choice other than to withdraw from the arbitration process," the Croatian prime minister said in his speech.

"We consider that this example of undermining the rule of law is a discouragement for states considering third-party dispute settlement," he added.

Plenkovic also spoke of current global issues such as the Korean Peninsula crisis, the conflict in eastern Ukraine, the Paris agreement on climate change, and migration.

Although his initiative had already prompted negative reactions from Russia, he again offered Croatia's experience to Ukraine in peacefully reintegrating its areas controlled by pro-Russian rebels.

One of the most successful peacekeeping missions to date was UNTAES – the UN Transitional Administration in Eastern Slavonia, which ended in January 1998 with the peaceful reintegration of territories formerly occupied by the former Yugoslav People's Army and local Serbs.

"We put at disposal this unique know-how and extensive expertise as a useful complementary contribution to the international community's efforts in similar situations, such as with the implementation of the Minsk Agreements in Ukraine, where we can draw many parallels," Plenkovic said.

He described nuclear and missile tests conducted by North Korea as "a direct threat to international peace and security."

"We appeal to North Korean authorities to discontinue developing and testing nuclear weapons and to fully meet their commitments under international law, relevant UN Security Council resolutions and global non-proliferation regime," the Croatian prime minister said.

Plenkovic expressed support for the Paris agreement on climate change, a stumbling block between most of its signatories and the United States, which has announced its withdrawal from this global pact aimed at combating climate change.

"In the recent months, unfortunately, my country was not spared wildfires and floods either, which reached unprecedented dimensions. These increasingly worrying warnings are a call to action – without delay," he said.

The Croatian prime minister drew attention to Bosnia and Herzegovina, a non-functioning country where ethnic and social problems have been smouldering since the end of the war in 1995.

"We believe in building strong societies in our neighbourhood, aiming to shift away from containing crises towards prevention, political dialogue and active engagement. This is especially important in neighbouring Bosnia and Herzegovina, where proper implementation of the constitutional equality of its three constituent peoples – Bosniaks, Serbs and Croats – is a prerequisite for ensuring the full functionality and stability of the state and its European integration process which we wholeheartedly support," he said.

He recalled that Croatia had been faced with a huge migrant wave in 2015, taking an approach that "puts people first".

"In the framework of the European Union Croatia is working with its partners on stemming illegal flows of people, especially from the Eastern Mediterranean – Balkan route, while at the same time providing concrete support to countries of origin to address root causes, in particular through its development aid ***programmes***," the PM said.

Plenkovic also touched on a current domestic issue, the education reform, saying that the reform was necessary to achieve sustainable development and youth employment.

"It is our global task to adjust our educational systems to form the future responsible citizens, to give them job opportunities and fit the real needs of our labour markets," he said.

Noting that Croatia had become a UN member 25 years ago, Plenkovic emphasised Croatia's firm commitment to multilateralism, and called for the reform of the UN Security Council and for increasing the number of both permanent and non-permanent members of the world organisation's most important body.

"It is vital that its membership – both permanent and non-permanent – is regionally balanced and more reflective of the world seventy years into the organisation's life," Plenkovic said.

ZAGREB, Sept 22 (Hina) - Slovenian Prime Minister Miro Cerar said on Thursday that he had cancelled his meeting with his Croatian counterpart Andrej Plenkovic, scheduled for 27 September in Zagreb, after the Croatian premier said in his address to the United Nations General Assembly earlier in the day that Croatia had had to withdraw from the compromised border arbitration with Slovenia, due to "undermining of international law".

Cerar who was also in New York told the Slovenian television RTV Slovenia on the phone that Plenkovic's speech was the reason for the cancellation of his visit to Zagreb.

Cerar went on to say that Slovenia "remains open to dialogue only of Croatia accepts the arbitration ruling."

ZAGREB, Sept 21 (Hina) - Croatian Prime Minister Andrej Plenkovic said on Thursday that it would be very bad if it was true that Croatian and Bosnian Croat officials and business people were being wire-tapped by the Bosnian Intelligence and Security Agency (OSA).

Speaking to reporters in New York where he was attending a UN General Assembly session, Plenkovic said that at this point he did not have full information on the matter, but that he had spoken with the director of the Croatian Security and Intelligence Agency (SOA) and expected a full report when he returned to Croatia.

Bosnian Security Minister Dragan Mektic has confirmed an article in the latest issue of Nacional weekly that OSA wire-tapped Croatian politicians and business people.

"It was all done completely legally, legitimately, and there is nothing new about it. Every country does that, not just in Europe, but elsewhere in the world as well. Bosnia and Herzegovina's security institutions also do that and so does its intelligence agency," Mektic told reporters.

Nacional said it had seen several secret reports by OSA indicating that the Bosnian intelligence agency "is waging special warfare against Croatia, Croatian Prime Minister Andrej Plenkovic and the Croatian government's foreign policy, as well as against Croats in Bosnia and Herzegovina."

Plenkovic said that for now he could not make any definitive judgements. "The matter is too sensitive. For me, Bosnia and Herzegovina as a state is the closest and most important one, we have a great interest in good relations and in Croats who are a constituent people there. I have shown this since my first day in office, making seven visits to Bosnia and Herzegovina in less than 11 months," he said.

Plenkovic said that he always bears in mind that there are so many things that connect the two countries and that outstanding issues are certainly not insoluble.

ZAGREB, Sept 21 (Hina) - The entry into force of the CETA agreement marks a new chapter in economic relations between Croatia and Canada, and the agreement provides a better framework for economic cooperation than the bilateral agreement did, Economy Minister Martina Dalic told a press conference in Zagreb on Thursday, held to mark the agreement's provisional entry into force.

CETA, the Comprehensive Economic and Trade Agreement between the European Union and Canada, opens up new possibilities for Croatian companies in Canada and it is up to them to make full use of it, the press conference was told.

The press conference was held at Europe House and was attended by Branko Baricevic, head of the European Commission Representation; Daniel Maksymiuk, Canadian ambassador in Croatia; Joe Basic, president of the Canadian-Croatian Business Network (CCBN); and Zelimir Kramaric, vice-president of the Croatian Chamber of Commerce (HGK).

CETA provisionally entered into force on September 21, removing customs duties on 98% of products. Customs duties will remain for two percent of Croatian exports, including some ***agricultural*** products such as poultry and eggs.

Baricevic highlighted the political aspect of the agreement, saying that the European Commission expected CETA to serve as a model not just in trade but also in spreading the values of the European Union.

By lifting customs duties and simplifying procedures for doing business with Canada, the agreement will help European companies save EUR 590 million annually, Baricevic said.

Public procurement in Canada and the European Union is open as of today and Croatian companies can compete in Canada for projects worth 110 billion dollars, Maksymiuk said. He said that the advantages of CETA would be visible only if companies made use of the new possibilities, adding: Let's buy Croatian in Canada as well.

Basic emphasised the CCBN's contribution to the adoption of the agreement and announced that his organisation was preparing a new trade mission to Canada in 2018 to boost interest among Croatian companies in developing business in Canada. He drew attention to the need for a Croatian trade attache in Canada.

Kramaric said that the sizeable Croatian diaspora in Canada could provide Croatian companies with better business links with Canada.

Croatia has a EUR 49 million surplus in trade with Canada, with Croatian exports worth EUR 87 million and Canada's EUR 38 million.

Croatian exports to Canada mostly comprise machinery and equipment (15.5%), chemicals and plastics (11%), jams and marmalades (12%), footwear and textiles (12%), metal and mineral products, yachts and vessels for leisure and sport (9.5%), and sauces and sauce preparations (9.5%).

CETA negotiations began in 2009 and the agreement was signed in 2016 after the Council of the European Union approved it. CETA will be provisionally in force until it has been ratified by all member states, including 38 parliaments, either national or regional. It has been ratified by five member states so far - Croatia, Denmark, Spain, Latvia and Malta, as well as by the European and Canadian parliaments.

ZAGREB, Sept 21 (Hina) - It is possible tointensifyeconomic cooperation between Croatia and Germany, particularly investments in tourism and in the Slavonia region, Croatian Minister for State Property Goran Maric and German Ambassador Thomas E. Schulz said at a meeting in the ministry on Thursday.

ZAGREB, Sept 21(Hina) - Erste Bank analysts have revised upward their estimate of Croatia'seconomic growth in 2017 from 2.7% to 3%, owing to a record high tourism turnover and strong domestic demand, noting that the crisis at Agrokor could only have a limited impact.

ZAGREB, Sept 21 (Hina) - The Croatian Chamber Of Commerce (HGK) campaign "Let's Buy Croatian", in which over 300 Croatian ***producers*** are selling their products at promotional prices, is being held in downtown Zagreb on Thursday and Friday.

ZAGREB, Sept 21 (Hina) - ***Agriculture*** Minister Tomislav Tolusic on Thursday visited a new production plant at the PPK meat factory, in which HRK 95 million has been invested over the last three years, the Karlovac-based company reported.

ZAGREB, Sept21(Hina) - Carp production in Croatia is expected to reach 5,000 tonnes a year by 2023, the president of the Croatian Chamber of Commerce fisheries association, Milan Bozic, told an international conference on carp breeding on Thursday.

ZAGREB, Sept21(Hina) -The first draft of a settlement proposal with creditors for indebted Croatian food company Agrokor is expected in November, a source familiar with the company's restructuring process told Reuters on Wednesday.

ZAGREB, Sept21(Hina) - Croatian Interior Minister Davor Bozinovic said on Thursday there were no signs of new migration flows along the Balkan route.

ZAGREB, Sept 21 (Hina) - Two Pakistanis aged 28 and 29 suspected of smuggling at least 47 migrants into Croatia, thusearning about HRK 350,000, have beenarrested, Zagreb police said on Thursday.

ZAGREB, Sept21(Hina) - Franak, the Croatian association of holders of loans previously indexed to the Swiss franc, on Thursday welcomed the judgement by the EU Court of Justicein the case of Ruxandra Paula Andriciuc and Others against Romanian lender Banca Romaneasc, which ruledthat the bank should have clearly warned the borrowers "in plain intelligible language" about risks stemming fromlending in foreign currencies.

ZAGREB, Sept 21 (Hina) - Social Democratic Party (SDP) Presidency member Romana Jerkovic stood in defence of SDP president Davor Bernardic on Thursday, saying that the legally elected leader was being subjected to one of the worst attacks in Croatian political history and that his replacement would lead to the party's disintegration.

ZAGREB, Sept21(Hina) -Primorje-Gorski Kotar County head Zlatko Komadina of the Social Democratic Party (SDP) said on Thursday that SDP members who were acting destructively were not part of the solution to the situation in the party.

ZAGREB, Sept21(Hina) - TheConflict of Interest Commissionunanimously decided on Thursday not to launch proceedings against President Kolinda Grabar-Kitarovic in two cases, one of which isabout the clemency she grantedto executive Danko Seiter who committed a criminal offence in favour of businessman Nikola Hanzal, one of the biggest donors of Grabar-Kitarovic's presidential campaign, and the other in connection with abirthday party organised for her by controversialfootball manager Zdravko Mamic.

ZAGREB, Sept 21 (Hina) - Violence against women by their current of former partners is one of the most common forms of violence in Croatia, where300 women have been killedin the past ten yearsand last year that number increased significantly, the parliamentary Gender Equality Committee said at a meeting on Thursday ahead of the National Day for the Elimination of Violence against Women, callingfor the urgent ratification of the Istanbul Convention.

ZAGREB, Sept 22 (Hina) - On the occasion of Croatia's National Day for the Prevention of Violence against Women, President Kolinda Grabar-Kitarovic says in her message that violence is the language of cowards and that the duty of the authorities is to ensure a society free of violence.

Croatia marks National Day for the Prevention of Violence against Women on 22 September in tribute to three women killed during divorce proceedings at a Zagreb court on 22 September 1999, when Mato Oraskic shot to death his wife Gordana, judge Ljiljana Hvalec and attorney Hajra Prohic and severely wounded a clerk.

President Grabar-Kitarovic also calls for permanent upbringing in non-violence.

"It is our parental duty to teach our children that any violence against women and children is utterly unacceptable," she writes in her message.

According to the 2016 Report by the Gender Equality Ombudswoman, of 19 persons killed by persons known to them, 15 were women. That is the highest percentage in the last seven years.

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ZAGREB, Sept21(Hina) - The exhibition "Gutenberg and the Slavic World", featuring panels with photographs of the first printed Bulgarian books as well as originals of the first Croatian printed books, opened at the Croatian Academy of Sciences and Arts (HAZU) Library in Zagreb on Wednesday.

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**Body**

Bristol-based Alec French Architects have won numerous awards for its sustainable business practices, including the Go Green - Bristol Best Green Small Business Award 2016. The firm believes sustainability should be integrated into the design of all its projects, following the 'Lean, Clean, Green' approach:

Lean - Reducing energy demand through good design, considering orientation, daylight, natural ventilation, airtightness, solar control, external envelope specification and glazing, in particular.

Clean - Working with consultants and contractors to ensure energy efficient and appropriate services strategies are developed including controls and monitoring.

Green - Challenging and encouraging appropriate use of low carbon and renewable technologies that are fully integrated into the design.

The firm also voluntarily offsets its carbon through tree planting in local community areas such as the Avon Wildlife Trust.

Within the last 18-months Aviva has transformed its office in Bristol, shedding 35 per cent its carbon footprint.

This has been achieved by:

Installing 886 solar panels, saving over 100 tonnes of carbon emissions per annum;

Converting 26 of its motors (which pump water and drive fans) to VSD. This has saved 320 tonnes of carbon per annum;

Converting all of its lighting to LED (80 per cent achieved to-date with 100 per cent to be achieved by the end of 2017), saving over 780 tonnes of carbon per annum;

Running a staff engagement ***programme***, enrolling 34 environment champions with employees and making 139 pledges;

Zero waste to landfill has been achieved;

And 100 per cent recycling of IT equipment.

Bath and West Community Energy is a community benefit society, owned and run by its members for the benefit of the community.

Since BWCE was established in 2010, the organisation has played a pioneering role in the development of community owned renewable energy, and now has assets worth £16.5 million, with over 12MW of mainly solar renewable energy. This is enough capacity to meet the equivalent annual electricity demand from around 4,000 homes. In the year ending March 2017 it generated a turnover of over £1 million from the operation of its community owned renewables projects.

Via an independent community fund, to date BWCE has distributed £115,000 to support local community projects acting on carbon reduction and fuel poverty.

The Bristol is a 187-bedroom hotel and conference centre situated in the city's vibrant harbour quarter.

Originally built in the 1960s, a number of structural and interior adjustments have aimed to reduce the hotel's resource usage and increase its efficiency, including investing heavily in more efficient natural gas boilers, and replacing halogen light bulbs with either CFL or LEDs.

The hotel promotes a green ethos, introducing 'Proud to be Green' training for every new starter, and has also hosted a number of green events communicating sustainability to the city of Bristol.

Bristol Natural History Consortium is a hub which brings together a host of diverse organisations and businesses with one aim - to protect the natural world by connecting people with nature.

Members include Avon Wildlife Trust, BBC Natural History Unit, National Trust and Woodland Trust to name just a few.

A key BNHC project is the Festival of Nature ([*www.festivalofnature.org.uk*](http://www.festivalofnature.org.uk)), the UK's largest free celebration of the natural world, offering 30,000+ visitors a unique opportunity to uncover the natural world that lives on their doorsteps.

The festival allows local environmental organisations to recruit new members, network with potential partners and funders, and share their messages with thousands of visitors.

CFH Docmail changing the way we print and post. It has developed a unique three-step process to help businesses communicate with the minimum impact on the environment:

Velopost, an innovative fossil fuel free postal service which utilises bicycles and electric vehicles;

Docmail, a hybrid mail service which allows you to write, print and post personalised correspondence through an online portal;

And Dotpost, which integrates with Docmail as an e-platform for sending information and documents.

With 30,000 registered users, it is estimated that CFH Docmail prevents 2.39 million miles' worth of fossil fuel use per year.

Choose2Flourish Ltd is the small Bristol-based company behind Women in Sustainability - the network for women creating positive change for a sustainable world.

Having started in Bristol in 2014, it now runs Women in Sustainability Hubs in London as well as Bristol and will be expanding to Newcastle and Manchester before the end of 2017.

Its purpose is to connect and energise, helping women grow personally and professionally, enabling them to thrive in their green careers.

Through enabling women who share a common vision for the future to connect with each other, Choose2Flourish aims to grow their capacity, energy and leadership, to 'be' the change they want to see.

City to Sea is a community interest company founded in 2015 to tackle marine plastic pollution at source, by looking at ways to reduce the amount of plastic flowing from Bristol out to sea via the river Avon.

As well as creating 230 'Refill Stations' across Bristol for people to refill their plastic drinks bottles, in 2016 City to Sea launched a national campaign, Switch the Stick, calling for retailers and manufacturers to change the stems of cotton buds from plastic to paper - stopping up to 200 tonnes of plastic from being flushed each year

Computershare believes environmental sustainability is part of doing business successfully. In Bristol, it has surpassed targets for reduction of electricity (-26 per cent), gas (43 per cent) and waste (-77 per cent) and are continuing to minimise its environmental impact.

Eighty per cent of waste is recycled, and a campaign has been launched to increase this to 90 per cent with new bins and signage. The company is zero landfill; anything that can't be recycled is used to generate energy. It also has a range of staff engagement and green travel initiatives to promote a culture of sustainable working practices.

This year, Computershare launched a global tree planting ***programme***. In partnership with the Woodland Trust, it planted 8,125 square metres of woodland in the UK.

Create is a vibrant environment centre in Bristol which offers visitors the opportunity to explore environmental issues and discover greener choices in a relaxed and welcoming atmosphere. As a centre for environmental excellence, it has a ***programme*** of changing exhibitions, events and activities going on throughout the year.

One of the most popular features of Create Centre is its Ecohome, which is a demonstration of a sustainable house, highlighting changes that can be made in our homes and showcasing ideas for greener living.

Create's schools ***programme*** offers a range of innovative learning experiences to encourage children towards more sustainable lifestyles.

Create also offers flexible office space for green and ethical organisations and businesses.

At present, there are 30 organisations based there.

Aurora, Cubex Land's new headquarters office building at Finzels Reach, is setting a new high standard for sustainability in the West of England.

Currently under construction, Aurora's outstanding sustainability credentials mean that occupiers will enjoy major savings on running costs. Carbon emissions will be reduced to less than half of those stipulated by current Building Regulations.

Green features include ultra-efficient gas boilers and air chillers, rooftop mounted solar panels, which will generate 29,800 kWh per year of renewable energy, intelligent LED lighting, a heat recovery system, which will reuse waste heat, and energy regeneration technology so lifts benefit from reused energy on the downward journey.

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Day-to-day, the company works with major brands and recyclers to increase quality UK recycling. It was responsible for kick-starting the first battery recycling plant in the UK.

Ecosurety's core ethos of championing change for good means that it will embark on projects which improve its local or regional environment because it is the right thing to do, even if there is no immediate promise of a return on ROI. One such project is *Joinmyjourney.org*, a journey-share scheme for Aztec West accessed by up to 50,000 people in Bristol and South Gloucestershire.

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Within its Bristol building the company is working to create more environmentally friendly office spaces through various means such as PV solar panels, eco paints, LED lighting and Breeam A-rated recycled carpets.

Its electricity comes from suppliers that use 100 per cent renewable sources. Tenants are actively encouraged to recycle and ensure all buildings have ample recycling facilities.

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As well as sustainable buildings, all profits from events held at Folly Farm Centre are gift-aided to Avon Wildlife Trust, to protect wildlife and inspire people about nature in the local area.

The centre was developed with sustainability in mind from the outset. The 18th century farm buildings boast many eco features, including solar energy, rain-water harvesting, bio mass heating, stocking of locally sourced and fairtrade ***produce*** and electric car charging.

Safe water charity and social enterprise FRANK Water has ended all production of its bottled spring water in single-use plastic bottles.

It is the first UK bottled water company to end single-use plastic bottle production and switch to 100 per cent environmentally sustainable solutions.

FRANK Water will continue to sell water in glass bottles, which are made from 32 per cent recycled material, are 100 per cent recyclable and can be reused indefinitely. Stockists are being offered alternative ways of supporting FRANK Water, including refill solutions and refillable bottles.

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Fresh-range ensures fewer food miles, and fairer prices for both the shopper and the ***producer***.

Founder and CEO Rich Osborn said: "We're on a mission. We believe local, fresh, seasonal food should be available to all, at an accessible price.

"That's why we've created a new kind of food company - with short, light and fast supply chains to deliver the best local ***producers*** have to offer directly to the consumer."

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From this waste, GENeco ***produces*** enough renewably-sourced energy to power over 10,000 homes, and heavily reduces the environmental impact of local businesses and the community. The byproduct of its recycling processes is a nutrient-rich biofertiliser which is used on farms in the region, keeping valuable bio-resources in the local area.

GENeco has recently implemented ground-breaking technology at its Bristol site, including the UK's first commercial gas to grid supply of biomethane.

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The Chippenham-based company supplies UK-generated, 100 per cent REGO-backed renewable electricity to thousands of businesses and organisations across the UK.

Customers switching to Good Energy could cut their carbon footprint by up to 50 per cent, meaning that the UK has to import less fossil fuels from abroad.

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All of their products are certified organic and made in the UK, maintaining low product miles. The business actively supports the management of local forests, dedicating a tree with the Bristol based Forest of Avon for every customer spending £500 or more.

The business uses 100 per cent renewable energy for its Bristol showroom as well as recycled paper/low wattage LED bulbs. Staff mainly live locally, so usually walk or cycle in to work.

Greenhouse PR was set up 10 years ago by former Hill+Knowlton board director Anna Guyer with a clear mission to use the power of communications to drive positive social and environmental change.

Concerned about the impact of climate change, Anna researched, approached and subsequently won clients with a track record of pioneering sustainability across the sectors in need of radical transformation - finance, energy, food and transport.

In 10 years Greenhouse has grown from one person with a belief that good communications can make a difference, to 10 full-time staff and a turnover nudging £1 million.

Last month, Greenhouse supported the Bristol Green Capital Partnership, developing a communications ***plan*** and media materials to help amplify their 10th anniversary celebrations.

GRN Sportswear was set up by a team of athletes and environmentalists.

It creates performance custom sportswear that is made ethically and sustainably, ***producing*** cycling, triathlon and athletic wear for teams and individuals out of waste products, including plastic bottles and abandoned fishing nets.

Every jersey the company ***produces*** uses approximately seven recycled plastic bottles and uses 60 per cent less energy and 94 per cent less water to ***produce*** than the alternative from virgin materials.

For every tonne of recycled material used in GRN's cycle shorts and tri-suits, 1.26 tonnes of waste to landfill are avoided, seven barrels of crude oil are saved and 4.2 tonnes of CO2 emissions are saved.

Habitat Aid promotes and sells British native trees, hedging, aquatic plants, wildflower seed and heritage fruit trees, which it buys from a community of small specialist UK nurseries and growers.

Over the last three years it has been involved in over 70 solar farm projects, advising on and delivering the requirements of landscape and ecological management ***plans***.

Johns Associates is a multi-disciplinary environmental consultancy. Its multi-sector services include ecology, impact and risk assessment, landscape architecture, ***planning***, GIS (geographic information system), geodata and visuals, water and geoscience, fisheries, environmental contracting and outdoor trails and wellness.

With a substantial depth of experience across different environmental and social disciplines, the company has attained a wide range of accreditations and won environmental accolades for its work, including the ICE Environment and Sustainability Award in 2013.

The whole company engages in activities that benefit the local environment and community. Recently, it obtained ***planning*** permission on behalf of Good Energy for a new 5MW solar farm in Gloucestershire, providing town ***planning***, ecology, flood risk and EIA (environmental impact assessment) co-ordination services.

Bristol-based Latcham Direct is committed to continuously reducing its impact on the environment and deploying sustainable practices in its business.

In 2016 the company ***produced*** 199.04 tonnes of waste, and managed to recycle 188.3 tonnes - a recycling rate of 94.6 per cent.

Installation of low energy lighting throughout the site with investment in equipment has reduced its carbon footprint from lighting by 80 per cent.

It also proactively encourages staff to consider and support sustainability by recycling as much as possible, using sustainable supplies and sustainable products from coffee to paper.

Max Fordham are environmental and building services engineers committed to sustainability. The company design buildings that use less energy to construct and run, and reduce energy waste.

One of its major local projects was the Keynsham Civic Centre in Bath & North East Somerset, one of the few buildings in the UK which has been designed to meet the DEC A-rated standard.

The project has completely transformed the town centre in a way that far exceeds the expectations of a new corporate office development.

Mill on the Brue Outdoor Activity Centre is a family run, not for profit, educational and environmental organisation established in 1982.

In that time it has planted more than 15,000 trees, reinstated hedges, and installed bat and bird boxes.

It has also built three environmentally friendly buildings with geothermal heating, rainwater harvesting, recycled tire roof, solar thermal and solar voltaic panels.

Its food waste campaign has been successful in driving down food waste from one tonne per year to a few kilograms.

A straw bale environmental centre with a small wind turbine for power informs and educates visitors.

Neighbourly is an online platform enabling responsible businesses and individuals to support local causes with donations of surplus food and items, time, skills and money.

So far, over 1,400 tonnes of surplus food and drink items (1.9 million meals) have been donated through Neighbourly from Marks & Spencer, Lidl, Sainsbury's and Danone. This equates to more than 2,800 tonnes of CO2 saved. As well as preventing waste, the surplus donations are distributed to community organisations that turn them into meals or food parcels to help those most in need.

Since 2007 the North Bristol NHS Trust sustainability team has grown to five members who are dedicated to working towards reducing the harmful impacts while maximising opportunities to promote health and wellbeing.

Since 2015, it has been running the Green Impact staff sustainable behaviour change scheme. During the 2016-2017 cycle, it engaged 1375 staff and made savings of 290 tonnes of CO2 and a minimum of £51,500.

Its sustainable travel campaign, TravelSmart, engages with staff and enables them to make greener commuting choices by offering discounted bus tickets, one month free loan of standard, folding and electric bikes and hire of Co-wheels hybrid cars. Between 2012 and 2016, TravelSmart has achieved a decrease of single occupancy journeys from 61 per cent to 45 per cent.

Located at the Bristol Robotics Lab, Omnidynamics creates ways to directly recycle plastic waste into filament for 3D printers - making the new technology cheaper to run, and transforming people's understanding of what waste is and could be.

The company believe in 'material, not waste' - that plastic previously headed towards the tip or the ocean is better used as a key ring, toy, or coffee cup.

Its ground-breaking Strooder 3D printer product and its latest design, the Restrooder, will enable anyone to transform empty plastic bottles, spare plastic bags, and the like into useable filament for 3D printers.

Corsham-based Park Lane Press provides commercial printing for a broad range of clients. It employs environmentally friendly waterless printing, an offset lithographic printing process that eliminates the water or dampening system used in conventional printing.

It also takes great care in the running of its buildings, with low energy lighting systems, a power perfector to reduce energy consumption, and a water harvesting system, which reuses leftover water from its equipment to supply its washrooms.

Recycling is also a big part of the day-to-day running of Park Lane - 97 per cent of its waste is recycled, with only a very small amount sent to landfill.

Bristol-based Planglow provides branded eco packaging, labels, stickers, ticketing and other display items to the catering industry. Its products are 100 per cent biodegradable and sustainably sourced.

It has developed The Street Box - a first-of-its-kind product to serve the rapidly developing street food- inspired markets. Made from fully compostable materials, and suitable for use as a 'doggy box', The Street Box helps to reduce both food and packaging waste.

Keynsham-based Real Earth turns unavoidable food waste into energy through Anaerobic Digestion (AD).

Waste products from supermarkets, households, restaurants, and breweries - and other material such as crops (maize) are converted into methane, which in turn fuels engine driven generators. The plant's generators ***produce*** 17.000MWh of electricity each year, which is equivalent to the annual energy demand of 5,000 homes - or about 80 per cent of the homes in Keynsham. Additionally, it also ***produces*** 17,000MWh of heat, which is used to dry wet wood chips. In total the plant saves 27,500 tonnes of carbon each year.

The Real Wrap Co, based in Avonmouth, ***produces*** more than 150,000 products per week, but the sandwich and wrap company now has zero food waste going to landfill.

The company has achieved this by working with WasteSource and others to find innovative ways to deal with the problem.

One of these was to team up with local brewers, King Street Brewhouse, to ***produce*** craft ale from waste bread. Owners Jason and Phillippe appeared on Channel 4's Food Unwrapped to discuss the project and highlight the problem of food waste.

The company has teamed up with energy company Geneco to help further reduce food waste by sending it to into anaerobic digestion chambers. The energy ***produced*** goes towards powering thousands of homes and running buses and cars in Bristol.

The Royal ***Agricultural*** University (RAU) has a history of promoting sustainability - it was founded with the motto 'caring for the fields and the beasts' - but in 2014 its Environmental Action ***Plan*** set ambitious sustainability targets with a goal to fully embed sustainability within the organisation.

Despite a very small budget, these goals have driven a holistic series of ***interventions*** including installing innovative technologies; improving biodiversity on campus and in the community; incentivising behaviour change and reviewing supply chains.

In 2015, the project led to a 14 per cent decrease in carbon emissions on the previous year.

Signable are on a mission to help businesses across the UK, Europe and beyond to reduce their environmental impact through using less paper and making the process of signing documents one which has little to no environmental impact.

Signable's vision is for businesses to eliminate the use of paper when processing documents.

The Stokes Croft firm now helps more than 3,500 businesses, including major names such as The Body Shop, Whistl, Entreprenurial Spark, Thrifty car rental and Farmfoods.

SMARTech energy Ltd is an energy management company which specialises in energy reduction within commercial businesses.

The company uses in-depth experience in the energy management industry to identify where, when and how its clients' energy is being consumed and how much energy is being wasted, where it is being wasted and when it is being wasted.

SMARTech energy creates ***strategic*** energy ***plans*** with targets of between 30-50 per cent energy reduction, which it works to achieve with the aid of real time energy monitoring. It also specifies, supplies, installs and commissions the solutions that it offers as part of its project management service.

The Soil Association, which is headquartered in Bristol, was formed in 1946 to create a better world - one where we farm responsibly, eat healthily and live in balance with the environment.

As the UK's leading food and farming charity and organic certification body, everything they do champions organic principles and practice, to secure the health and vitality of people, farm animals and nature.

Solarsense is the South West's leading installer of renewable energy, and has played a key role in driving forward the uptake of renewables in the South West and UK as a whole.

From their Carbon-Neutral Technology Park based just outside of Bristol, they provide a complete design and installation service for a wide range of renewable technologies. Since its inception, Solarsense has completed more than 10,000 solar panel installations, delivering over 1380,000MWh per annum, with CO2 savings of 41,600 tonnes per annum.

Founder Stephen Barrett has acted as an ambassador for the renewable energy sector for more than 21 years and has played a key role in the uptake of renewable technology, both in the South West and UK as a whole.

The St Monica Trust is a charity established more than 90 years ago and provides care, support and accommodation for more than 1,000 older local people.

The Trust is committed to investing in reducing its impact in the environment, upgrading its lighting to LED, modernising equipment to more energy efficient models where possible and reducing consumption of not just energy, but water as well.

The Trust has dramatically reduced its water consumption in the past year by roughly 15m cubed per day. In addition, all of its commercial food is collected by either GENeco or Olleco to be anaerobically digested.

In its day-to-day work, Stride Treglown's sustainability consultants provide sustainable assessments and design solutions for architecture projects, helping to improve the sustainable performance of our built environment.

For the past seven years the company has collaborated with Low Carbon South West and Business West to pioneer Business Green Week, an annual week of themed days designed to increase the awareness of sustainability issues and encourage local businesses work and live in a more environmentally healthy way.

Its Bristol headquarters has staff allotments and bee hives, encouraging staff to grow their own food and understand the importance of bees in our ecosystem.

Sustainable Direction Ltd is a high-impact environmental, sustainability and project delivery consultancy.

Its services are built on improving their clients' bottom line, their environmental outcomes and their social engagement, encompassing renewable energy, resource and energy efficiency, waste and wastewater management solutions, ***planning*** application, and environmental impact.

Sustrans, which has its head office on College Green in Bristol, works with families, communities, policy- makers and partner organisations across the UK to make it easier for people to walk and cycle.

Central to Sustrans' vision is a UK-wide network of safe, traffic-free routes connecting and crossing settlements and countryside and inspiring a new generation to get on their bikes.

Its longest running project, the National Cycle Network, has saved the UK economy more than £7billion by improving people's health and reducing congestion, pollution and greenhouse gas emissions.

Triodos Bank is global pioneer in sustainable banking, using the power of finance to support projects that benefit people and the planet. It has its UK headquarters in Bristol, with more than 150 staff in one of Bristol's greenest offices.

Triodos believe that banking can be a powerful force for good; serving individuals and communities as well as building a more sustainable society.

To this end, it supports and finances organisations working to tackle the world's most pressing environmental problems, from averting climate change to sustainably feeding a growing population.

Local organisations Triodos finance include Bristol Energy Co-operative, The Community Farm, Avon Wildlife Trust and Glastonbury's Worthy Farm solar panels.

Urbane Eco Ltd is one of Bristol leading sustainable building companies. It specialises in energy efficiency upgrades, especially external and internal solid wall insulation, using natural and breathable materials such as wood fibre and lime-based products.

Urbane Eco has saved thousands of carbon tonnes from reaching the Bristol atmosphere by retrofitting and insulating homes all over the city, without using high embodied energy, non bio-degradable and flammable, petrochemical materials.

In 2014, it spearheaded the Holistic Building Forum, holding free meetings for local residents with expert speakers to advise and educate them about energy efficiency.

With approximately 28,000 students, 3,000 staff and an annual budget of £220 million, UWE is a major institution in the area with a long-standing commitment to enhancing the sustainability both of the university and of the city region.

Its robust Sustainability ***Plan*** 2013-2020 commits the university to an absolute target of reducing CO2 by 22.5 per cent by 2020, and to have a carbon neutral campus by 2040. It is also well on target to increase its recycling rate to 80 per cent by 2020.

It works to instil a can-do attitude in students and staff, asking everyone to play an active part in creating a sustainable culture.

Waste Source was born in 2010 to make waste management simpler, cheaper and more efficient for businesses of any size.

The company is focused completely on giving customers a waste management solution that aims to increase recycling rates and reduce landfill while reducing administration and costs. It works collaboratively with the best suppliers in the business to provide a mix of services and most cost effective solution.

It is based at Bristol's Tobacco Factory and clients include Pieminister, Boston Tea Party, Oak Furntureland and River Cottage Canteen.

Underpinning the business are digital-only working methods. This means less paper, more automation, lower overheads and better communication. Any paper Waste Source does use is recycled along with cardboard, plastics and food.

Formerly known as @Bristol, We The Curious is the UK's most sustainable science centre and one of the country's greenest visitor attractions.

Spearheaded by sustainability engagement manager Chris Dunford, the centre continuously seeks to improve its environmental social performance - reducing its pollution, emissions and waste, raising awareness, encouraging participation and training its employees in sustainable business practices, and educating the public about sustainability issues as part of its mission to 'make science accessible to all'.

It is a member of the Green Tourism Business Scheme as a mark of its commitment to sustainable practices.

Williams Automobiles is one of the UK's oldest Morgan, Lotus and Caterham car dealers. After relocating to Chipping Sodbury, the firm set out to convert some redundant farm buildings to a modern retailing environment with the greenest possible credentials.

By skilful use of insulation, biomass heating, water recycling, wood burning stoves, PV panels and recycling, it aims to be as carbon positive as possible. Automotive Management Magazine named the showroom its Green Dealer of the Year in 2013.

Yeo Valley farms and dairy products are all certified organic and all milk is sourced from British farms, reducing its food miles.

The company also strives to be green in its packaging, using recycled plastic for its yoghurt pots.

Fifty acres of its farmland are dedicated to preserving local wildlife, and native trees have been planted around the dairies to attract wildlife.

All its dairies use 100 per cent green electricity and photovoltaic cells have been installed to the roof of Holt Farm to harness natural energy. The milk bottling and class rooms are solar powered and home- grown elephant grass fuels its HQ offices in winter.

Your Group, based in Emersons Green, consists of companies operating in the renewable energy and built environment sectors.

Its areas of expertise include low-carbon construction, the provision of clean energy management solutions, renewable consultancy services and providing off-grid clean energy systems from renewable sources in a stand-alone capacity to suit the environment and its requirements.

In 2016 Your Group worked with Team Rubicon, an ex-military disaster relief charity, to undertake a service project in Lapubesi, Nepal, in the remote Himalayas, without power since the earthquake of April 2015. The project has allowed the remote village to access clean solar and hydro energy, as well as providing energy storage.

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**Section:** FEATURES:OTHER; Pg. 2-3

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**Body**

Bristol-based Alec French Architects have won numerous awards for its sustainable business practices, including the Go Green - Bristol Best Green Small Business Award 2016. The firm believes sustainability should be integrated into the design of all its projects, following the 'Lean, Clean, Green' approach:

Lean - Reducing energy demand through good design, considering orientation, daylight, natural ventilation, airtightness, solar control, external envelope specification and glazing, in particular.

Clean - Working with consultants and contractors to ensure energy efficient and appropriate services strategies are developed including controls and monitoring.

Green - Challenging and encouraging appropriate use of low carbon and renewable technologies that are fully integrated into the design.

The firm also voluntarily offsets its carbon through tree planting in local community areas such as the Avon Wildlife Trust.

Within the last 18-months Aviva has transformed its office in Bristol, shedding 35 per cent its carbon footprint.

This has been achieved by:

Installing 886 solar panels, saving over 100 tonnes of carbon emissions per annum;

Converting 26 of its motors (which pump water and drive fans) to VSD. This has saved 320 tonnes of carbon per annum;

Converting all of its lighting to LED (80 per cent achieved to-date with 100 per cent to be achieved by the end of 2017), saving over 780 tonnes of carbon per annum;

Running a staff engagement ***programme***, enrolling 34 environment champions with employees and making 139 pledges;

Zero waste to landfill has been achieved;

And 100 per cent recycling of IT equipment.

Bath and West Community Energy is a community benefit society, owned and run by its members for the benefit of the community.

Since BWCE was established in 2010, the organisation has played a pioneering role in the development of community owned renewable energy, and now has assets worth £16.5 million, with over 12MW of mainly solar renewable energy. This is enough capacity to meet the equivalent annual electricity demand from around 4,000 homes. In the year ending March 2017 it generated a turnover of over £1 million from the operation of its community owned renewables projects.

Via an independent community fund, to date BWCE has distributed £115,000 to support local community projects acting on carbon reduction and fuel poverty.

The Bristol is a 187-bedroom hotel and conference centre situated in the city's vibrant harbour quarter.

Originally built in the 1960s, a number of structural and interior adjustments have aimed to reduce the hotel's resource usage and increase its efficiency, including investing heavily in more efficient natural gas boilers, and replacing halogen light bulbs with either CFL or LEDs.

The hotel promotes a green ethos, introducing 'Proud to be Green' training for every new starter, and has also hosted a number of green events communicating sustainability to the city of Bristol.

Bristol Natural History Consortium is a hub which brings together a host of diverse organisations and businesses with one aim - to protect the natural world by connecting people with nature.

Members include Avon Wildlife Trust, BBC Natural History Unit, National Trust and Woodland Trust to name just a few.

A key BNHC project is the Festival of Nature ([*www.festivalofnature.org.uk*](http://www.festivalofnature.org.uk)), the UK's largest free celebration of the natural world, offering 30,000+ visitors a unique opportunity to uncover the natural world that lives on their doorsteps.

The festival allows local environmental organisations to recruit new members, network with potential partners and funders, and share their messages with thousands of visitors.

CFH Docmail changing the way we print and post. It has developed a unique three-step process to help businesses communicate with the minimum impact on the environment:

Velopost, an innovative fossil fuel free postal service which utilises bicycles and electric vehicles;

Docmail, a hybrid mail service which allows you to write, print and post personalised correspondence through an online portal;

And Dotpost, which integrates with Docmail as an e-platform for sending information and documents.

With 30,000 registered users, it is estimated that CFH Docmail prevents 2.39 million miles' worth of fossil fuel use per year.

Choose2Flourish Ltd is the small Bristol-based company behind Women in Sustainability - the network for women creating positive change for a sustainable world.

Having started in Bristol in 2014, it now runs Women in Sustainability Hubs in London as well as Bristol and will be expanding to Newcastle and Manchester before the end of 2017.

Its purpose is to connect and energise, helping women grow personally and professionally, enabling them to thrive in their green careers.

Through enabling women who share a common vision for the future to connect with each other, Choose2Flourish aims to grow their capacity, energy and leadership, to 'be' the change they want to see.

City to Sea is a community interest company founded in 2015 to tackle marine plastic pollution at source, by looking at ways to reduce the amount of plastic flowing from Bristol out to sea via the river Avon.

As well as creating 230 'Refill Stations' across Bristol for people to refill their plastic drinks bottles, in 2016 City to Sea launched a national campaign, Switch the Stick, calling for retailers and manufacturers to change the stems of cotton buds from plastic to paper - stopping up to 200 tonnes of plastic from being flushed each year

Computershare believes environmental sustainability is part of doing business successfully. In Bristol, it has surpassed targets for reduction of electricity (-26 per cent), gas (43 per cent) and waste (-77 per cent) and are continuing to minimise its environmental impact.

Eighty per cent of waste is recycled, and a campaign has been launched to increase this to 90 per cent with new bins and signage. The company is zero landfill; anything that can't be recycled is used to generate energy. It also has a range of staff engagement and green travel initiatives to promote a culture of sustainable working practices.

This year, Computershare launched a global tree planting ***programme***. In partnership with the Woodland Trust, it planted 8,125 square metres of woodland in the UK.

Create is a vibrant environment centre in Bristol which offers visitors the opportunity to explore environmental issues and discover greener choices in a relaxed and welcoming atmosphere. As a centre for environmental excellence, it has a ***programme*** of changing exhibitions, events and activities going on throughout the year.

One of the most popular features of Create Centre is its Ecohome, which is a demonstration of a sustainable house, highlighting changes that can be made in our homes and showcasing ideas for greener living.

Create's schools ***programme*** offers a range of innovative learning experiences to encourage children towards more sustainable lifestyles.

Create also offers flexible office space for green and ethical organisations and businesses.

At present, there are 30 organisations based there.

Aurora, Cubex Land's new headquarters office building at Finzels Reach, is setting a new high standard for sustainability in the West of England.

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Since 2015, it has been running the Green Impact staff sustainable behaviour change scheme. During the 2016-2017 cycle, it engaged 1375 staff and made savings of 290 tonnes of CO2 and a minimum of £51,500.

Its sustainable travel campaign, TravelSmart, engages with staff and enables them to make greener commuting choices by offering discounted bus tickets, one month free loan of standard, folding and electric bikes and hire of Co-wheels hybrid cars. Between 2012 and 2016, TravelSmart has achieved a decrease of single occupancy journeys from 61 per cent to 45 per cent.

Located at the Bristol Robotics Lab, Omnidynamics creates ways to directly recycle plastic waste into filament for 3D printers - making the new technology cheaper to run, and transforming people's understanding of what waste is and could be.

The company believe in 'material, not waste' - that plastic previously headed towards the tip or the ocean is better used as a key ring, toy, or coffee cup.

Its ground-breaking Strooder 3D printer product and its latest design, the Restrooder, will enable anyone to transform empty plastic bottles, spare plastic bags, and the like into useable filament for 3D printers.

Corsham-based Park Lane Press provides commercial printing for a broad range of clients. It employs environmentally friendly waterless printing, an offset lithographic printing process that eliminates the water or dampening system used in conventional printing.

It also takes great care in the running of its buildings, with low energy lighting systems, a power perfector to reduce energy consumption, and a water harvesting system, which reuses leftover water from its equipment to supply its washrooms.

Recycling is also a big part of the day-to-day running of Park Lane - 97 per cent of its waste is recycled, with only a very small amount sent to landfill.

Bristol-based Planglow provides branded eco packaging, labels, stickers, ticketing and other display items to the catering industry. Its products are 100 per cent biodegradable and sustainably sourced.

It has developed The Street Box - a first-of-its-kind product to serve the rapidly developing street food- inspired markets. Made from fully compostable materials, and suitable for use as a 'doggy box', The Street Box helps to reduce both food and packaging waste.

Keynsham-based Real Earth turns unavoidable food waste into energy through Anaerobic Digestion (AD).

Waste products from supermarkets, households, restaurants, and breweries - and other material such as crops (maize) are converted into methane, which in turn fuels engine driven generators. The plant's generators ***produce*** 17.000MWh of electricity each year, which is equivalent to the annual energy demand of 5,000 homes - or about 80 per cent of the homes in Keynsham. Additionally, it also ***produces*** 17,000MWh of heat, which is used to dry wet wood chips. In total the plant saves 27,500 tonnes of carbon each year.

The Real Wrap Co, based in Avonmouth, ***produces*** more than 150,000 products per week, but the sandwich and wrap company now has zero food waste going to landfill.

The company has achieved this by working with WasteSource and others to find innovative ways to deal with the problem.

One of these was to team up with local brewers, King Street Brewhouse, to ***produce*** craft ale from waste bread. Owners Jason and Phillippe appeared on Channel 4's Food Unwrapped to discuss the project and highlight the problem of food waste.

The company has teamed up with energy company Geneco to help further reduce food waste by sending it to into anaerobic digestion chambers. The energy ***produced*** goes towards powering thousands of homes and running buses and cars in Bristol.

The Royal ***Agricultural*** University (RAU) has a history of promoting sustainability - it was founded with the motto 'caring for the fields and the beasts' - but in 2014 its Environmental Action ***Plan*** set ambitious sustainability targets with a goal to fully embed sustainability within the organisation.

Despite a very small budget, these goals have driven a holistic series of ***interventions*** including installing innovative technologies; improving biodiversity on campus and in the community; incentivising behaviour change and reviewing supply chains.

In 2015, the project led to a 14 per cent decrease in carbon emissions on the previous year.

Signable are on a mission to help businesses across the UK, Europe and beyond to reduce their environmental impact through using less paper and making the process of signing documents one which has little to no environmental impact.

Signable's vision is for businesses to eliminate the use of paper when processing documents.

The Stokes Croft firm now helps more than 3,500 businesses, including major names such as The Body Shop, Whistl, Entreprenurial Spark, Thrifty car rental and Farmfoods.

SMARTech energy Ltd is an energy management company which specialises in energy reduction within commercial businesses.

The company uses in-depth experience in the energy management industry to identify where, when and how its clients' energy is being consumed and how much energy is being wasted, where it is being wasted and when it is being wasted.

SMARTech energy creates ***strategic*** energy ***plans*** with targets of between 30-50 per cent energy reduction, which it works to achieve with the aid of real time energy monitoring. It also specifies, supplies, installs and commissions the solutions that it offers as part of its project management service.

The Soil Association, which is headquartered in Bristol, was formed in 1946 to create a better world - one where we farm responsibly, eat healthily and live in balance with the environment.

As the UK's leading food and farming charity and organic certification body, everything they do champions organic principles and practice, to secure the health and vitality of people, farm animals and nature.

Solarsense is the South West's leading installer of renewable energy, and has played a key role in driving forward the uptake of renewables in the South West and UK as a whole.

From their Carbon-Neutral Technology Park based just outside of Bristol, they provide a complete design and installation service for a wide range of renewable technologies. Since its inception, Solarsense has completed more than 10,000 solar panel installations, delivering over 1380,000MWh per annum, with CO2 savings of 41,600 tonnes per annum.

Founder Stephen Barrett has acted as an ambassador for the renewable energy sector for more than 21 years and has played a key role in the uptake of renewable technology, both in the South West and UK as a whole.

The St Monica Trust is a charity established more than 90 years ago and provides care, support and accommodation for more than 1,000 older local people.

The Trust is committed to investing in reducing its impact in the environment, upgrading its lighting to LED, modernising equipment to more energy efficient models where possible and reducing consumption of not just energy, but water as well.

The Trust has dramatically reduced its water consumption in the past year by roughly 15m cubed per day. In addition, all of its commercial food is collected by either GENeco or Olleco to be anaerobically digested.

In its day-to-day work, Stride Treglown's sustainability consultants provide sustainable assessments and design solutions for architecture projects, helping to improve the sustainable performance of our built environment.

For the past seven years the company has collaborated with Low Carbon South West and Business West to pioneer Business Green Week, an annual week of themed days designed to increase the awareness of sustainability issues and encourage local businesses work and live in a more environmentally healthy way.

Its Bristol headquarters has staff allotments and bee hives, encouraging staff to grow their own food and understand the importance of bees in our ecosystem.

Sustainable Direction Ltd is a high-impact environmental, sustainability and project delivery consultancy.

Its services are built on improving their clients' bottom line, their environmental outcomes and their social engagement, encompassing renewable energy, resource and energy efficiency, waste and wastewater management solutions, ***planning*** application, and environmental impact.

Sustrans, which has its head office on College Green in Bristol, works with families, communities, policy- makers and partner organisations across the UK to make it easier for people to walk and cycle.

Central to Sustrans' vision is a UK-wide network of safe, traffic-free routes connecting and crossing settlements and countryside and inspiring a new generation to get on their bikes.

Its longest running project, the National Cycle Network, has saved the UK economy more than £7billion by improving people's health and reducing congestion, pollution and greenhouse gas emissions.

Triodos Bank is global pioneer in sustainable banking, using the power of finance to support projects that benefit people and the planet. It has its UK headquarters in Bristol, with more than 150 staff in one of Bristol's greenest offices.

Triodos believe that banking can be a powerful force for good; serving individuals and communities as well as building a more sustainable society.

To this end, it supports and finances organisations working to tackle the world's most pressing environmental problems, from averting climate change to sustainably feeding a growing population.

Local organisations Triodos finance include Bristol Energy Co-operative, The Community Farm, Avon Wildlife Trust and Glastonbury's Worthy Farm solar panels.

Urbane Eco Ltd is one of Bristol leading sustainable building companies. It specialises in energy efficiency upgrades, especially external and internal solid wall insulation, using natural and breathable materials such as wood fibre and lime-based products.

Urbane Eco has saved thousands of carbon tonnes from reaching the Bristol atmosphere by retrofitting and insulating homes all over the city, without using high embodied energy, non bio-degradable and flammable, petrochemical materials.

In 2014, it spearheaded the Holistic Building Forum, holding free meetings for local residents with expert speakers to advise and educate them about energy efficiency.

With approximately 28,000 students, 3,000 staff and an annual budget of £220 million, UWE is a major institution in the area with a long-standing commitment to enhancing the sustainability both of the university and of the city region.

Its robust Sustainability ***Plan*** 2013-2020 commits the university to an absolute target of reducing CO2 by 22.5 per cent by 2020, and to have a carbon neutral campus by 2040. It is also well on target to increase its recycling rate to 80 per cent by 2020.

It works to instil a can-do attitude in students and staff, asking everyone to play an active part in creating a sustainable culture.

Waste Source was born in 2010 to make waste management simpler, cheaper and more efficient for businesses of any size.

The company is focused completely on giving customers a waste management solution that aims to increase recycling rates and reduce landfill while reducing administration and costs. It works collaboratively with the best suppliers in the business to provide a mix of services and most cost effective solution.

It is based at Bristol's Tobacco Factory and clients include Pieminister, Boston Tea Party, Oak Furntureland and River Cottage Canteen.

Underpinning the business are digital-only working methods. This means less paper, more automation, lower overheads and better communication. Any paper Waste Source does use is recycled along with cardboard, plastics and food.

Formerly known as @Bristol, We The Curious is the UK's most sustainable science centre and one of the country's greenest visitor attractions.

Spearheaded by sustainability engagement manager Chris Dunford, the centre continuously seeks to improve its environmental social performance - reducing its pollution, emissions and waste, raising awareness, encouraging participation and training its employees in sustainable business practices, and educating the public about sustainability issues as part of its mission to 'make science accessible to all'.

It is a member of the Green Tourism Business Scheme as a mark of its commitment to sustainable practices.

Williams Automobiles is one of the UK's oldest Morgan, Lotus and Caterham car dealers. After relocating to Chipping Sodbury, the firm set out to convert some redundant farm buildings to a modern retailing environment with the greenest possible credentials.

By skilful use of insulation, biomass heating, water recycling, wood burning stoves, PV panels and recycling, it aims to be as carbon positive as possible. Automotive Management Magazine named the showroom its Green Dealer of the Year in 2013.

Yeo Valley farms and dairy products are all certified organic and all milk is sourced from British farms, reducing its food miles.

The company also strives to be green in its packaging, using recycled plastic for its yoghurt pots.

Fifty acres of its farmland are dedicated to preserving local wildlife, and native trees have been planted around the dairies to attract wildlife.

All its dairies use 100 per cent green electricity and photovoltaic cells have been installed to the roof of Holt Farm to harness natural energy. The milk bottling and class rooms are solar powered and home- grown elephant grass fuels its HQ offices in winter.

Your Group, based in Emersons Green, consists of companies operating in the renewable energy and built environment sectors.

Its areas of expertise include low-carbon construction, the provision of clean energy management solutions, renewable consultancy services and providing off-grid clean energy systems from renewable sources in a stand-alone capacity to suit the environment and its requirements.

In 2016 Your Group worked with Team Rubicon, an ex-military disaster relief charity, to undertake a service project in Lapubesi, Nepal, in the remote Himalayas, without power since the earthquake of April 2015. The project has allowed the remote village to access clean solar and hydro energy, as well as providing energy storage.

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Bath Chronicle

November 23, 2017 Thursday

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**Section:** FEATURES:OTHER; Pg. 4-5

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**Body**

Bristol-based Alec French Architects have won numerous awards for its sustainable business practices, including the Go Green - Bristol Best Green Small Business Award 2016. The firm believes sustainability should be integrated into the design of all its projects, following the 'Lean, Clean, Green' approach:

Lean - Reducing energy demand through good design, considering orientation, daylight, natural ventilation, airtightness, solar control, external envelope specification and glazing, in particular.

Clean - Working with consultants and contractors to ensure energy efficient and appropriate services strategies are developed including controls and monitoring.

Green - Challenging and encouraging appropriate use of low carbon and renewable technologies that are fully integrated into the design.

The firm also voluntarily offsets its carbon through tree planting in local community areas such as the Avon Wildlife Trust.

Within the last 18-months Aviva has transformed its office in Bristol, shedding 35 per cent its carbon footprint.

This has been achieved by:

Installing 886 solar panels, saving over 100 tonnes of carbon emissions per annum;

Converting 26 of its motors (which pump water and drive fans) to VSD. This has saved 320 tonnes of carbon per annum;

Converting all of its lighting to LED (80 per cent achieved to-date with 100 per cent to be achieved by the end of 2017), saving over 780 tonnes of carbon per annum;

Running a staff engagement ***programme***, enrolling 34 environment champions with employees and making 139 pledges;

Zero waste to landfill has been achieved;

And 100 per cent recycling of IT equipment.

Bath and West Community Energy is a community benefit society, owned and run by its members for the benefit of the community.

Since BWCE was established in 2010, the organisation has played a pioneering role in the development of community owned renewable energy, and now has assets worth £16.5 million, with over 12MW of mainly solar renewable energy. This is enough capacity to meet the equivalent annual electricity demand from around 4,000 homes. In the year ending March 2017 it generated a turnover of over £1 million from the operation of its community owned renewables projects.

Via an independent community fund, to date BWCE has distributed £115,000 to support local community projects acting on carbon reduction and fuel poverty.

The Bristol is a 187-bedroom hotel and conference centre situated in the city's vibrant harbour quarter.

Originally built in the 1960s, a number of structural and interior adjustments have aimed to reduce the hotel's resource usage and increase its efficiency, including investing heavily in more efficient natural gas boilers, and replacing halogen light bulbs with either CFL or LEDs.

The hotel promotes a green ethos, introducing 'Proud to be Green' training for every new starter, and has also hosted a number of green events communicating sustainability to the city of Bristol.

Bristol Natural History Consortium is a hub which brings together a host of diverse organisations and businesses with one aim - to protect the natural world by connecting people with nature.

Members include Avon Wildlife Trust, BBC Natural History Unit, National Trust and Woodland Trust to name just a few.

A key BNHC project is the Festival of Nature ([*www.festivalofnature.org.uk*](http://www.festivalofnature.org.uk)), the UK's largest free celebration of the natural world, offering 30,000+ visitors a unique opportunity to uncover the natural world that lives on their doorsteps.

The festival allows local environmental organisations to recruit new members, network with potential partners and funders, and share their messages with thousands of visitors.

CFH Docmail changing the way we print and post. It has developed a unique three-step process to help businesses communicate with the minimum impact on the environment:

Velopost, an innovative fossil fuel free postal service which utilises bicycles and electric vehicles;

Docmail, a hybrid mail service which allows you to write, print and post personalised correspondence through an online portal;

And Dotpost, which integrates with Docmail as an e-platform for sending information and documents.

With 30,000 registered users, it is estimated that CFH Docmail prevents 2.39 million miles' worth of fossil fuel use per year.

Choose2Flourish Ltd is the small Bristol-based company behind Women in Sustainability - the network for women creating positive change for a sustainable world.

Having started in Bristol in 2014, it now runs Women in Sustainability Hubs in London as well as Bristol and will be expanding to Newcastle and Manchester before the end of 2017.

Its purpose is to connect and energise, helping women grow personally and professionally, enabling them to thrive in their green careers.

Through enabling women who share a common vision for the future to connect with each other, Choose2Flourish aims to grow their capacity, energy and leadership, to 'be' the change they want to see.

City to Sea is a community interest company founded in 2015 to tackle marine plastic pollution at source, by looking at ways to reduce the amount of plastic flowing from Bristol out to sea via the river Avon.

As well as creating 230 'Refill Stations' across Bristol for people to refill their plastic drinks bottles, in 2016 City to Sea launched a national campaign, Switch the Stick, calling for retailers and manufacturers to change the stems of cotton buds from plastic to paper - stopping up to 200 tonnes of plastic from being flushed each year

Computershare believes environmental sustainability is part of doing business successfully. In Bristol, it has surpassed targets for reduction of electricity (-26 per cent), gas (43 per cent) and waste (-77 per cent) and are continuing to minimise its environmental impact.

Eighty per cent of waste is recycled, and a campaign has been launched to increase this to 90 per cent with new bins and signage. The company is zero landfill; anything that can't be recycled is used to generate energy. It also has a range of staff engagement and green travel initiatives to promote a culture of sustainable working practices.

This year, Computershare launched a global tree planting ***programme***. In partnership with the Woodland Trust, it planted 8,125 square metres of woodland in the UK.

Create is a vibrant environment centre in Bristol which offers visitors the opportunity to explore environmental issues and discover greener choices in a relaxed and welcoming atmosphere. As a centre for environmental excellence, it has a ***programme*** of changing exhibitions, events and activities going on throughout the year.

One of the most popular features of Create Centre is its Ecohome, which is a demonstration of a sustainable house, highlighting changes that can be made in our homes and showcasing ideas for greener living.

Create's schools ***programme*** offers a range of innovative learning experiences to encourage children towards more sustainable lifestyles.

Create also offers flexible office space for green and ethical organisations and businesses.

At present, there are 30 organisations based there.

Aurora, Cubex Land's new headquarters office building at Finzels Reach, is setting a new high standard for sustainability in the West of England.

Currently under construction, Aurora's outstanding sustainability credentials mean that occupiers will enjoy major savings on running costs. Carbon emissions will be reduced to less than half of those stipulated by current Building Regulations.

Green features include ultra-efficient gas boilers and air chillers, rooftop mounted solar panels, which will generate 29,800 kWh per year of renewable energy, intelligent LED lighting, a heat recovery system, which will reuse waste heat, and energy regeneration technology so lifts benefit from reused energy on the downward journey.

Bristol-based resource efficiency specialist Ecosurety is a local company with a strong influence on the development of the national recycling agenda.

Day-to-day, the company works with major brands and recyclers to increase quality UK recycling. It was responsible for kick-starting the first battery recycling plant in the UK.

Ecosurety's core ethos of championing change for good means that it will embark on projects which improve its local or regional environment because it is the right thing to do, even if there is no immediate promise of a return on ROI. One such project is *Joinmyjourney.org*, a journey-share scheme for Aztec West accessed by up to 50,000 people in Bristol and South Gloucestershire.

The Ethical Property Company is one of the largest social businesses in the UK, owning and/or managing a total of 23 Centres across England, Scotland and Wales, and providing office, meeting, event and retail space to over 1000 organisations each year.

The concept was first conceived in 1982 when Andrew King bought 82 Colston Street, Bristol, in order to house some of the many cooperatives springing up across the city.

Within its Bristol building the company is working to create more environmentally friendly office spaces through various means such as PV solar panels, eco paints, LED lighting and Breeam A-rated recycled carpets.

Its electricity comes from suppliers that use 100 per cent renewable sources. Tenants are actively encouraged to recycle and ensure all buildings have ample recycling facilities.

Situated in a 250-acre nature reserve, Folly Farm Centre was developed to offer sustainable education, conference, wedding and group accommodation.

As well as sustainable buildings, all profits from events held at Folly Farm Centre are gift-aided to Avon Wildlife Trust, to protect wildlife and inspire people about nature in the local area.

The centre was developed with sustainability in mind from the outset. The 18th century farm buildings boast many eco features, including solar energy, rain-water harvesting, bio mass heating, stocking of locally sourced and fairtrade ***produce*** and electric car charging.

Safe water charity and social enterprise FRANK Water has ended all production of its bottled spring water in single-use plastic bottles.

It is the first UK bottled water company to end single-use plastic bottle production and switch to 100 per cent environmentally sustainable solutions.

FRANK Water will continue to sell water in glass bottles, which are made from 32 per cent recycled material, are 100 per cent recyclable and can be reused indefinitely. Stockists are being offered alternative ways of supporting FRANK Water, including refill solutions and refillable bottles.

Fresh-range, the Bristol-based online ethical food retailer offers fresh, locally sourced, award-winning ***produce*** in sustainable packaging. It delivers directly from South West ***producers*** straight to their customers' doors in Bristol and Bath.

Fresh-range ensures fewer food miles, and fairer prices for both the shopper and the ***producer***.

Founder and CEO Rich Osborn said: "We're on a mission. We believe local, fresh, seasonal food should be available to all, at an accessible price.

"That's why we've created a new kind of food company - with short, light and fast supply chains to deliver the best local ***producers*** have to offer directly to the consumer."

GENeco treats huge volumes of varied waste from Bristol and Bath and transforms it into useful products.

This includes the food waste recycling from all of Bristol and Bath's residents, and sewage sludge from over a million people in the region.

From this waste, GENeco ***produces*** enough renewably-sourced energy to power over 10,000 homes, and heavily reduces the environmental impact of local businesses and the community. The byproduct of its recycling processes is a nutrient-rich biofertiliser which is used on farms in the region, keeping valuable bio-resources in the local area.

GENeco has recently implemented ground-breaking technology at its Bristol site, including the UK's first commercial gas to grid supply of biomethane.

Founded in 1999, Good Energy aim to transform the UK energy market by helping homes and businesses to be part of a sustainable solution to climate change.

The Chippenham-based company supplies UK-generated, 100 per cent REGO-backed renewable electricity to thousands of businesses and organisations across the UK.

Customers switching to Good Energy could cut their carbon footprint by up to 50 per cent, meaning that the UK has to import less fossil fuels from abroad.

Green Woods Furniture was established by Simon Bennett in November 2007, selling furniture, beds and mattresses, all hand-made to measure in the UK using only materials from sustainable and responsible sources.

All of their products are certified organic and made in the UK, maintaining low product miles. The business actively supports the management of local forests, dedicating a tree with the Bristol based Forest of Avon for every customer spending £500 or more.

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Since 2007 the North Bristol NHS Trust sustainability team has grown to five members who are dedicated to working towards reducing the harmful impacts while maximising opportunities to promote health and wellbeing.

Since 2015, it has been running the Green Impact staff sustainable behaviour change scheme. During the 2016-2017 cycle, it engaged 1375 staff and made savings of 290 tonnes of CO2 and a minimum of £51,500.

Its sustainable travel campaign, TravelSmart, engages with staff and enables them to make greener commuting choices by offering discounted bus tickets, one month free loan of standard, folding and electric bikes and hire of Co-wheels hybrid cars. Between 2012 and 2016, TravelSmart has achieved a decrease of single occupancy journeys from 61 per cent to 45 per cent.

Located at the Bristol Robotics Lab, Omnidynamics creates ways to directly recycle plastic waste into filament for 3D printers - making the new technology cheaper to run, and transforming people's understanding of what waste is and could be.

The company believe in 'material, not waste' - that plastic previously headed towards the tip or the ocean is better used as a key ring, toy, or coffee cup.

Its ground-breaking Strooder 3D printer product and its latest design, the Restrooder, will enable anyone to transform empty plastic bottles, spare plastic bags, and the like into useable filament for 3D printers.

Corsham-based Park Lane Press provides commercial printing for a broad range of clients. It employs environmentally friendly waterless printing, an offset lithographic printing process that eliminates the water or dampening system used in conventional printing.

It also takes great care in the running of its buildings, with low energy lighting systems, a power perfector to reduce energy consumption, and a water harvesting system, which reuses leftover water from its equipment to supply its washrooms.

Recycling is also a big part of the day-to-day running of Park Lane - 97 per cent of its waste is recycled, with only a very small amount sent to landfill.

Bristol-based Planglow provides branded eco packaging, labels, stickers, ticketing and other display items to the catering industry. Its products are 100 per cent biodegradable and sustainably sourced.

It has developed The Street Box - a first-of-its-kind product to serve the rapidly developing street food- inspired markets. Made from fully compostable materials, and suitable for use as a 'doggy box', The Street Box helps to reduce both food and packaging waste.

Keynsham-based Real Earth turns unavoidable food waste into energy through Anaerobic Digestion (AD).

Waste products from supermarkets, households, restaurants, and breweries - and other material such as crops (maize) are converted into methane, which in turn fuels engine driven generators. The plant's generators ***produce*** 17.000MWh of electricity each year, which is equivalent to the annual energy demand of 5,000 homes - or about 80 per cent of the homes in Keynsham. Additionally, it also ***produces*** 17,000MWh of heat, which is used to dry wet wood chips. In total the plant saves 27,500 tonnes of carbon each year.

The Real Wrap Co, based in Avonmouth, ***produces*** more than 150,000 products per week, but the sandwich and wrap company now has zero food waste going to landfill.

The company has achieved this by working with WasteSource and others to find innovative ways to deal with the problem.

One of these was to team up with local brewers, King Street Brewhouse, to ***produce*** craft ale from waste bread. Owners Jason and Phillippe appeared on Channel 4's Food Unwrapped to discuss the project and highlight the problem of food waste.

The company has teamed up with energy company Geneco to help further reduce food waste by sending it to into anaerobic digestion chambers. The energy ***produced*** goes towards powering thousands of homes and running buses and cars in Bristol.

The Royal ***Agricultural*** University (RAU) has a history of promoting sustainability - it was founded with the motto 'caring for the fields and the beasts' - but in 2014 its Environmental Action ***Plan*** set ambitious sustainability targets with a goal to fully embed sustainability within the organisation.

Despite a very small budget, these goals have driven a holistic series of ***interventions*** including installing innovative technologies; improving biodiversity on campus and in the community; incentivising behaviour change and reviewing supply chains.

In 2015, the project led to a 14 per cent decrease in carbon emissions on the previous year.

Signable are on a mission to help businesses across the UK, Europe and beyond to reduce their environmental impact through using less paper and making the process of signing documents one which has little to no environmental impact.

Signable's vision is for businesses to eliminate the use of paper when processing documents.

The Stokes Croft firm now helps more than 3,500 businesses, including major names such as The Body Shop, Whistl, Entreprenurial Spark, Thrifty car rental and Farmfoods.

SMARTech energy Ltd is an energy management company which specialises in energy reduction within commercial businesses.

The company uses in-depth experience in the energy management industry to identify where, when and how its clients' energy is being consumed and how much energy is being wasted, where it is being wasted and when it is being wasted.

SMARTech energy creates ***strategic*** energy ***plans*** with targets of between 30-50 per cent energy reduction, which it works to achieve with the aid of real time energy monitoring. It also specifies, supplies, installs and commissions the solutions that it offers as part of its project management service.

The Soil Association, which is headquartered in Bristol, was formed in 1946 to create a better world - one where we farm responsibly, eat healthily and live in balance with the environment.

As the UK's leading food and farming charity and organic certification body, everything they do champions organic principles and practice, to secure the health and vitality of people, farm animals and nature.

Solarsense is the South West's leading installer of renewable energy, and has played a key role in driving forward the uptake of renewables in the South West and UK as a whole.

From their Carbon-Neutral Technology Park based just outside of Bristol, they provide a complete design and installation service for a wide range of renewable technologies. Since its inception, Solarsense has completed more than 10,000 solar panel installations, delivering over 1380,000MWh per annum, with CO2 savings of 41,600 tonnes per annum.

Founder Stephen Barrett has acted as an ambassador for the renewable energy sector for more than 21 years and has played a key role in the uptake of renewable technology, both in the South West and UK as a whole.

The St Monica Trust is a charity established more than 90 years ago and provides care, support and accommodation for more than 1,000 older local people.

The Trust is committed to investing in reducing its impact in the environment, upgrading its lighting to LED, modernising equipment to more energy efficient models where possible and reducing consumption of not just energy, but water as well.

The Trust has dramatically reduced its water consumption in the past year by roughly 15m cubed per day. In addition, all of its commercial food is collected by either GENeco or Olleco to be anaerobically digested.

In its day-to-day work, Stride Treglown's sustainability consultants provide sustainable assessments and design solutions for architecture projects, helping to improve the sustainable performance of our built environment.

For the past seven years the company has collaborated with Low Carbon South West and Business West to pioneer Business Green Week, an annual week of themed days designed to increase the awareness of sustainability issues and encourage local businesses work and live in a more environmentally healthy way.

Its Bristol headquarters has staff allotments and bee hives, encouraging staff to grow their own food and understand the importance of bees in our ecosystem.

Sustainable Direction Ltd is a high-impact environmental, sustainability and project delivery consultancy.

Its services are built on improving their clients' bottom line, their environmental outcomes and their social engagement, encompassing renewable energy, resource and energy efficiency, waste and wastewater management solutions, ***planning*** application, and environmental impact.

Sustrans, which has its head office on College Green in Bristol, works with families, communities, policy- makers and partner organisations across the UK to make it easier for people to walk and cycle.

Central to Sustrans' vision is a UK-wide network of safe, traffic-free routes connecting and crossing settlements and countryside and inspiring a new generation to get on their bikes.

Its longest running project, the National Cycle Network, has saved the UK economy more than £7billion by improving people's health and reducing congestion, pollution and greenhouse gas emissions.

Triodos Bank is global pioneer in sustainable banking, using the power of finance to support projects that benefit people and the planet. It has its UK headquarters in Bristol, with more than 150 staff in one of Bristol's greenest offices.

Triodos believe that banking can be a powerful force for good; serving individuals and communities as well as building a more sustainable society.

To this end, it supports and finances organisations working to tackle the world's most pressing environmental problems, from averting climate change to sustainably feeding a growing population.

Local organisations Triodos finance include Bristol Energy Co-operative, The Community Farm, Avon Wildlife Trust and Glastonbury's Worthy Farm solar panels.

Urbane Eco Ltd is one of Bristol leading sustainable building companies. It specialises in energy efficiency upgrades, especially external and internal solid wall insulation, using natural and breathable materials such as wood fibre and lime-based products.

Urbane Eco has saved thousands of carbon tonnes from reaching the Bristol atmosphere by retrofitting and insulating homes all over the city, without using high embodied energy, non bio-degradable and flammable, petrochemical materials.

In 2014, it spearheaded the Holistic Building Forum, holding free meetings for local residents with expert speakers to advise and educate them about energy efficiency.

With approximately 28,000 students, 3,000 staff and an annual budget of £220 million, UWE is a major institution in the area with a long-standing commitment to enhancing the sustainability both of the university and of the city region.

Its robust Sustainability ***Plan*** 2013-2020 commits the university to an absolute target of reducing CO2 by 22.5 per cent by 2020, and to have a carbon neutral campus by 2040. It is also well on target to increase its recycling rate to 80 per cent by 2020.

It works to instil a can-do attitude in students and staff, asking everyone to play an active part in creating a sustainable culture.

Waste Source was born in 2010 to make waste management simpler, cheaper and more efficient for businesses of any size.

The company is focused completely on giving customers a waste management solution that aims to increase recycling rates and reduce landfill while reducing administration and costs. It works collaboratively with the best suppliers in the business to provide a mix of services and most cost effective solution.

It is based at Bristol's Tobacco Factory and clients include Pieminister, Boston Tea Party, Oak Furntureland and River Cottage Canteen.

Underpinning the business are digital-only working methods. This means less paper, more automation, lower overheads and better communication. Any paper Waste Source does use is recycled along with cardboard, plastics and food.

Formerly known as @Bristol, We The Curious is the UK's most sustainable science centre and one of the country's greenest visitor attractions.

Spearheaded by sustainability engagement manager Chris Dunford, the centre continuously seeks to improve its environmental social performance - reducing its pollution, emissions and waste, raising awareness, encouraging participation and training its employees in sustainable business practices, and educating the public about sustainability issues as part of its mission to 'make science accessible to all'.

It is a member of the Green Tourism Business Scheme as a mark of its commitment to sustainable practices.

Williams Automobiles is one of the UK's oldest Morgan, Lotus and Caterham car dealers. After relocating to Chipping Sodbury, the firm set out to convert some redundant farm buildings to a modern retailing environment with the greenest possible credentials.

By skilful use of insulation, biomass heating, water recycling, wood burning stoves, PV panels and recycling, it aims to be as carbon positive as possible. Automotive Management Magazine named the showroom its Green Dealer of the Year in 2013.

Yeo Valley farms and dairy products are all certified organic and all milk is sourced from British farms, reducing its food miles.

The company also strives to be green in its packaging, using recycled plastic for its yoghurt pots.

Fifty acres of its farmland are dedicated to preserving local wildlife, and native trees have been planted around the dairies to attract wildlife.

All its dairies use 100 per cent green electricity and photovoltaic cells have been installed to the roof of Holt Farm to harness natural energy. The milk bottling and class rooms are solar powered and home- grown elephant grass fuels its HQ offices in winter.

Your Group, based in Emersons Green, consists of companies operating in the renewable energy and built environment sectors.

Its areas of expertise include low-carbon construction, the provision of clean energy management solutions, renewable consultancy services and providing off-grid clean energy systems from renewable sources in a stand-alone capacity to suit the environment and its requirements.

In 2016 Your Group worked with Team Rubicon, an ex-military disaster relief charity, to undertake a service project in Lapubesi, Nepal, in the remote Himalayas, without power since the earthquake of April 2015. The project has allowed the remote village to access clean solar and hydro energy, as well as providing energy storage.

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AgendaNi

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**Body**

In October, over a period of two days, eolas Magazine traversed the cartographer's line for 499km between Carlingford Lough on the Down-Louth border to Lough Foyle on the Donegal-Derry boundary. With Brexit informing the rationale, an effort was made to avoid a clichéd report on a topic to which innumerable journalistic hours and column inches have already been devoted. As such, it was decided that the border region in its entirety should be encompassed, simultaneously ensuring greater authenticity.

This 'line' was established as interim solution to 'the Irish problem', intended by London as provisional demarcation for the partition of the island (under the Government of Ireland Act, 1920). However, as the centenary of the decision by the Parliament of Northern Ireland to secede from the Free State on 7 December 1922 swiftly draws near, few would have predicted the longevity of this arrangement. Today, the border is the most obvious reminder of what has went before, emblazoned on the map by centuries of socio-political upheaval and ancient trauma.

All along the journey, perspectives of a broad cross-section of society were collated to illustrate the narrative of a community of people living under the shadow of a more recent decision taken in London, which threatens to once again destabilise their routine existence: Brexit. Farmers, hauliers, hoteliers, commuters, educators, historians, clergy, 'Troubles' victims, health professionals and business people each unpacked their analysis.

Previously, customs checks existed along this frontier from April 1923 until the implementation of the European Community's single market on New Year's Day 1993. Today, the border has achieved an unprecedented level of permeability with an estimated 300 crossings between north and south (compared with 137 on the EU's entire eastern frontier), not including 'desire line' style crossings which fall outside the official ***planning*** sphere.

Indeed, the Joint Oireachtas Committee on the Implementation of the Good Friday Agreement has reported that some 177,000 lorries, 208,000 vans and 1.85 million cars cross the boundary on a monthly basis with 30,000 people crossing daily. The crossing points themselves range from a web of grass-lined bóithríní to the N1 primary road on the main Dublin to Belfast corridor.

An historically neglected population, to outsiders the region may seem like an obscure and distant concept. Within the national consciousness, the town of Crossmaglen, for instance, is cloaked in an almost mythical layer of folklore. Likewise, still, the border region remains a periphery consideration for the Dublin and London governments.

However, barely an hour away from Dublin (at its closest point) thousands of quite ordinary individuals, by an accident of geography, pursue lives which require them to cross the invisible frontier in order to work, shop, socialise, benefit from education and access healthcare as a daily reality.

Arbitrarily mirroring Norman county boundaries as opposed to topographical barriers, urban centres the length of the border have, over the decades, subsequently been riven to varying degrees from their natural hinterland. Throughout its evolution, customs posts, unapproved roads, travel permits, permanent vehicle check points, and militarised watch towers (present until 2006) imposed by the border's existence have come and gone.

Yet, a sense of socio-cultural interconnectedness has prevailed. Presently, the border exists almost solely on a lofty geo-political plain. On the ground, while omnipresent, it is virtually unmarked and as such, where feasibly possible, is subconsciously if not wilfully ignored by the average border dweller.

Indeed, while in the past, its presence caused much aggravation to local communities, now it can prove difficult for outsiders to detect the subtle changes which identify the point of transition between jurisdictions. Even at the height of the recent conflict this was evidenced in the frequency of unwitting border incursions by both Irish and British security forces.

While the very existence of the boundary is disputed, it is the publicly expressed wish of all major participants in ongoing Brexit negotiations that there should be no re-emergence of the erstwhile border alluded to by Seamus Heaney in The Frontier of Writing: "So you drive on to the frontier of writing where it happens again. The guns on tripods; the sergeant with his on-off mike repeating data about you, waiting for the squawk of clearance."

Whether the status quo can be preserved is yet to be seen. Several recurring themes were unearthed by the excursion including ambiguity, anxiety and outright opposition. One interviewee described the current state of confusion as being akin to "looking into a ball of smoke". Amidst the uncertainty, life continues, now under the contemplative gaze of the EU and the British and Irish governments.

**Writing from the border**

eolas Magazine's 'Voices from the Border' project commences in the coastal village of Greenore, County Louth on a drizzly October morning; the surrounding splendour of the Cooleys and the Mournes concealed by a thick layer of greyness, complemented by the dark, rolling waves battering the shore.

Owen McQuade, Ciarán Galway and David Whelan write.

*Carlingford Lough*

**County Louth**

At the Greenore port offices, Pamela Houston, the Chief Executive of the Carlingford Scenic Ferry (which operates between the village and Greencastle, County Down) discusses the newly established venture within the context of Brexit.

"There's a whole broad spectrum of users. We have visitors, commuters, local businesses, farmers, schools and colleges. In our first two months of operations we carried 70,000 passengers. When we first considered it, we wondered which way it would split down, but it was almost 50/50 to the last person," Houston reflects.

"The two areas have seen a huge economic boost. It's opened the Cooleys and the Mournes and if you're in either the Mourne coastal route or the Cooley peninsula then you've now doubled your marketplace. There are numerous cases of companies which are now pursuing business on the other side of the lough."

On Brexit, Houston is unruffled: "We always knew Brexit was on the horizon when we were starting the business and I think there's still so much uncertainty. Nobody really knows what Brexit is going to bring. Obviously, we want to ensure that it has as little impact on our business as possible. I suppose all the border communities feel the same. We don't want to go back to a hard border or anything like that. I think there's ways and means and we hope that the governments and the EU can find a solution along the way."

In Carlingford, beneath the shrouded silhouette of Slieve Foy, several local businessmen pursue their daily ritual of meeting in McKevitt's Village Hotel. Even against the backdrop of the Brexit decision and the subsequent devaluation of sterling, Brian McKevitt maintains: "Carlingford's tourism business has been better this year. We've probably had our best year ever that I'm in the business."

Discussing Carlingford's relationship with the North, and Newry in particular, he outlines: "I would have said that in the pre-1921 era, and even up to 1930 - my mother and father would have been educated in the North - we would have looked to Newry as our market town. But in the 1940s and 50s, the imposition of travel restrictions and stupid politics seemed to get in the way. After the war, our whole focus changed to Dundalk. Now, post-1998, it's fairly even again. There is a currency border, but at present there is no other border."

Turning to business, while not exercised in any great measure, McKevitt concedes: "In terms of suppliers, there will be an adjustment, but I don't know if it's an impactful adjustment. We do use some northern suppliers, but tend to shop locally if we can - it's easier from a VAT point of view. Though, some of the suppliers in Newry, if they know your VAT number, don't have to charge you VAT."

Bemoaning the uncertainty that Brexit has created for business, he concludes: "If the British Government and European Union cannot decide on the contingency ***plans*** that they should make, how are we to know.

At Flagstaff Point, high above Warrenpoint, Omeath and the natural border which divides them at the mouth of the Clanrye - the disputed waters of Carlingford Lough upon which a Royal Navy vessel once idled - the sun begins to burn through the mists nestled among treetops lining the slopes of the valley below. There, Pauline Mulligan, an Omeath shopkeeper unpacks her assessment of Brexit.

"Despite the fall in the exchange rate after the Brexit vote, we have just had a very busy summer - there are definitely a lot more tourists about this year than last year." When asked if a hard border would impact on her business: "Been there and done that." Proceeding to outline that she would not want a return to a hard border, the owner of the iconic Omeath gift shop will not lose sleep over the issue: "There is nothing we can do to change that if it happens."

The family-owned shop has changed little in its 65 years. "We've been through the best of times and the worst of times. During 'the Troubles', there was a permanent British Army checkpoint at the [Victoria] lock gates and you could spend two hours getting through it." In addition to the checkpoint, many of the minor roads were designated as 'unapproved', "though they couldn't close them all... Still, I wouldn't come over the Flagstaff Road on my own. The soldiers came out of a ditch one night and stopped us and kept us a long time until another car came along."

On a more positive note, the shopkeeper does see an opportunity: "If the border comes back, there would be the opportunity for duty free shops on the border."

**County Armagh**

Navigating the web of border roads between northernmost Louth and south Armagh, by Jonesborough, Forkhill, Silverbridge, and onwards to the village of Crossmaglen, vivid yellow protest signs warn drivers: "If there is a hard border, this road may be closed from March 2019". Once one of the most heavily militarised areas of western Europe, the British Army finally left the area in 2007 and, aside from a huge PSNI surveillance structure which continues to keep watch on local inhabitants from high above, the village has returned to the relatively relaxed rhythm of border life.

*Gerard McMonagle*

"What we would like to happen is that things remain the way they are. We don't want a hard border or a border of any sort, because we're on the very edge of it here, where we have four routes directly into Crossmaglen from Monaghan and Louth,"

As such, Gerard McMonagle, manager of the Cross Square Hotel outlines his opposition to any change which could disrupt what has become normality. "What we would like to happen is that things remain the way they are. We don't want a hard border or a border of any sort, because we're on the very edge of it here, where we have four routes directly into Crossmaglen from Monaghan and Louth," he says.

From a business perspective, McMonagle is striving to attract customers from both north and south. "This last 12 months we've had a lot of bus tours which will stop on their way from Dublin to Belfast for either an overnight stay, lunch or an evening meal. It would be very disheartening if we lost this business, because it's only now that Crossmaglen is starting to improve after years of conflict," he explains.

"Being so close to the border, we have six people living in the South who are employed here. Also, we have about 30 per cent of our food suppliers based in the South. That's an ongoing concern, that if something does happen in relation to a hard border, it will affect everyday trading."

From a social perspective, local people often venture to Newry, but they travel as regularly to Dundalk, Castleblayney or Monaghan town, especially for nightlife. Likewise, "A lot of people travel from the South to see where the Crossmaglen Rangers GAC come from and where it all started," he proudly notes.

Summarising his position, McMonagle states: "You drive from north to south without even knowing you've crossed the border and that's the way we would like it to stay. Nobody wants to go back to checkpoints or a hard border where you have to stop and be searched."

Up the street, along another length of Cardinal Ó Fiaich Square, the McNamee family have been craft bakers for the past 70 years. Today they employ 30 staff at a bakery in the village and across three shops: one in Crossmaglen itself, one in Carrickmacross, County Monaghan and one in Dundalk, County Louth. The company also has a wholesale business selling into both the UK and Republic of Ireland, as well as Europe and the US (where its craft breads are available in Irish shops in Boston, Chicago and Philadelphia).

*Cathal Short*

The current proprietor, Michael McNamee, likens the cross-border operation to the automotive industry in Britain, where parts are imported and the cars assembled and then exported. "A customer will come into our shop in Dundalk and order a birthday cake. That order will be taken by a girl who lives in the North but works in Dundalk. She will take a deposit in euros and fax the order back to here in the bakery in the North. My bakers come in during the night and will make the cake. We have four bakers. All foreign nationals - you can't get a baker in this country, but that's another story - two of them are Lithuanian and two are Croatian. Two live in Northern Ireland and the other two in the South. They will make the cake with ingredients from all over. Irish wheat flour, Northern Irish butter and milk, sugar from England, French flour, fats from Belgium etcetera. A lot of the ingredients are from Europe and some further afield, such as Canadian wheat. That cake will be picked up by our driver the following morning and he lives in the North and drives over the border to deliver the cake to the shop in Dundalk. The euros that the customer will use to pay for the cake will come back across the border to our head office here in Crossmaglen. We have bank accounts in both euro and sterling. We will make up a lodgement and these euros will go back across to our bank account in the south.

"Although that all sounds complicated, it is relatively straightforward and that happens every day and every night of the week; without borders, controls or tariffs.  If there are tariffs or restrictions to people's movements, that will ultimately generate a cost and that will be suffered by the business and ultimately the customer."

Later, local businessman and Border Communities Against Brexit (BCAB) advocate Cathal Short showcases the permeability of the border and in a journey of less than 20 minutes we traverse the border no less than a dozen times, including via a botharín not recognised by Sat Nav. Often, the only way for an outsider to determine transition between jurisdictions is by subtle changes in road surface. In many places, the crossings are unmarked by any defining feature at all. Similarly, dozens of farms and houses skirt the border, sometimes the dwelling itself firmly located on one side while the only means of access for a vehicle lies in the opposite jurisdiction.

"There's now a whole generation that grew up here without knowing what a border means or what checkpoints are; it's alien to these young people. If they start putting up customs posts or creating any type of delay, there's an impact upon people's lives.

"If the UK pursues new trade deals, which could bring in hormone-fed beef, chlorine-washed chicken and things like that, the EU will not allow anything which will contaminate their food-chain. How is this going to be policed? There will have to be a hard border. That means road closures," Short wearily submits.

The former Crossmaglen Rangers all-Ireland winner is unambiguously assertive about the BCAB campaign: "What we are campaigning for is special status for the North and the 1.8 million individuals living there, each and every one of which is entitled to an Irish passport, which in turn means EU citizenship. What protection will these 1.8 million citizens of the EU receive outside of the jurisdiction?

"We want the border to be moved into the Irish Sea and customs checks performed in ports and airports, leaving the island as it is within the EU single market and the customs union. With special status, people can also remain British if they so choose."

Lamenting the increasingly common interpretation that Brexit has turned into a green and orange issue, or an identity issue, Short questions: "How many people are employed in agri-food in the North, 100,000? People are sleepwalking into this. They don't appreciate the consequences of it."

"There's now a whole generation that grew up here without knowing what a border means or what checkpoints are; it's alien to these young people. If they start putting up customs posts or creating any type of delay, there's an impact upon people's lives."

**County Monaghan**

As cross-border as imaginable, the Carna Transport haulage firm is dually located in administration offices in Castleblayney, County Monaghan and a main site outside Keady, County Armagh. "The worst-case scenario is a hard border," says Director Bronagh Hughes.

Carna's Kevin Maguire concurs and notes: "From our point of view, it's a disaster waiting to happen for a lot of people. It has already affected us in that sterling has plummeted. We receive a lot of income in sterling and that means our profit has dropped. Further on down the line, there will be hold ups both in Dover and here, meaning that wages will rocket -  the drivers will still need to be paid. We'll be fighting a losing battle to cover costs and you can see customers refusing to accept that rate. It's frightening from a transport perspective."

Employing over 200 people from both sides of the border, Hughes emphasises the uncertainty of Brexit and suggests that many people are "burying their heads in the sand about it and thinking 'hopefully it won't happen'.

"I think the worst-case scenario is that customs stations go up along the border. You would expect them in Dover and the Channel ports in England, but we might be able to get around that by going direct out of Rosslare Europort and into France. We are shipping some stuff via that route at present, but there would have to be larger and more regular sailings," details Maguire.

"An extra half hour of delay could be the driver's spread completely finished and they won't be allowed to do that extra half hour; some of our delays are that tight that the driver is driving to their last minute to get to their destination," adds Hughes.

Maguire relates the negative impact the border had growing up in its shadow in nearby Cullaville and the positive changes which have occurred in the areas since the early 1990s. "It would drag us back to the dark ages," he argues. "It's not history that we want to repeat," agrees Hughes.

Parting, Maguire emphasises the resilience of border people in the face of decades of neglect: "We've always had to fight for everything we have here."

Each day, Niall McVeigh, a St Mary's College Belfast-trained teacher and Enniskillen native commutes from Fermanagh to fulfil his duties as principal of Castleblayney College.

*Kevin Maguire and Bronagh Hughes*

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"Although much has been made of the business and economic impact of a hard border, there is also an important social cohesion element. My family has always straddled both sides of the border with my grandfather's side of the family in Ederney [County Fermanagh] while my grandmother was from Ballyconnell [County Cavan]," he explains.

"When I was young, we lived in Pettigo [County Donegal] and went to school in the North. That was not uncommon as northern schools were better resourced back then. This is not the case now as schools in the South are well resourced, with state-of-the-art campuses like our own. Although there is not much cross border mobility for pupils at secondary school there are clear pathways for our pupils to study in the North at third level. The National Qualifications Framework has the broader strokes of measuring where the leaving cert is in relation to A Levels, but more work needs to be done to raise the awareness of this."

While McVeigh highlights two Fermanagh localities (Derrylin and Brollagh) in which children are travelling for more than an hour to the nearest school in the northern jurisdiction rather than attending a school much closer on the other side of the border, he acknowledges that cross-border commuting is more common for staff: "A number of staff at the school live in Crossmaglen and travel across the border daily to and from school". These represent a small portion of the 13,000-daily cross-border commuters and the educator knows of at least one other school principal in neighbouring Cavan who also lives in the North.

"There is a danger with a hard border that a mindset will develop in the South that the North has nothing to do with them; that would be unfortunate from a social cohesion perspective. Things are also now much more interconnected than when I was growing up and the big issue for us as teachers is to give those who we teach the skills for such an interconnected world. With the prospect of a hard border the outlook is in danger of becoming much more insular," McVeigh concludes.

"There is a danger with a hard border that a mindset will develop in the South that the North has nothing to do with them; that would be unfortunate from a social cohesion perspective."

In Monaghan town, a mere 15 minutes journey from Aughnacloy [County Tyrone], several export companies represent the lifeblood of the local border community. One of these is Combilift, a specialist forklift and straddle carrier manufacturer which has become a global leader in its field. Martin McVicar, co-founder of the business is forthright: "The Brexit vote in June 2016 was not the result that Combilift would have wished for. The reality, of course, is that we're in the situation that Brexit of some sort is going to happen now."

The UK market accounts for 25 per cent of Combilift's business so the outcome of Brexit is anticipated to have a significant consequence. "This creates a lot of uncertainty, not just for us as a business, but for our customers and consumers in the UK who are going to be more cautious about decisions to invest," asserts McVicar.

*Martin McVicar*

As a border employer, McVicar expresses concern for the 52-people employed by Combilift who traverse the boundary on a daily basis. "I know everyone is on the same page with regards to the free movement of people in Ireland, but is there going to be a difference with the free movement of employees and on top of that, where are these employees going to pay their taxes and their social security? There are a lot of unknowns there as well," he emphasises.

"It's very hard to put a contingency ***plan*** in place when you don't know what the final outcome is going to be. We're not adding to our supply base in the UK currently for that reason. We're diversifying and buying more of our raw material either in the Republic or mainland Europe to avoid the potential of having duties on these components.

"For Combilift, exporting to 75 countries around the world, we are trying to grow our business in all markets. The UK is number one and the US is number two and even without Brexit, our goal was to grow in the US and for it to become our number one market. At this stage, this has been accelerated. But much of our focus in the last year has been to grow our sales in mainland Europe where we don't have currency fluctuation and there's more consistency in the market. So, we have invested in putting additional sales people Europe, namely Germany and France."

Established 19 years ago, the company has recently invested in a green-field factory site costing in excess of (EURO)45 million, and while Brexit is a concern, Combilift is investing to grow.

Allocating around 7 per cent of turnover into research and development McVicar strongly believes that for companies to continue to grow and thrive in the UK market, they need to develop a more innovative product for which they can charge a higher price. "A higher premium helps to counteract currency fluctuation and tariffs, so I think more resources should be allocated to encourage companies to invest in R&D.

"There are R&D tax credits, but in my opinion, these are more geared towards larger companies that have a lot of administration. Smaller SMEs are not structured to claim tax credits efficiently. I don't see it as a way of inducing companies to pursue R&D."

Confident that there will always be a market for Combilift's innovative products to save our customers warehouse space, McVicar suggests: "We're on the doorstep of the UK and we'll be better catered to grab the opportunities in the UK. Providing that the economy there doesn't go into a downturn."

Just outside the hilly border town of Clones, past the home of the GAA's Ulster Final fixtures at St Tiernach's Park, itself only a 1.5 km from County Fermanagh, Eamon Fitzpatrick runs a fuel and hardware business. While half of Fitzpatrick's fuel yard is in the South, currently the only entrance to the site is via Lacky Road which is in the North. The yard is literally bisected down the middle by the border.

"The border is a big concern at the minute. Best-case scenario, I would be hoping that Theresa May will run her day and it'll be short enough. If that happens and there's a new government then maybe there'll be another referendum. Worst-case scenario is a hard border and if it's hard enough then business is doomed," declares Fitzpatrick.

Lamenting the conflicting media reports reflecting the opposing British and European standpoints, he notes: "My biggest concern here at the minute is that we're accessed via a northern road. I may have to take a road in from the south, which I can do, but at a big expense. To that end, is there going to be compensation for any convenience caused to businesses like my own or are we going to be out of pocket? No one can get any certainty about what is going to happen, how it's going to happen and in what timeframe it's going to happen.

"I have 20 employees working for me on my pay roll north and south. Are the governments prepared to let businesses like this close? I'd rather not be going down the road of talking about compensation and instead work away as it is, but everyone has a limited cash flow."

Outlining his ardent opposition to a hard border, Fitzpatrick rationalises: "My worry would be that if a hard border was implemented then there would be a potential for trouble and there are opportunists who are waiting to take advantage in order to make profit."

Following a round-the-world backpack trip in 2014, Colm Connolly and his girlfriend (now wife) returned to Ireland and, spotting a gap in the market for Irish beef protein snacks, subsequently established Rucksnacks. As such, the Connolly's now have a foot in two different businesses: one a beef farm and the other protein snack production. "When the referendum happened, we were obviously hoping for a 'no' vote and that it would happen. We were devastated when it did, because it brought so much uncertainty to both businesses," outlines Connolly.

Brexit has presented a significant headwind for the nascent snack venture. "Every time someone either from the UK Government or from the EU comes out with a statement, it doesn't clarify anything. So, we're not ignoring the UK market, including the North, but we're reluctant to pursue it. A secondary effect has been the fall-off in the exchange rate. We are now less competitive because of the higher costs in Ireland," he explains.

"We've put everything on hold. It's very difficult to mitigate so we're keeping any risks to a minimum. I'm exploring other markets beyond the UK with the aim of diversifying, because while the product is very popular in Ireland, it's better known overseas in places such as Germany."

Initially partnered up with the College of ***Agriculture***, Food and Rural Enterprise's Loughry Campus in Cookstown, County Tyrone to develop the product, Rucksnacks worked on the technical side for over a year before launching. "We were always going to reach a stage where we would have to leave that ***programme***. In early 2017, I made the decision to establish our own production. The decision to locate it was difficult. However, I thought about it and we moved production to Ballybay, County Monaghan. It's worked out well so far.

"We've put everything on hold. It's very difficult to mitigate so we're keeping any risks to a minimum"

"I'm dealing with suppliers in the North and the South - we're continuously crossing the border every day. I know the price at which they are delivering these goods, such as packaging material, to me, and I'm conscious that that relationship could end if costs become unworkable," Connolly warns.

Business aside, the Connolly's grandparents came from Roslea [Fermanagh] and: "I would have a lot of friends and relatives from across the border and my wife is from the North so to us there's no such thing as a border. There's a potential loss of connection to family or friends - if something happened that made travel more difficult then you're likely to be more reluctant to do it, that's the simple nature of these things," he concedes.

There are few scenarios which most eloquently reflect the challenges of border life than the relationship between clergy and their border-transgressing parishes which, for historical reasons, generally reflect towns and villages in their proximity. Take their accounts for example, the parish must operate bank accounts both north and south in order to pay bills and also process the collection monies. In such parishes, there is a long-standing quip made in relation to the necessity to obtain an elusive bi-currency coin-sorter.

*Eamon Fitzpatrick*

The shifting demographics of the Catholic Church have dictated a new way of working for rural and border parishes, mainly in the form of clustering (usually three parishes will cluster and provide support and cover when necessary). During 'the Troubles' era, militarised checkpoints hindered movement between north and south, though as Father Dick Mohan of the Parish of Clones explains, people learned to be practical with regards to the border.

"Those in London and Belfast don't understand real border life; they believe a simple line can be drawn. It was the same when Ian Paisley talked about building a wall at the border. The reality is that there are houses, businesses and farmlands that straddle the border. Our way of life dictates that we regularly cross the border and while we don't want to see the return of any obstacles to that, harder border won't end that necessity to travel.

*Colm Connolly*

Fr Mohan highlights some of the practicalities of working in his cross-border community. The parish incorporates three chapels: Scared Heart (Clones) and St Alphonsus (Connons) are in the south, though the geography of Connons means that it is only accessible to via the north, and St Macartan's (Aghadrumsee), in the North. Travelling to either of the other two chapels from his base in Sacred Heart requires him to cross the border at least three times.

For Father John Chester, the parish priest of Roslea, which traverses the Fermanagh-Monaghan border, incorporating Magherarney and Smithboro, County Monaghan, there are both practical and symbolic concerns.

"A dividing border was 'normalised' during 'the Troubles'. People in border communities became used to it but those from further afield were petrified of it. 'Normalisation' wasn't a good thing, it compounded separation of the parishes. Any hardening of the border again carries with it a symbolism and a memory of a time that people here don't wish to return to.

"In my parish, I'm witness to depopulation, an ageing community, a brain-drain and commercial decay. Our community does not need further hindrance."

The Connons area has been the subject of global media interest since Article 50 was triggered. A cursory glance at the mapped border quickly flags up the precarious position of an anomalous loop of territory. The loop, formally referred to as 'the Drummully Polyp', is a section of County Monaghan virtually engulfed by County Fermanagh and can only be accessed by road via Northern Ireland. To navigate in any direction means to cross the border numerous times.

Comprehending what any hardening of the border would mean for local farmer John Connolly and his neighbours isn't that difficult. During 'the Troubles', most of the small byways around the area were blocked or cratered by the British Army meaning that travel to nearby Clones or Newtownbutler resulted in a 15-mile roundtrip and up to several hours clearing checkpoints.

"The practicalities of implementing border checks in this small area alone are difficult to fathom. The farming community will find it especially difficult, as will the wider community. Here we're not northern and southern farmers, we're neighbours and crossing the border is a way of life for business and socially. Those in London, Dublin and Brussels might not fully understand the implications of a hard border but I can't leave my land in any direction without crossing the border."

"I think there are several dimensions to fears over any hardening or change to the current border status"

Eileen McManus, a clerical officer in Monaghan County Council, lives less than 10 km away from Clones in Newtownbutler, County Fermanagh. She, like many others, commutes the border on a regular basis and has concerns around practicalities which she believes are being overlooked by Brexit decision-makers.

"I think there are several dimensions to fears over any hardening or change to the current border status. On one hand, there is a lot of concern around fears of isolation and separation. For instance, I live in Fermanagh but my work, social life and the social life of my children are in Clones. If there is any restriction on the freedom of movement then our way of life would be affected. Integration of our border communities has been advantageous for all and there is a risk of that work being undone.

"A further dimension is those niche challenges often not recognised by those not living in a border community. There are situations we've all learned to live with and services have adapted to meet needs." McManus highlights that despite living in the North she has a southern phone, as the network is stronger. Her children attend after-school activities in the South, but are educated in the North. And while her GP is in the North, the closest hospital is in Monaghan.

"A further dimension is those niche challenges often not recognised by those not living in a border community. There are situations we've all learned to live with and services have adapted to meet needs."

She adds: "I work in the South and I'm paid in euros, so my child benefit is collected from the South. The current rate is (EURO)425 a month, but in the North, that would be around £180-200. That's a significant difference to our family income and it's those types of concerns which are at the forefront of peoples' minds in border communities."

Former Mayor of Monaghan and long-standing councillor Pat Treanor, reinforces that any physical division or separation would be detrimental to cross-border communities and their way of life.

"We have spent so long improving movement and rebuilding the community that now it is disappointing, concerning and angering for people that the prospects of decisions being made in Brussels, London and Dublin are going to ignore what we have achieved and drive us back to where we were in the past."

Pointing to a joint position paper issued by the Irish Central Border Area Network (ICBAN), a long-established cross-border partnership dealing with interests of mutual concern for communities on both sides of the border and all-party inclusive, he says that there is broad agreement that no change to the current status quo should be advocated.

"The hard border was detrimental to this area and a lot of work has gone in to building it back up. However, this is still a disadvantaged area and as a result we want to encourage further EU investment to support local business and communities. This is why we can't see any change to the current status of the border," he concludes.

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**County Cavan**

A chance encounter outside Swalinbar, County Cavan and scarcely a dozen metres into the North introduces us to Dessie McManus, a former publican in the village and erstwhile PRO of a local community organisation intent on reopening border roads closed by the British Army during 'the Troubles'. With a wry smile, McManus recounts the efforts of local people (commemorated by an adjacent monument to 'the border busters' at the formerly unapproved crossing) in this game of cat-and-mouse.

"We were involved here with local concerned farmers and business people trying to keep these roads open during the years of 'the Troubles'. There's talk now of roads going to be closed again, but I can't see that happening. I don't think the locals would allow it. They've gotten so used to this lifestyle now of freedom of movement and the border really doesn't exist for people around here.

"Most people would think there's a sort of economic unity that has been developed over the last 10 or 15 years, with cross-border trading for most businesses, especially in the ***agricultural*** sector. A lot of the agri-food ***produced*** in the six-counties is processed in the South. A hard border would just be unbelievable. People could not believe that we'd go back to that after more than 20 years. It would be totally unforeseen."

A single bridge offering passage across the Belcoo River, a waterway which simultaneously connects Lower and Upper Lough Macnean and separates the settlements of Belcoo [County Fermanagh] and Blacklion [County Cavan], represents one of the more distinguishable border crossings. However, to the local community, the bridge, rather than emphasising the border, is crucial to connecting the two areas over the 100-metre span of river. A quick observation provides a sense of the completeness of this integration. On the northern side, a local park hosts numerous southern registered cars, their owners taking advantage of the closest facility to walk their dogs. On the southern side, there's a similar mix of northern registered cars outside of homes. It's simply a way of life.

In McCann's Spar and Post Office in Belcoo, owner Eugene's father used to operate a similar service on the southern side. The absence of a duplicate service is in keeping with how the area operates: with an invisible border mentality. While undoubtedly residents are conscious of currency fluctuations when purchasing big-ticket items, for day-to-day activity, convenience often wins out and whether resident in the North or the south, McCann's is their local shop.

Having lived through 'the Troubles', Eugene is adamant that no one wants a return of a hard border and says the onus is on the British Government to follow through on their pledge to a soft border and cause no inconvenience.

*John Connolly, Connons*

Any change to the freedom of movement of people would damage his levels of southern custom and any trade as a result of passing tourism. He also has concerns around tariffs and standards. Any change here could jeopardise his efforts to utilise local suppliers, However, like many, his main sentiment around Brexit is one of uncertainty. "It's impossible to know what the future holds because I don't believe the decisionmakers know. I don't want to see any change, nor am I preparing for change. To create a contingency ***plan*** without any direction is an impossible task."

Standing on the bridge, Lisbellaw's Fr Joe McVeigh, a leading figure within in the Border Communities Against Brexit campaign, outlines growing fears for the younger generation within border communities.

"Before the Brexit referendum we had reached a stage where the border was invisible and border communities were beginning to thrive again. I remember, and many others do too, the hard border and how harmful that was to local community and local parish, especially our young people. I want to see young people stay in Fermanagh and build their lives here but Brexit is causing an anxiety as to whether this can be the case. Inward investment in border communities will be non-existent if a border exists again."

**County Donegal**

Pettigo, County Donegal, bisected by the Termon River and bordering Fermanagh, holds the unique status of being 'the only village in Ireland which is directly divided by the border'. A legacy of the peace process is the recently opened Termon Complex, on the edge of the riverbank. The multi-million-euro part sports complex, entertainment venue, meeting place and general community hub has greater integration on a cross border cross community basis as its ethos and was funded by local councils both sides of the border as well as by EU money.

*Kieran Kennedy*

Membership of the gym facility alone in the complex exceeds the estimated population of Pettigo, highlighting the level of usage by those in the surrounding townlands further south and in the North. Natasha McGrath, Community Development Officer for ADOPT (The Association for the Development of Pettigo and Tullyhommon), says: "There can't be a hardening of the border, this area is crippled as it is. We've just begun to turn a corner in terms of building up the local facilities and the economy through greater collaboration. This area is heavily reliant on an open border and the free flow of goods and people. We've had a hard border before and some of us remember it all too well. We've worked hard to mitigate the damage that came with a hard border and we need decision-makers to look at the real effects anything other than an invisible border would have on this area."

Offering an alternative perspective is Ken Funston, who acts as Advocacy Service Manager of the 1,000-strong South-East Fermanagh Foundation victim's group, which incorporates members from both north and south as well as Britain and Europe. On Brexit, Funston asserts: "The reality is, as a victim's group on the border, I can't see it impacting us in any way. Is it a particular pressing point within our minds? I would say not. There are more serious things to consider including truth, justice and their well-being. The issue of the border and Brexit is there, but personally I don't think it really worries people that much.

"I think a lot of the scaremongering is coming from the EU-side rather than the British-side. The reality is that I don't think the EU Chief Negotiator [Michel Barnier] really has an understanding of the border here or the number of crossing points there are. There will never be a closed border between Northern Ireland and the Republic; it's impossible."

In 1984, Funston's older brother (a former member of the UDR) was shot dead by the IRA on the family's farm in the townland of Lowery near Pettigo. He, himself a former British soldier and RUC officer, describes how his family were originally "all Donegal people who moved to the North in the late 50s, before I was born, to get a better farm and also because my father thought that the education would be better".

As the conflict worsened, especially in the early 1970s, "it got to the stage where you started to become wary about going into the South and then it started to divide the people. I was recognised in the village as a northern Protestant and relations started to change and cool towards me in the mid-70s and it got to the stage where I stopped going across the border. That's the reality. It didn't feel safe anymore," he explains.

"The reality is that you should be able to go freely into Donegal town and socialise there just the same because it's a local hinterland, but during the 70s, 80s and 90s, very few people from this side of the border would have travelled to socialise in the South. It has thawed slightly, but in the bad old days, wouldn't have socialised around the border towns; if they did it might have caused them problems."

Today, Funston is unconcerned with the status quo and observes: "The border, in theory, doesn't exist at the moment. There's nothing other than a sign saying either 'welcome to Fermanagh' or 'welcome to Donegal', if even. The border cannot be sealed. That's the reality of it."

However, he has no regrets about his decision to vote to leave the EU, rather he is more certain than ever that he made the right choice. "The main reason for me personally is EU decadence. For instance, the Commissioner for ***Agriculture*** is an unelected, failed politician from the South who earns more than the Taoiseach and the Prime Minister put together." In short, Funston resolves, it will enable Britain to "take back control of our waters, our own finances and legislation and honestly, I could go on all day with my views on it".

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**County Tyrone**

Strabane, the second largest town in Tyrone, sits on the east bank of the River Foyle across from Lifford, the county town of Donegal. Headquartered in the town is O'Neills Irish International Sports, the largest sportswear manufacturing company in Ireland. Managing Director Kieran Kennedy voices three major concerns in relation to Brexit.

"The first is the free movement of people - almost 50 per cent of the 580 members of staff employed here in Strabane are from Donegal and cross the border on a daily basis. So, anything that would affect their freedom of movement would be a major concern.

"Our second concern relates to delays on the border in trying to get our goods across. Due to the complexity of our supply chain, our garments and the components to make them could cross the border maybe eight times through the manufacturing process. We are a vertical, integrated company so we undertake the majority of processes in-house.

"We buy in yarn either from the Far East or Europe. It then comes in through the Port of Dublin, crosses the border at Aughnacloy and is delivered to Strabane. When the yarn arrives, it is knitted into raw fabric and then crosses the border to our dye plant in Dublin. Following the dyeing and finishing process, the finished fabric is then sent back to Strabane where the fabric is either cut and sewed into garments or cut, printed and made into garments. About 50 per cent of the garments we ***produce*** are printed and about 50 per cent of the printed garments are sent back to Dublin to be ***produced***. Once ***produced*** in Dublin, the garments then come back north where they are warehoused and will maybe cross the border again for distribution.

"The third issue that we have concerns with relates to tariffs and duties. If our products are crossing the border up to eight times and if there were tariffs and duties applied each time they crossed it would be a major headache for us. A further problem we have is the uncertainty and trying to make ***plans*** and attempting to formulate strategy for the next few years; if the British Government doesn't know, then what chance have we got? The unknown factor is a major concern."

While Kennedy concedes that it is extremely difficult to mitigate for changes that are impossible to predict, O'Neills do have ideas and have actively considered the option of moving warehousing and distribution to Lifford. "At the minute, the talk is all about a no deal. Maybe they will do special status for Northern Ireland; we hope that's the case. Best case scenario we will remain within the customs union, there will be no border, no restriction to the freedom of movement and no Brexit. That's what we hope for," he suggests.

Across the town, with a catchment area spanning both sides of the border, Michael Devlin editor of the Strabane Chronicle highlights that Brexit has been a constant of peoples' discussions since the referendum result was revealed. The paper, based in the North is sold and carries adverts for southern clients, while some of their staff make the short daily commute.

Aside from the daily cross-border transactions that are currently taken for granted, Devlin outlines the potential detriment to ***strategic*** investments currently in the pipeline. EU funding has been a major player in ***plans*** to revitalise Strabane and the surrounding areas. One major project in particular, the Riverine Project, is awaiting Peace IV funding allocation to kick-start the multi-million pound ***plans*** to revitalise physical links between Strabane and Lifford.

The project is seen as a catalyst and it is believed further expansion ***plans*** such as the Three Rivers project, a vision to transform land between Lifford and Strabane with a hotel complex, a wildlife centre, an employment park, a learning campus and a sports centre.

Devlin says: "There are some doubts about that funding. While the outlook is still largely positive that it will be realised, it's obvious to see why there might be some hesitation in investing in a project that links the two towns when the shape of the future border is uncertain.

"The current uncertainty and the eventual outcome will ultimately have an impact on investment decisions for this area going forward. Strabane and the surrounding towns have long been in need of investment and it's difficult to see anyone advocating a position that might jeopardise that."

**Conclusions**

'Voices from the Border' does not masquerade as a comprehensive study of border life, rather it seeks to reflect the opinions of local people at this particular moment in time, within the context of a decision taken by the British electorate following what essentially boils down to an internal Tory party wrangling.

Our journey uncovered several interwoven themes prevalent among interviewees across the 500-km boundary. Ranging from explicit and outright opposition to a passive preference for the status-quo, pro-Brexit sentiment was anomalous. Currently, there is a genuine and deep-seated fear that the British decision to exit the EU will cause significant disruption already fragile nature of border life.

While the resilience of people in the border region is undisputed, much anxiety flows from the most commonly encountered phrase of the project: uncertainty. The fog of Brexit has descended, and poses a significant obstacle to any attempt at implementing a mitigation strategy. 'Business dislikes uncertainty' and by its nature, border business dislikes Brexit.

It has become increasingly apparent that the concerns associated with the border on the island of Ireland were, at best, neglected or, at worst, wilfully ignored by decision-makers in London. As things stand, there has not been enough progress on the issue from an Irish or a wider European perspective.

'Things fall apart; the centre cannot hold'.

**Load-Date:** February 7, 2018

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[***‘A potentially dark future is brewing’; Yemen’s dangerous war***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5R2S-1DJ1-F035-X4K5-00000-00&context=1516831)

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**Length:** 2027 words

**Byline:** Laurent Bonnefoy

**Highlight:** Saudi meddling in regional politics and its ***intervention*** in Yemen is destabilising the Middle East, and pushing the country into sickness and starvation.

**Body**

Yemen has been engulfed in civil, and regional, war since September 2014; in the West it is often called a hidden or forgotten war, being so far from the minds of the major powers and media. The war has led to a severe humanitarian crisis, with the biggest ever cholera epidemic (nearly a million suspected cases since March 2017 according to the Red Cross) and a famine that threatens 70% of Yemen’s 30 million people.

All this seems barely to touch our consciences. The heavy human toll — now higher than the 10,000 victims, half of them thought to be civilians, estimated by the UN in January 2017 — has failed to put enough pressure on the belligerents to halt the fighting, in a war driven by regional actors (1). The coalition led by Saudi Arabia, supported by often Salafist local militias, militants from Yemen’s Southern Movement and supporters of President Abdu Rabu Mansur Hadi (who is recognised by most foreign governments), is fighting an alliance of Houthi rebels and supporters of Hadi’s predecessor, Ali Abdullah Saleh. Since hostilities began (see Yemen timeline), neither side has respected international conventions, civilian life, infrastructure or historical heritage; and both sides have prevented journalists and humanitarian organisations from working in the country.

Saudi Arabia claims it wants to restore Hadi to power and fight the influence of Iran, which it accuses of supporting the Houthis. The Arab coalition, despite its limited effectiveness and the crimes it has committed, continues to receive technical support (reconnaissance satellites, aerial photography, military advisors, in-flight refuelling) from the US, UK and France. The complicity of these powers, no doubt motivated by profitable arms contracts, has long led them to oppose the establishment of a UN independent commission of inquiry.

In October 2015 a Netherlands-proposed UN resolution calling for independent investigators was blocked at Human Rights Council level, in response to strong pressure from Saudi Arabia. In September 2017 France instigated a compromise, but the effectiveness of the resulting committee, which includes international experts, is limited by the difficulty of access to the fronts.

The legality of the ***intervention*** is questionable, notably because of the constitutional void that existed in March 2015: Hadi’s presidential mandate had officially ended by the time he asked for Saudi help. It was only indirectly validated by UN Security Council resolution 2216, adopted three weeks after the start of the coalition’s offensive. So Operation Decisive Storm remains based on a specious interpretation of international law.

**Deep contempt**

The laissez-faire attitude of the major powers shows a deep contempt for Yemenis and a refusal to understand the underlying motives of a conflict with consequences far beyond the country’s borders. The world’s lack of interest in this conflict suggests that it is regarded as just another low-intensity backwater conflict, yet Yemen is at the heart of critical issues that it would be foolish to ignore.

The former *Arabia felix* was not always a neglected, marginal country; lying at the crossroads of trade and ***strategic*** routes, it has been called ‘too well situated’ (2) and has always been coveted territory. The West saw it as a cradle of monotheistic religion, and the East as the source of Arab and Islamic authenticity. In the 17th century it was the biggest ***producer*** of coffee, and in the 18th Voltaire called it ‘the world’s most pleasant country’. It inspired the Orientalist dreams of Rimbaud, Malraux and Paul Nizan, who searched for traces of the Queen of Sheba on the Red Sea coast. From 1839 Aden was important to the British empire, and in the mid-20th century it became the world’s second busiest port. Yemen’s key position in the movement of goods and people is evident from the great mobility of Yemenis, who are found everywhere from the Horn of Africa to Southeast Asia, and in industrial areas of Wales and the US Midwest.

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Yemen has been gradually marginalised by conflicts, the cold war, expulsions of Yemeni workers (in 1990, 800,000 were expelled from Saudi Arabia because Yemen was seen as supporting Saddam Hussein’s Iraq in the Gulf war) and endemic poverty due to a lack of natural resources and corruption among its leaders. The 21st-century ‘war on terror’ quickly turned Yemen into a major theatre of operations against Al-Qaida, but there were no concrete undertakings to aid the country and its development. US drones, supposed to eliminate the jihadist threat, have been counterproductive because they help to legitimise the jihadists in the eyes of the population, who have become victims of collateral damage. Drones are also symptomatic of the US’s limited interest in Yemen, being something of a non-policy and a default mode of ***intervention***.

Yemen was never a priority, even though US decision-makers stated publicly that the local branch of Al-Qaida (Al-Qaida in the Arabian Peninsula, AQAP) was the world’s most dangerous. When the Yemeni Spring of 2011 ended Saleh’s more than three decades as president, the legitimate enthusiasm aroused by the peaceful mobilisation of Yemen’s youth and the prospect of democratisation did not get enough, or even genuine, commitment from the international community. Yemen was abandoned and slipped into war as the US and EU chose to subcontract their policy on it to the Gulf kingdoms.

**Gulf Arabs intervene**

Saudi Arabia’s military ***intervention*** in March 2015 may have been motivated by a wish to legitimise its new leaders, especially Prince Muhammad Bin Salman (‘MBS’), born in 1985, who had just been appointed defence minister by his recently enthroned father. But the stagnation of the conflict could have costly repercussions far beyond the Arabian peninsula. The war may be costing $15bn a year (estimates of $60bn are probably exaggerated) (3) — when Saudi Arabia has a large budget deficit and the price of crude oil is around $50 a barrel.

The coalition’s inability to overcome the Houthi rebellion and the difficulties over the political future of Hadi, who has only limited popular support, underline the errors in Saudi strategy. The permeability of the border, clear from the daily incursions by Houthis into Saudi territory, has made it necessary to evacuate many villages. Yemeni rebels and their allies have even been able to fire medium-range ballistic missiles at Saudi cities (including Riyadh this November), though these have been intercepted or have come down in uninhabited areas.

The war has also become a trap for Saudi leaders; Saudi authorities waver between propaganda that claims military operations are going well and a catastrophist approach that claims victimhood. A Saudi diplomat at the UN stated publicly in August 2016 that 500 Saudi civilians had been killed by Houthis (4). It is unlikely that MBS, who could soon be king, will be able to claim, on the basis of the Yemen war, to have shown foresight, leadership and efficiency. His image could even suffer lasting damage both at home and abroad.

Yemen was abandoned and slipped into war as the US and EU chose to subcontract their policy on it to the Gulf kingdoms

The collapse of Yemen’s state institutions because of the war has benefited armed Islamist groups. All the belligerents had the common aim of sidelining the Al-Islah party (the Yemeni branch of the Muslim Brotherhood), which had played a central and peaceful role in the Yemeni Spring. Saudi Arabia, and to an even greater extent the United Arab Emirates, also heavily involved, are strengthening Salafist groups that compete with the Al-Islah party by providing funds, and civilian and military equipment. This is the approach in Taiz, Yemen’s third largest city, under siege by the Houthis, and in the southern provinces. The line between these militias and AQAP occasionally seems porous, and there is still a serious risk that these groups will escape the coalition’s control.

**Jihadist expansion**

A sectarian interpretation of the conflict that projects it as being between Sunnis and Houthis (considered just as Zaydis, who belong to a branch of Shia Islam which differs from the Twelver variety that is the majority religion in Iran) is used to strengthen the jihadists’ position (5). In April 2015 the chaos allowed AQAP to take control of Mukalla, Yemen’s fifth largest city, which it ruled for more than a year in alliance with local tribes. This coincided with the emergence of ISIS (so-called Islamic State).

The jihadist expansion has not been effectively contained by an increase in US drone strikes or, since Donald Trump became president, by special forces raids. Though the number of foreign combatants travelling to Yemen is limited, there is a risk, if the conflict drags on, that it will become a fallback base for jihadists, offering them plentiful resources, especially weapons, with which to export their violence.

The conflict and the humanitarian crisis, linked to the sea and air blockade imposed by the coalition, have displaced more than three million Yemenis, according to the UN. Most have gone back to their ancestral villages: Yemen’s location in a corner of the Arabian peninsula, and the blockade and closure of airports, restrict their escape routes. Things could change if conditions continue to deteriorate, in which case Yemenis will cross the Gulf of Aden and easily find their way into existing migration networks that attempt to cross the Mediterranean to Europe, which is already unable to cope with the influx of Syrian refugees. The Gulf states, which share a border with Yemen, are unlikely to be able to contain the increased migratory pressure.

These challenges may soon be trifling compared with the medium-term outlook. The exhaustion of underground aquifers, especially around Sanaa, could lead to massive population movements over the next decade. The consequences and cost of moving three million inhabitants out of a capital built at 2,300m altitude (hard to supply with desalinated water) would be huge. Taiz is in a similar position. Demographic growth (the population is expected to double every 20 years) and climate change, which has disrupted rainfall patterns and ***agriculture***, are bringing the crisis closer. The war has obstructed responses to the ecological and human challenges, such as investing in manufacturing industry on the coast. In the late 2000s, engineers from the conglomerate Saudi Binladin Group ***planned*** to build new cities and even a bridge to Djibouti, over the Bab el-Mandeb Strait, only 30km wide at its narrowest point.

For Saudi Arabia and the other states in the coalition, which are trying to diversify their economies and become less dependent on oil rents, the war, beyond its financial and human cost, is a bad idea because it is destroying a potential market. Without a long-term vision, Yemen will collapse, with serious consequences for the world.

History shows the Yemenis are a resourceful and resilient people with a capacity to adapt and to invent ways (some enshrined in tribal law) of coping with war, settling conflicts, sharing water resources and reducing inequality. They are an object lesson in surviving adversity. But with a potentially dark future brewing, the situation in Yemen should not be disregarded.

(1) See Helen Lackner, *Yemen in Crisis: Autocracy, Neo-Liberalism and the Disintegration of a State,* Saqi, London, 2017, and Laurent Bonnefoy, ‘Yemen’s futile war’, *Le Monde diplomatique,* English edition, March 2016.

(2) Ghassan Salamé, ‘Les dilemmes d’un pays (trop) bien situé’ (Dilemmas of a (too) well situated country), in Rémy Leveau, Franck Mermier and Udo Steinbach (eds), *Le Yémen contemporain,* Karthala, Paris, 1999.

(3) Sebastian Sons and Toby Matthiesen, ‘The Yemen war In Saudi media’, Muftah, 20 July 2016.

(4) Almasdaronline.com, dispatch in Arabic, Sanaa, 3 August 2016.

(5) In reality the ideological differences are between Houthis and Salafists, not all Sunnis.

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Committee (1st Day) (Continued)

9.26 pm

Amendment 5

Moved by

**5:**Clause 1, page 1, line 3, at end insert—

“( ) Regulations under section 19(2) bringing into force subsection (1) may not be made until the Prime Minister is satisfied that resolutions have been passed by the Scottish Parliament, the National Assembly for Wales and the Northern Ireland Assembly signifying consent to the commencement of subsection (1).”

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9.30 pm

This Bill has exacerbated the already serious tension that has grown up between the United Kingdom Government and the devolved Administrations. In both Edinburgh and Cardiff, serious concerns have been expressed by all parties, not just nationalist parties, about the balance of power and the effect that the Bill has on the balance of power within the United Kingdom. As drafted, Clause 11, which we will discuss later, gives all retained European Union powers to Westminster initially. Then mandarins and Ministers in Whitehall will decide what powers should be devolved and how they should be devolved. As I say, I do not have the greatest faith in that. The United Kingdom Government argue that in areas such as environmental regulation, ***agricultural*** policy, state aid and some aspects of justice and transport, regulations and rules throughout the United Kingdom need to coincide to take account of the United Kingdom’s single market. I understand that; there is logic in that as regards certain areas. But why, for instance, does the United Kingdom not want the Scottish Government to deal with pesticides, fertilisers, the composition of mineral water and the tracing of animals, to take a few random examples? What difference would it make if the Scottish Parliament and Government or the Welsh Assembly Government took a different decision from that taken in England in many of these areas?

There are 111 areas to be dealt with. They were all forgotten about, certainly during the referendum. No one talked about them. We know about the bus that went around the country with lies painted on its side. At last, today, a red bus came through Westminster with the truth painted on its side, which pleased those of us who are fighting Brexit to the last breath. However, people’s attention during the referendum campaign was concentrated on the bus with lies on its side. These areas were not discussed during the debate on the triggering of Article 50, when they should have been discussed in detail. They have been the subject of apparently fruitless debate for many months between the UK Government and the devolved Governments.

We can legitimately ask why no agreement has been reached. Months and months have passed during which agreement could have been reached. The Secretary of State for Scotland promised that these amendments ​would be introduced when the Bill was in the other place. But what happened? Nothing; there was no sign of them whatever. That suggests a lack of trust between the United Kingdom Government and the devolved Governments. A reason for failure to reach agreement is the fact that the joint ministerial committees, particularly the joint ministerial committee on the European Union, have not met regularly. The noble and learned Lord, Lord Wallace, will remember that under previous Governments—if my noble friend Lord McConnell were present, he would confirm this—we had regular meetings. I remember when I was Minister of State for Scotland going to a number of these meetings. I also remember going regularly to Edinburgh, with Ministers from the Scottish Parliament coming down regularly to Whitehall, and we had meeting after meeting to discuss things. Maybe there was a little more of a coincidence of interests and understanding between the Scottish Government and the United Kingdom Government then. However, even when there is not a coincidence of interests—and even more in that case—meetings should be taking place to try to resolve that.

I understand that at last—the Minister will perhaps confirm this—the joint ministerial committee on the European Union will meet tomorrow. Perhaps the Minister will give some indication as to whether we might expect to have something positive out of it. We need agreement as quickly as possible. We need amendments to Clause 11 to be tabled soon.

9.45 pm

If we look at this from a Scottish point of view, as I tend to do, one of the ironies of the Brexit vote, when we are told that in Scotland Brexit was not the majority view, is that the political party with most of its members supporting Brexit was the Scottish National Party—and those 400,000 votes are apparently just to be written off. We all know that the Scottish nationalists use every opportunity to turn everything into a constitutional crisis. Ministers have worked long and hard to reach agreement, and I believe that agreement is there on a way forward. Personally, I do not see how we could write an amendment that could resolve this problem; we shall come to that later in the Bill.

When I was Secretary of State, from time to time I disagreed with my colleagues because there was a particular Scottish interest, whether that was in fishing, ***agriculture*** or other matters handled in Scotland under the arrangements. We had a joint ministerial committee, we would argue about the merits and we would reach a ​conclusion. It seems to me that when we have left the European Union and those powers have come back to the United Kingdom, it would be perfectly sensible to have some kind of administrative arrangement that enabled us to do what we have spent quite a lot of time talking about today, and preserve that single market. The nationalists are saying that they want to remain in the European Union because it is important to have access to the single market—but that single market is about a quarter of the size of the single market that is the United Kingdom. What is at issue here is how we maintain a United Kingdom single market and at the same time provide for devolved responsibilities to be carried out.

I look forward with interest to seeing what amendments may be brought forward, but providing a veto for the devolved parliaments is certainly not the way to preserve the single market.

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10.00 pm

I do not think there is a problem with pesticides. We had incidents in Wales; I think the noble Baroness, Lady Humphreys, will recall this in the National Assembly at the very early stage, when there was the question of GM crops. Exactly the same argument arose: what about the farmer with a farm straddling the Flintshire and Cheshire border? That question arose, but such things could be worked out. There was no great problem. The much greater problem is that there is a perceived unfairness there and no response to it. As the noble Lord, Lord Thomas, mentioned, the UK Government have given the impression that the Bill sometimes overrides the devolution settlements. That causes a reaction in Cardiff and Edinburgh that could have been avoided. There must be some attempt to negotiate some agreement by working together toward a consensus. The Government heralded Brexit as taking back power. The irony is that the settlement, in the light of the treatment of the devolved regimes, is seen by many people in Edinburgh and Cardiff in that context: powers are being taken back, but in the opposite direction.

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The amendment gives the Government an opportunity to show in the Bill that they respect the devolved legislatures and, perhaps more importantly, to say how they will bring forward in due course their own amendments that will deal will this issue, which should never have boiled up to the level it is at now. It is the sort of thing that could have been resolved, but because of the lack of conversation and contact, it has become an issue that we are debating tonight.

10.15 pm

The Institute of Welsh Affairs made its own comment, saying that,

“in its current form, this Bill fails to respect the power already granted to the elected governments in Scotland and Wales, and to respect the democratic legislatures in Northern Ireland, Wales and Scotland”.

We are all sorry that this debate takes place in a situation where it looks as if we are going to have to make decisions on behalf of Northern Ireland that the Northern Ireland Assembly has not been involved in making for itself. We must all regret that. Cardiff and Edinburgh must do the speaking for the moment. But there is the Institute of Welsh Affairs talking about the lack of respect for the democratic Governments that have been set up for. For 20 years these Governments have been doing their business in areas where now we are told the United Kingdom Government will take things to themselves before deciding how the division of spoils will take place. That just does not seem right. When my two sons were around 20, if I, as the United Kingdom Government, had told them to go back to wearing short trousers, I know what they would have said to me. They would have tabled an amendment exactly like the one we are considering now.

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Then the House of Lords Select Committee on the Constitution added its voice, saying:

“The primary concern … is that the devolution settlements must not be undermined”.

They are being undermined. The noble Lord, Lord Forsyth, shakes his head. I have seen heads nodding in Cardiff and Edinburgh—not just Scottish National Party heads either. The committee went on:

“While the Government has clarified aspects of how joint responsibility will operate, there remains significant uncertainty”—

if there is one thing I would want to say about all that we have been discussing today, it is the fact that uncertainty, like a bog, sucks us down into itself and is at the heart of the terrain we are trying to explore together—

“as to how and when these joint powers will be exercised. We are left only with assurances from the Government that it hopes to identify quickly … which powers can be transferred”;

that is quickly, not shortly. Assurances from the Government are like the grin on the face of the Cheshire Cat and we must be careful that we do not simply bow to auntie—big government—but respect the adulthood, maturity and readiness to do business in the respective regions and countries of these islands, in a better way than we have done thus far.

The Bar Council weighed in, saying that,

“there is force in the concerns expressed by the First Ministers”—

to which the noble Lord, Lord Thomas, alluded—

“and that Parliament should consider carefully whether an appropriate balance is struck by the current proposals or whether it would not be more appropriate, and more consistent with the devolved legislation, to accept the proposed amendments”.

Members of the Bar Council are not Members of the House of Lords so they probably do not count.

We come to the last strand of my development of an argument that is on the point, I hope the Minister will agree—he is smiling at me. That is nice; it is the first time I have seen him smiling all day, actually.

In its report, the Delegated Powers Committee said the following. We would not go this far, but it is worth listening to one of its summary proposals:

“The Government should bring forward separate Bills to confer on the devolved institutions competences repatriated”,

from the European Union. It also judges that:

“The Order in Council powers in clause 11 and Schedule 3 are inappropriate and should be removed”.

As has been alluded to by previous speakers, if we do not have either amendments or framework agreements, or evidence of the fruits of conversation, by the time scheduled for the discussion of Clause 11, I suggest that that discussion should not be taken in the place presently allotted to it but be delayed. When Clause 11 comes before us, I do not want to be saying, “The Joint Ministerial Council is meeting tomorrow”. I hope the Minister will recognise that this is not an inappropriate request in the circumstances. With that, I shall simply wait, as will we all before we go to our beds and our Horlicks, for the Minister’s response.

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10.30 pm

Amendment 5 withdrawn.

Amendments 6 and 7 not moved.

Amendment 8

Moved by

**8:**Clause 1, page 1, line 3, at end insert—

“( ) Regulations bringing into force subsection (1) may not be made until the Secretary of State has set out a strategy for seeking to remain a member of (or maintain equivalent participatory relations with) Euratom, in order to provide continuity with current arrangements ​for ensuring an effective nuclear safeguards regime and a secure and consistent supply of radioisotopes for a range of applications in medicine.”

10.45 pm

Not only does our departure unnecessarily place at risk our ability to ensure nuclear safeguards and the availability of medical radioisotopes—as the noble Lord, Lord Hunt, mentioned—it places in jeopardy the funding and the partnerships essential to remain competitive in nuclear R&D. In doing this, it undermines our ability to deliver the nuclear power needed to meet our carbon targets and makes a nonsense of our energy strategy.

This R&D includes our world-leading work on nuclear fusion in Culham, where we have built and continue to develop JET—the Joint European Torus—in which significant fusion was demonstrated for the first time in the world and where we are developing new spherical tokamaks that offer increased efficiency. It also includes our work as a senior partner on ITER, the world’s largest fusion project, together with our partners, including the EU, the USA, Japan and others. I have been told that the Government will underwrite support for Culham through 2020, but what then? Why put all this unnecessarily at risk? Why not admit that we made a mistake and have changed our mind and ask if we can retain our membership of Euratom?

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11.00 pm

I was in Brussels earlier today. I was with Mr Barnier, although we did not talk about Euratom. However, yesterday our group talked a little about Euratom with some of the other European institutions. I was trying to get an indication of whether it was even possible to have a transition period to roll over the Euratom acquis in the same way that we will be doing for what are essentially commercial and security areas in relation to the European Union treaties. I am far from sure that a transition period will work, because with Euratom we are dealing with non-EU players—that is, the International Atomic Energy Agency and all the countries with which we have nuclear co-operation agreements, none of which is in the EU.

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Therefore, we might be able to have an agreement with Euratom but I am not aware—I would be interested to hear about this from the Minister—that we even know whether the International Atomic Energy Agency will agree to our subcontracting others to run these essential facilities and procedures on our behalf for an unspecified period of maybe two years or 21 months. I would be very interested to hear that from the Minister.

We are dealing here not only with our own nuclear security. This is a question not just of building Hinkley Point C, which is a part of it, but of whether we can sustain our nuclear power stations. At the moment our fleet provides 20% of what happens to be relatively clean energy. Can we sustain that? There is also the question of nuclear co-operation agreements. Mobility of labour is the other important area. We have a huge scarcity of skilled labour in this area and we rely on freedom of movement under the Euratom treaty. Will we really be able to fulfil those areas when we leave on 29 March next year?

We need recognition by the International Atomic Energy Agency in order to import parts, skilled people and power, whether uranium or any other fuels, into our country. We need a voluntary offer agreement with the International Atomic Energy Agency, and we need to replace the nuclear co-operation agreements in order to be able to trade in those areas. There are 12 of them, although some are less important than others. They include Australia, the United States, Korea, Japan, Canada, Kazakhstan, Ukraine, South Africa and Argentina, and I think that there are one or two others. We have to replace the agreements with those countries. I think that the noble Viscount is correct in that about four of them are absolutely critical to us. I see no reason why those countries should agree to continue the agreements as they are. Maybe they will but we do not have that guarantee. Certainly as regards the United States, there has to be agreement by Congress to continue that agreement.

Therefore, we are playing Russian roulette with our nuclear industry and our nuclear energy supply industry without being clear about a way forward or about what we can do, all because we have decided that Euratom is the same as the European Union, which it is not.

I now come to the radioisotopes. The biggest challenge in this area in terms of the day to day—the noble Viscount may be right; we shall have to see, but we do not know—is the customs arrangements with the European Union post Brexit. We do not know what those will be. Certainly the Port of Dover is not very sanguine about the issue, and we know the timescales are short.

However, we do know that back in 2008-10 there was an international crisis in the ability to purchase and get a supply of those materials into Europe, including the United Kingdom. As a result of that, after long consultations, as part of the Euratom Supply Agency an observatory was set up to make sure that those supply arrangements were not ever a problem again, by pooling the might of the Euratom community and by having contingency ***plans*** to ensure that the supplies were actually available. That crisis happened, and it will happen again, because those supplies are not as stable or as rigorous in terms of their origin as many other areas. By coming out of the Euratom ​Supply Agency and its observatory, we are taking ourselves out of that emergency crisis procedure that might well be needed at some time in the near future.

That is why it seems to me that, as other noble Lords have said, the sensible way forward is that at best we should seek to withdraw our Article 106a notification. If we cannot do that, we should not in any circumstances leave Euratom until we have the voluntary offer agreement, recognition by the IAEA and our nuclear co-operation agreements with the key nations. If we have those we might be okay, but I see the decision that we have made as pretty reckless and pretty unnecessary. We still have time to repair it, and I hope we will.

11.15 pm

11.30 pm

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11.45 pm

As a result of the decision to leave Euratom, the Government have been taking forward steps to ensure certainty for industry for day one of exit. We have held several rounds of discussions with the European Union in the first phase of negotiations and there has been good progress on Euratom issues. Negotiations with the International Atomic Energy Agency on future voluntary agreements for the application of civil nuclear safeguards in the UK to replace the current agreements which include Euratom have been constructive and fruitful. Progress has also been made in negotiations to put in place new bilateral nuclear co-operation agreements. In particular, constructive progress has already been made in discussions with key partners such as the United States, Canada, Australia and Japan.

It is clear that we need continuity and must work to avoid any break in our civil nuclear safeguards regime if we wish to support the UK’s nuclear industry and its nuclear research community. A civil nuclear safeguards regime and safeguards agreements with the IAEA are critical for the continued operation of our civil nuclear industry. We have been working closely with the Office for Nuclear Regulation to ensure that it can be ready to take on new responsibilities for a domestic safeguards regime in place of Euratom’s current regime.

We have continued to be transparent throughout the negotiations. We have shared our position paper on nuclear materials and safeguards issues and have published further technical notes on some specific ​issues, such as the status of existing Euratom approvals for supply contracts, in order to give clarity and transparency to our position. It is in that spirit of transparency that in the January Statement we committed to report back to Parliament every three months about our progress on negotiations in respect of Euratom matters. These reports will cover not just the negotiations but the whole strategy set out in that Statement.

The proposed amendments would delay and prevent the critical work required for effective withdrawal from Euratom. They would tie our hands in negotiations, delay us in initiating any co-operation and therefore jeopardise long-term relationships with the EU, other trade partners and the International Atomic Energy Agency. This would threaten the continuity of our nuclear industry and would send the wrong message to the industry and the public. The consequences of inhibiting our ability to secure the right outcome in negotiations could be damaging to the UK’s civil nuclear industry and for the UK’s energy consumers, and I am sure that no noble Lord would want that to happen.

We are determined to avoid any disruption to our civil nuclear regime. Not only are we determined to ensure continuity, but we remain absolutely committed to the highest standards of nuclear safety, security and safeguards. The nuclear industry remains of key ***strategic*** importance to the UK, and the Government are committed to delivering a world-leading nuclear sector in close collaboration with Euratom and our international partners.

I will now address an issue that I know is of great concern to many noble Lords—it was mentioned by my noble friend Lord Trenchard—the supply of medical radioisotopes. First, I assure noble Lords that the supply of medical radioisotopes is a high priority for the Government, as we share their concern about the well-being of patients receiving such treatment.

My colleagues in the Department of Health and Social Care and the Department for Business, Energy and Industrial Strategy wrote to the Home Affairs Sub-Committee of the House of Lords EU Select Committee on 18 January making this very clear. The letter outlined the Government’s position and approach to ensuring continuity of supply of medical radioisotopes. I will briefly summarise it for noble Lords. It is true that, as radioactive material, medical radioisotopes are captured by the Euratom framework; however, we have made clear that Euratom currently places no restrictions on the export of medical radioisotopes to countries outside the EU. Medical radioisotopes are not classed as special fissile material or subject to international safeguards regimes, nor are they subject to the approval of the Euratom Supply Agency, which governs the supply of special fissile materials. Neither the import nor export of medical radioisotopes is currently subject to any Euratom licensing requirements.

The Euratom Supply Agency has a link with medical isotopes through its participation in the European Observatory on the Supply of Medical Radioisotopes, which aims to support decision-makers by promoting information sharing on the security of supply of isotopes, commissioning research and co-ordinating reactor shutdowns within the EU. However, the observatory does not have a decision-making role and does not govern the supply of medical radioisotopes.

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The UK is a world leader in nuclear research and development, and the Government are committed to maintaining and building on our lead in this important field. We fully recognise the importance of international collaboration and the UK’s key role in medical and nuclear research. As such, we are seeking an ambitious science and innovation agreement with the EU that will support and promote science and innovation across Europe both now and in the future. As mentioned earlier, that also means maintaining a close association with Euratom’s research and training ***programme***.

The Government have been listening to and working with stakeholders and recognise the concern that changes to customs processes as a result of withdrawal from the EU could affect the timely supply of medical radioisotopes. However, I assure noble Lords, particularly the noble Lord, Lord Teverson, that the Government are committed to minimising any impacts. A cross-departmental effort with stakeholder engagement is already under way with relevant departments to ensure continuity of supply for medical radioisotopes after our withdrawal from the EU.

The Government are on course to have a functioning customs service on day one after our withdrawal from the EU, with suitable ***plans*** in place to ensure that supplies of priority goods such as medical radioisotopes are not compromised. There is already a two-hour clearance commitment for urgent goods. In respect of non-EU import controls, medical radioisotopes are already prioritised in recognition of their urgent nature. This ensures that their arrival to the UK is expedited rapidly. This topic will continue to be a priority for the Government in our domestic preparations as well as in our negotiations on our future relationship with the EU.

Before I conclude, I shall address the amendments from the noble Lord, Lord Whitty.

Amendment 8 withdrawn.

House resumed.

House adjourned at 12.01 am.

* Lord Foulkes of Cumnock    Share this contribution

1. Lord Foulkes of Cumnock (Lab)    Share this contribution My Lords, it is a great pleasure to move Amendment 5. I pay particular credit to my good friend, the noble Lord, Lord Elystan-Morgan, who, having thought that we were going to deal with this earlier on—as indeed many of us did—has managed to stay with us right through to this late hour. I think that that indicates his enthusiasm and commitment, for which he deserves credit. Amendment 5, generally designed to provide consent by the devolved Administrations, would prevent the European Communities Act 1972 from being repealed until legislative consent has been obtained from the devolved Administrations. Effectively, it would give a veto to the devolved Administrations. One or two of my more unionist colleagues have been having a go at me and saying that this goes too far, and no doubt the noble Lord, Lord Forsyth—I was going to say my noble friend—might come in and say that. I am arguing this for the Scottish Parliament, the Welsh Assembly and the Northern Ireland Assembly, which I hope, by the time we get to this, will be back up and working again as effectively as it has in the past and providing an effective voice for Northern Ireland. I recall when devolution was introduced. I was in the Department for International Development at the time. I know the Minister is a bit younger than me and may not remember all the details—
2. Lord Bassam of Brighton (Lab)    Share this contribution Do not hold that against him.
3. Lord Foulkes of Cumnock    Share this contribution Yes, he is a good bit younger than me, Steve—sorry, I mean my noble friend. He may not remember this, but Whitehall mandarins and Ministers did not like the idea of devolution. They were losing power from their central departments in Whitehall and opposed it. However, we had strong and effective Labour Ministers, particularly Donald Dewar, my noble and learned friend Lord Irvine and others, who made sure that real powers were devolved to the Scottish Parliament. Whitehall mandarins and Ministers still do not understand devolution. They have not come to terms with the new reality that there is not just one Parliament in the United Kingdom but four and that the others must at the very least be consulted on matters that affect them.
4. Lord Forsyth of Drumlean (Con)    Share this contribution Could the noble Lord indicate whether he thinks that, if the House were to pass his amendment, that would make it easier or more difficult to reach an agreement?
5. Lord Foulkes of Cumnock    Share this contribution It would have no great effect either way, to be honest. I would like to think that it would have a greater effect on getting an agreement, but I do not think that it will. Other factors will have greater sway. However, no doubt the noble Lord, Lord Forsyth, will have an opportunity to make his usual spirited contribution to the debate. It is a running sore that these government amendments to Clause 11 have not been tabled. I say to the Minister that we in this House—I hope that the whole House will agree with me on this; I certainly know that the Official Opposition agree with it—should not debate Clause 11 not just until the amendments have been tabled but until the amendments that have been tabled have been considered by the devolved Administrations. It would be entirely wrong for us to discuss Clause 11 without having the views of the devolved Administrations about the amendments that the Government will table. I hope that we will get an assurance from the Minister that we will not have a debate in Committee on the amendments until they have been considered by the Scottish Parliament, the Welsh Assembly and the Northern Irish Assembly, if it is up and running by then.
6. Lord Hope of Craighead (CB)    Share this contribution As it happens, I have an amendment directed to Clause 11. I would have thought that there was an advantage in debating in Committee so that we can at least engage with the Minister and explain the points that lie behind the amendment. ​Otherwise, if the amendment is simply not pursued in Committee, we cannot come back to it until Report. Therefore, I hope that the noble Lord will forgive me if in due course I move my amendment, which is intended to be helpful. At the end of the day, I hope that the amendment that the noble Lord is pursuing today will become completely academic because the differences between the devolved institutions and Westminster will be resolved. That surely must be the aim, not to keep this sense of tension until the Bill is passed.
7. Lord Foulkes of Cumnock    Share this contribution My Lords, I have great respect for the noble and learned Lord, Lord Hope, and he is right on this. I will now rethink what I just said. As long as we have not deliberated finally on Report, we need on Report to have the result of the deliberations and the views of the devolved Parliament and Assemblies. The noble and learned Lord has made a good point, which I accept, and I hope that he is right that it will make my amendment ultimately redundant. No one would be happier than me if that were the case. The Sewel convention is that the UK Parliament will not normally legislate—
8. Lord Warner (CB)    Share this contribution I am sorry to interrupt the noble Lord in full flow, but I want to make an ***intervention*** that I hope will be helpful in reconciling his position with that of the noble and learned Lord, Lord Hope. There is a precedent for pausing legislation. During the Committee stage of the Health and Social Care Bill, which became the Health and Social Care Act 2012, there were problems with making progress and the legislation was paused. I do not know whether that idea appeals to the noble Lord, but it occurs to me that, when we get to Clause 11 and if there has been no action from the Government, it might be possible to pause consideration in Committee at that point to give the Government sufficient time to come forward with their amendments, having agreed them with the devolved Administrations. I do not know whether he finds that a helpful ***intervention***.
9. Lord Foulkes of Cumnock    Share this contribution I was not in full flow; in fact, I was near the end, noble Lords will be pleased to hear. That is another helpful suggestion. It shows the advantage of debates in this place—we come up with helpful suggestions. I can only say that I wish that Ministers were as ready to accept helpful suggestions as I am, because this place would work a lot better if they were. To be fair, the Minister of State for Scotland was helpful when we discussed the British Transport Police. He came to this House and said that he would take the matter away and look at it further. One good thing is that yesterday the Scottish Government announced a delay in the implementation of British Transport Police integration. That says a lot for the wisdom of this House; it says a lot for the positive ***intervention*** of the Minister; and it indicates that, if we put some pressure on the Scottish Parliament, we can influence it. However, it should also be able to influence us. As I said, under the Sewel convention, the UK Parliament will not normally legislate without the consent of the Scottish Parliament, although it depends what you mean by “normally”. However, this issue is ​so material to the work of the Scottish Parliament and indeed the Welsh Assembly and the Northern Ireland Assembly that this is one area on which we should not legislate without their consent. I beg to move.
10. Lord Forsyth of Drumlean    Share this contribution My Lords, I well remember the debate on the latest Scotland Act. I think that it was Clause 2 that enshrined the so-called Sewel convention. I remember arguing very vigorously that a convention was a convention and it was a mistake to try to incorporate a convention into statute. The then hapless Minister, reading from his brief, explained that “normally” meant that it would not be a problem. Some of us argued from different points of view that the word “normally” was rather vague and that its meaning could end up being discussed in the courts. We were given assurances that “normally” meant “normally”, but to argue that it is “normal” for the Sewel convention to apply to our repealing of the 1972 Act is stretching the meaning of the word. I have great respect for the noble Lord, Lord Foulkes, and I feel very sorry about the position that his party now finds itself in in Scotland. It started off with the slogan that devolution would kill nationalism stone dead, but some of us on this side of the House argued that it would not; it would result in the nationalists getting power in Scotland and using their position in the Scottish Parliament at every opportunity to break the United Kingdom. Fortunately, there is a bit of a backlash in Scotland to the advantage of the Conservatives and unionists. I say to the noble Lord that this is not a unionist amendment; it is an extremely unwise amendment. It gives a veto to the Scottish Parliament, the Welsh Assembly and the Northern Ireland Assembly on United Kingdom matters. The noble Lord said that there are four parliaments in the UK. Yes, there are four bodies in the UK, but there is only one United Kingdom Parliament, and that is this Parliament. It is for this Parliament to implement the results of the referendum. The notion that the Scottish Parliament or the Welsh Assembly would be able to stop in its tracks the delivery of leaving the European Union, following the biggest vote in our history, is utterly absurd and ridiculous.
11. Lord Wallace of Tankerness (LD)    Share this contribution May I ask the noble Lord to cast his mind back to 26 January 2012, when I moved a Motion that the Scotland Bill be considered in Committee, and he moved an amendment that the House, “declines to consider the Bill in Committee until Her Majesty’s Government have laid before Parliament a report on the results of the consultation they launched on 11 January on Scotland’s constitutional future and until the Scottish Parliament has passed a further Legislative Consent Motion in respect of the Bill”?—[Official Report, 26/1/12; col. 1161.] He was going to deny a Committee stage on a Bill that contained measures supported in the Conservative, Liberal Democrat and Labour manifestos at the preceding general election. This amendment would still allow the Bill to go forward and become an Act. How does he describe his apparent lack of consistency?
12. Lord Forsyth of Drumlean    Share this contribution I think I was behaving exactly like the noble Lord, Lord Foulkes. I was using the procedures of the House to make an argument against what I thought at the time was a very bad Bill—and which only this week has meant that people like me are now the highest taxpayers in the United Kingdom, as we predicted would happen. If I may say so to the noble and learned Lord, his point was completely irrelevant to the amendment before us. The noble Lord, Lord Foulkes, talks about tensions being created in Edinburgh between this Parliament and the Scottish Parliament. There will always be tensions between this United Kingdom Parliament and the Scottish Parliament, as long as it is run by people who wish to destroy the United Kingdom. That is what they are about: using their powers to break the United Kingdom. The notion that we should move in a direction and get ourselves into a position where we need lots of legislative consent Motions simply provides more opportunities for everything to be turned into a constitutional crisis, which is the nature of the SNP. We will come to that later in our consideration of the Bill.
13. Lord Hamilton of Epsom (Con)    Share this contribution Does my noble friend think that the noble Lord, Lord Foulkes, was briefed by the Scottish National Party before he tabled this amendment?
14. Lord Forsyth of Drumlean    Share this contribution That is highly unlikely, although I am sure that it would welcome this amendment. The key point, surely, is to be able to retain a single market in the United Kingdom. No one is suggesting not devolving powers as appropriate to the various parliaments and assemblies that make up the United Kingdom, but it has to be done in a way that preserves the single market. The noble Lord, Lord Foulkes, asked why we should not have different rules on pesticides. Noble Lords could ask a farmer who has one half of his farm in Scotland and the other half in England whether it would be a problem to spray certain pesticides in some fields and others in others. It is surely sensible in a single market to have a common view on matters such as that. Or let us take an issue that the Scottish nationalists have been keen on, such as fishing. Some of the Scottish Government would quite like to say that all fish caught in Scottish waters should be landed at Scottish ports. How would that go down with fishermen in the north-east of England or elsewhere who had caught fish in northern waters? How would we enforce proper fishing conservation and other policy other than by international treaty? Treaties are made by countries and so far we have one country, which is the United Kingdom. There are all kinds of issues that need to be sorted out and the way that they are sorted out is by people sitting down and coming to sensible conclusions, not by putting in the Bill an amendment of this kind, which does not actually strengthen the devolution settlement but undermines it because it gives grist to the mill to those who would destroy the United Kingdom. My advice to the noble Lord is to withdraw his amendment. When we come to discuss the amendments of the noble and learned Lord, Lord Hope, and others, we can perhaps address this issue more fully.
15. Lord Thomas of Gresford (LD)    Share this contribution I wonder if I might add a Welsh dimension. The Joint Ministerial Committee did not meet from February last year until October. During that time, the department was beavering away ***producing*** the Bill without any consultation with the Welsh and Scottish Administrations about how the devolution of powers from Brussels would take place. Then we had a model ***produced*** in the Bill which even the Government rejected. They told us that they would bring forward an amendment to the Bill before Report in the House of Commons. That did not happen, so they continued to beaver away on their amendment. I do not know whether there have been any discussions since, but certainly up until the week before last, Welsh and Scottish Ministers were saying that they had not been consulted about the package that would now be put forward—no consultation. I gather that tomorrow the Joint Ministerial Committee will meet in Edinburgh, and no doubt the Government will ***produce*** an amendment and tell the Committee to accept an amendment on which there has been no consultation or discussion. At Second Reading, I suggested that the whole devolution area should be taken out of this Bill altogether. There should be agreement between the devolved Administrations and the UK Government, and they should bring back a Bill that would encapsulate that agreement. It would go through both Houses without ​any difficulty. That would be proper consultation and the proper way to make law. We will come to something like that when we discuss Clause 11, because I have given notice of my intention to oppose the question that it stand part of this Bill. If by the time we get there, which no doubt will be in some weeks’ time, there is still no agreement because we have no idea what the reaction of the Scottish and Welsh Administrations will be to what is put on the plate for them tomorrow, then the only thing that this House can do is to take out the devolution principles and proposals in this Bill and bring them back when they have been agreed. There is plenty of time—a month, two or three months, however long it will take—for that process to happen.
16. Lord Forsyth of Drumlean    Share this contribution I wonder whether the noble Lord could help me, and perhaps help the Government, and suggest what an amendment to this Bill might actually say that would meet his requirements?
17. Lord Thomas of Gresford    Share this contribution I am not suggesting an amendment; I am suggesting that we take out Clause 11. The amendment being moved by the noble Lord, Lord Foulkes, today is born of frustration; you can see the frustration that is coming from him. Obviously the opposition to his amendment will say, “We can’t have this. We can’t give Nicola Sturgeon or Carwyn Jones a veto on legislation of the UK Parliament”. I understand that. The frustration behind the amendment should put pressure on the Government to get to grips with this issue. Earlier. my noble friend Lady Humphreys was quoting Mrs Thatcher on the single market. Noble Lords will recall that Mrs Thatcher said that there must be action on this and action on that, but with this Government there is no action. Nothing is happening and no decisions are being made with which we can get a grip. This is one very important decision and it requires agreement from the devolved Administrations. Why is that? It is because if all the powers come from Brussels to Westminster and are then parcelled out as Westminster thinks fit, it gives incredible power to Ministers, particularly if it is done by means of secondary legislation. That gives them enormous power drastically to alter the devolution settlement. I mentioned at Second Reading that the grants which come to Wales—a lot of money comes to Wales—are sent because of need. That is the criterion that governs the distribution of funds for ***agriculture*** and for deprived areas. We are used to operating a Barnett formula in devolution terms and there would be nothing to prevent a Westminster Government with all these powers from Brussels from saying, “I think we will go back to the dear old Barnett formula. We will not look at the needs of the nations of this country, we will look simply at the population and distribute money in accordance with the way we have done it up to now”. That is the sort of thing that could happen. I am not saying it will, but it could, and it would create resentment and concern for the people of Scotland, of Wales and no doubt of Northern Ireland as well. That is the issue which has to be tackled.
18. Lord Elystan-Morgan (CB)    Share this contribution My Lords, my understanding is that about a fortnight ago an undertaking was given in the House of Commons to the effect that ​this matter would be visited and that a suitable amendment would be made to enable consent Motions to be passed by both devolved Parliaments in this matter. It seems to me a matter of a strict undertaking. I do not know whether the Government are in a position to say how soon that undertaking will be brought into force.
19. Lord Wigley (PC)    Share this contribution My Lords, I am grateful to the noble Lord, Lord Foulkes, for moving Amendment 5. I had intended to add my name to it, but then I started to look at the Northern Ireland dimension and how that could be covered. I therefore want particularly to speak to my Amendment 356, which is linked with Amendment 5 and which tries to deal with the unfortunate situation in Northern Ireland. I shall be brief because noble Lords have probably heard enough of my voice today. At a time when the devolved Governments feel that they are facing what they call, rightly or wrongly, a power grab, surely it is important that the UK Government should carry those Administrations with them in such a major project as this. I listened very carefully to what the noble Lord, Lord Forsyth, said. As always, he was totally consistent, but he must accept that there is a conflict between the perception of a legislative consent mechanism at Westminster—which tends to regard it as a convention, as I said—and the understanding that has developed among the devolved bodies, which see it more as the norm and a mechanism required as part of the legislative process. I understand the noble Lord when he says that there may be parts of the legislative process without it, because of their international connotations et cetera, but when there is an impact, as has been mentioned in certain cases, on the powers coming back from Brussels and going to wherever they go to—Edinburgh, Cardiff and Belfast—then there clearly needs to be a mechanism to sort that out. That is not just at this point in time; that mechanism needs to be ongoing for the future, because I entirely accept that there is a UK single market and that there must be some rules for it.
20. Lord Wallace of Tankerness    Share this contribution My Lords, I note what the noble Lord, Lord Forsyth, said in response to my ***intervention***. On the occasion to which I referred, the noble Lord, Lord Foulkes of Cumnock, actually supported him in trying to stop the Bill going forward to Committee stage. I think that what my noble friend Lord Thomas of Gresford said about the sheer frustration that lies behind the amendment—and what the noble Lord, Lord Wigley, said about the lack of conversation—is absolutely true. That has coloured the background to these discussions. It is worth reminding ourselves about the root of some of this frustration. I think it was in October 2016 when, in a plenary session chaired by the Prime Minister, the Joint Ministerial Committee established the Joint Ministerial Committee on EU Negotiations, with the following terms of reference: “Working together in EU Negotiations … Through the JMC(EN) the governments will work collaboratively to: discuss each government’s requirements of the future relationship with the EU; seek to agree a UK approach to, and objectives for, Article 50 negotiations; and … provide oversight of negotiations with the EU, to ensure, as far as possible, that outcomes agreed by all four governments are secured from these negotiations; and, discuss issues stemming from the negotiation process which may impact upon or have consequences for the UK Government, the Scottish Government, the Welsh Government or the Northern Ireland Executive”. The fact that, tomorrow, the Joint Ministerial Committee on EU Negotiations will meet for the second time in 12 months suggests that these terms of reference, agreed by the three devolved Administrations and the United Kingdom Government, have been more honoured in the breach than they have been in the actual implementation. That is at the source of much of the frustration that we have heard expressed. One hears it: when he was replying to the debate initiated on 25 January, the noble Lord, Lord Duncan of Springbank, said: “The important thing is to stress that it is not for want of effort on our part”— that is, the United Kingdom Government’s part— “to secure a form of words that would allow the two devolved Administrations and the UK Government to reach a consensus on that point”.—[Official Report, 25/1/18; col. 1128.] Yet, if you go to the devolved Administrations, they will say that they have had no communication. There is a lack of communication and there seems to be a complete mismatch with what has been said to us. It would be interesting if the Minister could tell us yet whether the actual wording of any possible amendment to Clause 11—the Secretary of State for Scotland has accepted that Clause 11 has to be amended; he said that it would be done on Report in the House of Commons, but it was not—has been discussed at ministerial level between the United Kingdom Government and the devolved Administrations. If so, when was that discussed? ​When the Scottish and Welsh Governments addressed a briefing of Peers in late January they indicated that there had been no exchange of wording. What is even more frustrating is that it does not seem that the parties are terribly far apart. In September last year, the Scottish Government acknowledged in their legislative consent memorandum that there were areas in which there would have to be common UK frameworks. The communiqué issued after the last Joint Ministerial Committee on EU Negotiations in October also set out the areas in which UK common frameworks were necessary and desirable. Both sides have agreed that that has to be done. Why in the world is more progress not being made, or at least why are we not able to see what progress, if any, is being made? Perhaps the biggest problem here is the fact that it is done behind closed doors. If there was more transparency, we would see who was playing to the gallery and who was trying genuinely to seek a resolution to these matters. There are issues, such as ***agriculture***, fisheries and the environment, where everybody acknowledges that there will have to be some kind of common framework. Let us identify what progress has been made. We were told this week in newspaper reports that the United Kingdom Government have done a complete reversal. They now say that they will bring forward an amendment that will devolve everything back to the devolved Administrations, but, as it said in the Times report from yesterday, “UK ministers are also adamant they would need to retain a veto over the use of some of these powers until ‘common frameworks’ are agreed”. Again, in terms of public relations, it is like saying, “Here’s one hand; we’ll take away with the other”. What is the position? If we are to have to make decisions when we come to debate Clause 11, it is important that we know what the relationship is and what each side in these negotiations is saying.
21. Lord Forsyth of Drumlean    Share this contribution The noble and learned Lord is very clever and experienced at negotiations with different political parties in government. Perhaps I am too stupid, but I cannot think of a way—and I agree with a lot of what he said—to word an amendment that would deliver the result that he suggests is needed. Can he help me? What would an amendment actually say that ensured that there was the kind of continuing co-operation that is needed?
22. Lord Wallace of Tankerness    Share this contribution My Lords, if the noble Lord will allow me, there is certainly one attached to Clause 11 that has my name on it, as well as the names of a number of other noble Lords. He will find that Amendment 303 sets out a basis for having common frameworks. Indeed, the noble and learned Lord, Lord Hope of Craighead, has one in very similar terms, Amendment 304, which certainly provides a basis for moving forward. We are in opposition. The onus is on the Government to come forward with this. Let us not kid ourselves. The noble Lord, Lord Forsyth, makes a fair point, but it is the Secretary of State for Scotland who promised amendments on Report in the House of Commons. He has made the commitment to ​amendments, so the onus is not on the Opposition to come forward with these amendments, but on the Government. I hope that when the Minister replies he will tell us what the colour of the Government’s amendments will be. In the European Union negotiations, TF50 sets out where each of the parties are and gives us great transparency—where there is disagreement and where there are things that have to be clarified. This whole exercise would benefit from far greater transparency so that we can see what progress is or is not being made, who is holding things up and who is genuinely seeking to make progress. I appeal to the Minister to make a commitment when he replies that, following tomorrow’s JMC on the European negotiations, that transparency will become a reality.
23. Lord Wallace of Saltaire (LD)    Share this contribution My Lords, I hope that an Englishman, albeit one with a Scottish name, may be allowed to add something to this debate, because it is depressing for someone who lives in the north of England to hear a debate about how much of a privileged relationship the devolved Administrations should have with the United Kingdom Government, when the north of England is likely to suffer very much from leaving the European Union in terms of the loss of European development funds, and at the moment lacks any sort of forum for negotiation or consultation with the very centralised government of England in order to make its case. I am very conscious that the poorer parts of northern England were among those that voted most heavily to leave and that recent studies have suggested that they are also the regions that are likely to lose most from Brexit. Amendment 227, when we come to it, addresses the question of how far a new mechanism will be needed for the central government in London to consult with English local authorities. My understanding is that the Local Government Association has been in conversation with the Government on that and that the Government have not yet come to an agreed view. I just wish to give notice that this is a very important point, politically and constitutionally, and when we come to it I hope that it will be given sufficient weight.
24. Lord Griffiths of Burry Port (Lab)    Share this contribution My Lords, this has been a shorter debate than the previous one and I will try to honour the Minister’s strictures earlier in the evening and limit my remarks to the Bill and to the issue before us, rather than wander into a premature debate on Clause 11 at this stage. At Second Reading, right at the beginning, while our attention was still good, the noble Baroness, Lady Evans, who introduced the debate, said that it was to be guided by two key principles, the first being the need for a functioning statute book on exit. I pause there to suggest that what I hear from Cardiff and Edinburgh is that there, the devolved Governments too want a functioning statute book the day after exit, which is why we need some resolution of these matters, difficult as they may be. Secondly, she said there were to be, “no new barriers to living in and doing business across the UK”. We have no difficulty there. She went on to say: “We will shortly be publishing our initial framework analysis”.​ If the noble Lord, Lord Forsyth, has difficulty with the word “normal”, I promise him that I have difficulty with the word “shortly”, especially since, on 30 January, “shortly” suggested to me that we would have something before us now, but we have not. As the noble Lord, Lord Thomas, said, perhaps the amendment is born of frustration. All that time that went by without any consultation at all that could have ***produced*** something that we could be looking at leads us to want to put in a caveat that if what has been promised does not materialise, it is serious enough for us to feel that we have to offer something quite drastic to shake people to their senses. It is in that spirit, I think especially at Second Reading, that we must look at this amendment. The noble Baroness said: “Noble Lords will be aware of the Government’s commitment to bring forward amendments to Clause 11”. Those are her words, not mine. She said: “This is a complex area”— she would agree with the noble Lord, Lord Forsyth— “that we need to get right, and I hope these amendments will put us on the best possible footing to achieve legislative consent”— her words, which we echo, of course, in the amendment we are looking at— “which remains our overarching objective”.—[Official Report, 30/1/18; cols. 1374-75.] When my noble friend Lady Smith rose to reply to that opening speech, she agreed with those objectives without hesitation and promised that from these Benches we would want to co-operate with the Bill in order to get those agreements in place in time. But where are the amendments? How can we proceed? When will promises be fulfilled? Is it not frustrating—and it is at several stages that I have found this to be happening—that here we are, at this hour of the night, debating this matter, when tomorrow the Joint Ministerial Committee will be meeting? Would it not be lovely if it had met yesterday and then perhaps we could have withdrawn the amendment? But it must stay there until we have a bit more satisfaction than we do.
25. The Minister of State, Department for Exiting the European Union (Lord Callanan) (Con)    Share this contribution I thank the noble Lord, Lord Griffiths, for his comments and I agree that this matter is totally within the scope of the Bill. I will do what I can to satisfy his requests, ​but I will probably not be able to satisfy all Members of the House. I understand the frustration on this, but let me take the Committee through our position and where we hope to be when the Committee gets to discuss Clause 11. We have sought legislative consent from the Scottish and Welsh Governments, and it remains our priority to make a positive case in favour of that legislative consent for this important legislation. That is why we committed to work with the devolved Administrations to find a way forward on Clause 11, and to bring forward an amendment in this House. We will debate Clause 11 fully in Committee, and we will table government amendments before then for noble Lords to consider. Although, without an Executive, there is no way to seek legislative consent in Northern Ireland, the Secretary of State for Northern Ireland is working hard to restore devolved government there as soon as possible. We are committed to working to ensure that Northern Irish interests are represented in the meantime. We have explicitly recognised the role of the Sewel convention in the Wales Act 2017 and the Scotland Act 2016. We also have a strong track record on devolution. I make it clear to noble Lords that we are committed to the devolution settlements and the conventions that have been established. But these amendments go further than Sewel; as my noble friend Lord Forsyth pointed out, they would prevent this Parliament exercising its sovereignty. They would require this Parliament to seek consent to legislate in some cases that are not within devolved responsibility and do not affect devolved competence. We believe in the importance of this Bill, which is in the interests of the whole of the UK, and will work to deliver it together with the devolved institutions. But it is also not right that one part of the United Kingdom can hold a veto over the decision taken, in the referendum, by the whole of the United Kingdom and risk the certainty this Government are committed to providing. Let me address directly some of the points that were raised. The noble Lord, Lord Foulkes, asked about progress on Clause 11 and the Joint Ministerial Committee. The Scottish and Welsh Governments asked us to work with them to amend Clause 11, and that is exactly what we have been doing. Officials have worked extensively on proposals and Ministers discussed these in their recent bilaterals in February. We have preserved the space to engage in meaningful discussion and sought to reach agreement with the devolved Administrations. We have not yet tabled an amendment precisely because those discussions still continue. Our proposed amendment will be discussed, as a number of noble Lords have pointed out, at the Joint Ministerial Committee on EU Negotiations tomorrow. In response to the points made by the noble Lord, Lord Foulkes, but also by the noble Lord, Lord Thomas, and the noble and learned Lord, Lord Wallace, we are fully committed to the JMC process as well as to increasing our bilateral engagement between meetings to strengthen relations. Since the referendum, we have had six JMC (EN) meetings and, as I have already mentioned, it will meet again tomorrow. In addition, officials are meeting weekly in order to try to take forward the proposals.
26. Lord Wallace of Tankerness    Share this contribution The Minister said there have been six meetings since the referendum. Given that at the first meeting of the Joint Ministerial Committee on EU Negotiations the communiqué said that they would meet on a monthly basis and that was in November 2016, by my calculation there have been several more months than six since then. Can the Minister tell us how many official meetings took place between February and October 2017?
27. Lord Callanan    Share this contribution I do not have information about how many official meetings have taken place. I understand that officials are meeting extensively. They are in regular contact. I am told by my officials that contact with officials in the Scottish and Welsh Governments and discussions are extremely positive. That is not the same as getting political agreement, but we are endeavouring to do that. Proposals have been tabled, after extensive discussion, for the meeting tomorrow. We hope there will be agreement. I obviously cannot guarantee that, but we hope there will be. We remain committed to obtaining legislative consent Motions if possible, and we will continue that dialogue in an effort to do that. That is the responsible way to proceed, but I totally understand the frustration expressed from all parts of the Committee that we do not yet have that agreement. We want to get that agreement. We are endeavouring to get that agreement. We will do our best to get it, but we will table amendments for this Committee to consider before we get to Clause 11.
28. Lord Forsyth of Drumlean    Share this contribution Given the difficulties, which are understood, of getting agreement to one legislative consent Motion, can the Minister give us an assurance that whatever amendments he tables will not require us to have legislative consent to even more Motions?
29. Lord Callanan    Share this contribution I am not quite sure I understand that point. I do not think we can give that assurance at the moment. I will have to have a separate discussion with my noble friend on that point.
30. Lord Thomas of Gresford    Share this contribution What happens if there is no agreement tomorrow? Will the Government’s amendment, the one that they are putting to the Joint Ministerial Committee tomorrow, be published so that we can look at it and so that informed opinion throughout the country, throughout Wales, throughout Scotland, can look at it and comment on it and so that we can see where the problem is? At the moment, it is all obscure. As my noble and learned friend said, there is no transparency whatever in this process. What happens if there is no agreement tomorrow?
31. Lord Callanan    Share this contribution As I said, we will be bringing forward the amendment at the same time that Members of this House have an opportunity to view it. The public at large will be able to comment on it and discuss it, and I am sure there will be extensive comment on it in the media at that time. The reason we have not published so far is that we want to preserve space for discussion and to try to have the discussions with our colleagues in Scotland and Wales and with officials in Northern Ireland in as confidential an atmosphere as possible. The discussions are positive and are proceeding apace. ​I cannot guarantee that there will be agreement, but we want that agreement and are working to it. We have compromised on many aspects. As soon as we are able to, we will share it with this House. We will definitely be ***producing*** an amendment before Committee. I totally understand noble Lords’ frustrations, but we are endeavouring to ***produce*** a solution to this difficult issue as quickly as possible.
32. Lord Elystan-Morgan    Share this contribution In order that the Joint Ministerial Committee should enjoy its full status, does the Minister accept that it would be desirable if minutes were kept of its meetings, if an agenda were to be published and if it were indeed to agree to meet at least monthly?
33. Lord Callanan    Share this contribution I understand the noble Lord’s question. I am not a member of the committee; it is handled not by my department but by the Cabinet Office. I will write to the noble Lord giving him details of what agendas are published and whether they are shared with other departments. I do not know the exact format, but I will contact him with it. With those assurances in mind—limited assurances, I fully accept—I would be grateful if the noble Lord, Lord Foulkes, agreed to withdraw his amendment.
34. Lord Foulkes of Cumnock    Share this contribution My Lords, this has been a valuable debate—up until the reply. I have been in this House now for 13 years but I have never heard such an inadequate reply to a debate, and I have heard some pretty inadequate ones. I warn the Minister, my colleagues are outside now. I was very grateful to my noble friend Lord Griffiths of Burry Port, bringing his eloquence and erudition that we normally hear on “Thought for the Day” to the Labour Front Bench, where it goes down equally well. The only thing I am having difficulty with is picturing Mike Russell in short trousers, but I will try to put that out of my mind. To return to the Minister’s reply, I am glad the Government Chief Whip is here. I ask him: why do we have a Minister, who is a nice enough man, replying when he does not know any of the answers? On three occasions he turned to the noble Lord, Lord Duncan, and the noble and learned Lord, Lord Keen, to get briefing. The noble Lord, Lord Duncan, is perfectly able to deal with this matter; he should be up at the Dispatch Box dealing with it. He knows what is happening; he is working at it on a day-to-day basis. He could have dealt with all the questions, as he has on previous debates. Even the noble and learned Lord, Lord Keen, would have done better than the noble Lord, Lord Callanan. [Laughter.] As we know, we are always obliged to the noble and learned Lord for his contributions to this House. I say to the Government Chief Whip: please think about this. I know he does not always listen to me, but when we get to Clause 11 it would be much better to put a Minister up to reply who knows what is going on, sits in on these meetings and deals with this matter on a day-to-day basis. I hope it is a case of horses for courses. The Minister could not answer the question ​from the noble and learned Lord, Lord Wallace. He could not even answer the question from the noble Lord, Lord Forsyth. That is unusual—actually, no, it is not unusual on that side. The debate has been very valuable for positive suggestions about the procedures to deal with this issue, and we have had some information about the amendments coming forward and how we deal with them. I am grateful to the noble and learned Lord, Lord Hope, the noble Lord, Lord Warner, and others for their suggestions. As the noble Lord, Lord Thomas, rightly identified, this amendment is born out of frustration. I share the frustration of the devolved Parliament. We saw it when they came down to give a very good briefing to Peers, and this amendment was born out of that. The noble Lord, Lord Forsyth, paid me the greatest tribute that he has ever paid me: he likened me to himself. I must say that I was flattered. He understood what I am up to, and I know what he is up to. I know he is a real, committed Brexiteer and he knows I am not. I say to him that we would not have had all this debate about powers being transferred back from Brussels, and we need not have them if we stay in the EU. We can let the EU get on with doing what it is doing well on the environment, health and safety and a whole range of other things. That is what we are aiming for.
35. Lord Forsyth of Drumlean    Share this contribution Does the noble Lord not realise how absurd he looks, arguing that if these powers remained in Brussels then he would not have to make the case for Scotland having those powers to exercise domestically? We on this side want that, but done in such a way that we retain the single market. He has just admitted that he is using this as an argument to try to turn people against what the people of this country voted for and is not actually interested in those powers being exercised in Wales, Scotland and elsewhere by the assemblies and parliaments.
36. Lord Foulkes of Cumnock    Share this contribution If they are going to be transferred back to the UK, then I am; that is obviously the case. But it would be far easier to leave them where they are. That would be far better and more sensible, and would have more logic to it. Still, that is an argument for another day. I look forward to the debates when we come to the amendments to Clause 11, but I hope we will have Ministers who can answer the questions that are asked. In the meantime, I beg leave to withdraw the amendment.
37. Lord Hunt of Kings Heath    Share this contribution
38. Lord Hunt of Kings Heath (Lab)    Share this contribution Follow that, my Lords. If the theme of my noble friend’s previous debate was frustration, the word on my mind is bewilderment. On the first group of amendments, which we spent many happy hours discussing, there was considerable debate about whether the public, in voting to leave the EU, were aware that the Government would interpret that as a decision also to leave the single market and customs union. Whatever noble Lords’ view on that is, I doubt very much that anyone who voted in that referendum understood that one of the most perverse outcomes of the Government’s approach to negotiation would be summarily to announce that the UK was leaving Euratom. This body has enjoyed an excellent track record over many decades. It was established by the European Coal and Steel Community as far back as 1957, around the time of the first civilian nuclear reactors. It has provided secure access to nuclear materials and technology for peaceful purposes. It has provided research, including co-ordinating funding for world-leading nuclear fusion research, much of which takes place in the UK at Culham. It safeguards nuclear material to ensure that it is being used for civil purposes, in line with our non-proliferation responsibilities. It facilitates free and frictionless trade in nuclear goods, services and people, including regulating the supply of isotopes used in nuclear medicine. Why is the UK leaving Euratom? This was formally outlined in the Explanatory Notes to the European Union (Notification of Withdrawal) Act 2017, but the reasons for leaving have not been specified. The most likely speculation is because it sits under the jurisdiction of the ECJ, although the ECJ has never, as far as I know, been called on to make any pronouncements in relation to Euratom. What are the consequences of leaving? I would identify four, and refer noble Lords to the work of the Institute for Government. First, we will have more difficulty ensuring a long-term supply of nuclear fuel to the UK. Secondly, we risk an immediate shortage of medical isotopes. Thirdly, we may no longer enjoy access to research facilities and funding. Finally, the UK will have to establish its own regulator with regard to nuclear proliferation, which will be both costly and challenging. Let me pick up just two points there: first, interruptions to the supply of medical isotopes. Leaving Euratom risks breaking a series of time-sensitive supply chains which supply isotopes used in nuclear medicine. This is causing a lot of concern to people in the health service. Currently, Euratom facilitates free trade of nuclear material across the EU. This gives a secure and consistent supply. It is used extensively in diagnosing particular diseases and in the relief of pain, particularly in palliative care, and biopic analysis in clinical pathology. The UK does not have any reactors capable of ***producing*** these isotopes, and they decay rapidly, often within a matter of hours or days, so we rely on a ​continuous supply from reactors in France, Germany and the Netherlands. History suggests that crises in supply can occur. It happened last in 2008-10. That meant that hospitals across Europe had to delay or cancel hundreds of thousands of medical tests. In response, Euratom’s supply agency was given a more prominent role in overseeing the supply chains and ensuring that the crisis did not occur again. Without the support of Euratom, the UK may find it harder to guarantee a supply of these materials to hospitals. Pressed on this in the Second Reading of the Nuclear Safeguards Bill, which is a parallel piece of legislation that your Lordships are debating at the moment, and which will have its first day in Committee—oh, joy—tomorrow morning, the noble Lord, Lord Henley, who it is good to see in his place, said that, “changes to our customs arrangements after our withdrawal from the European Union could ... affect the timely supply of medical radioisotopes”, that the Government were working to minimise that risk and that he was confident that, “a future customs arrangement with the European Union that ensures cross-border trade in this area is as frictionless as possible”.—[Official Report, 7/2/2018; col. 2026-7.] I think anyone who has heard this afternoon’s debate would question the noble Lord’s optimism. He is an eternal optimist, I know, but the reality is that, given the current state of negotiations, and the failure of the Government even to reach an agreement among themselves on what negotiation outcomes should be, this is a very risky prospect indeed. The final point I want to make is that the Nuclear Safeguards Bill essentially enables the Office for Nuclear Regulation, one of our very own regulators, to take over Euratom’s vital non-proliferation nuclear safeguarding responsibilities. However, because Euratom is doing such a good job, the Government want us to leave Euratom but to remain in total alignment with the standards set by Euratom, even though we are no longer a member. You could not make it up if you tried. But more than that, having said that they want to stick to Euratom standards, they cannot do it because of the precipitate date of March 2019, by which time the ONR has no chance whatever of recruiting enough inspectors to meet those Euratom standards. So what they have decided is that we will not be able to accord to Euratom standards; we are going to accord to the standards set by the International Atomic Energy Agency. According to evidence given by the ONR to the Public Bill Committee on the Nuclear Safeguards Bill a few weeks ago, that means that there is a lower standard and less frequency of inspections. Everyone agrees that Euratom is a good agency and that its standards are high—higher than overall international standards. The Government themselves say that they want to stick to Euratom standards, although we cannot have any influence over them in future, but we cannot do that in 2019 so we will have to live with lower standards until we can actually recruit the number of inspectors that we need. That is plain daft. It is quite clear that we should stay in Euratom. If we cannot do it, we should make sure statutorily that we are as aligned as we possibly can be.​ All of us noted Mrs May’s comments on the European arrest warrant recently, where she accepted that there was a role for the ECJ. What I say to the Government is that Euratom works really well and that, for the sake of a theoretical involvement of ECJ, surely even at this late moment, it is time to accept that the wrong decision has been made and that it would be much better if we stayed within Euratom. I beg to move.
39. Lord Broers (CB)    Share this contribution My Lords, I will be very brief. I did not speak at Second Reading because I thought that the decision to leave Euratom was tied irrevocably by law to our withdrawal from the European Union. I discovered, while participating at Second Reading of the Nuclear Safeguards Bill—as the noble Lord, Lord Hunt, has mentioned—that it was in fact a political decision. I still do not know who made the decision but I regard it as a very serious and damaging mistake, and that is why I wish to support this group of amendments. We should do everything we can to avoid the disastrous consequences of leaving Euratom.
40. Lord Warner    Share this contribution My Lords, I rise as a co-signatory of Amendment 8, moved by the noble Lord, Lord Hunt. I do not want to repeat all that he has said; I want to talk about this from the point of view of the industry. The industry’s legal opinion is that leaving the EU did not require the UK to leave Euratom. The noble Lord, Lord Hunt, has set out all the conflicting arguments that the Government have had over their attitude to the ECJ. I will not go over those this evening, though I will not be able to resist the temptation tomorrow morning to go over them again with the Minister. The fundamental point that I wish to make is that the Government have set out on this reckless course without taking the nuclear industry with them and without allowing sufficient time to put an alternative nuclear safeguards regime in place. I want to quote a few extracts from the excellent briefing provided by EDF, which after all provides 20% of the electricity ​generated in this country and is the Government’s preferred contractor for delivering new nuclear power stations, including Hinkley Point C. My first quote from the briefing is: “The best thing for the UK nuclear industry would be for the UK to remain within Euratom. However, if the UK exits Euratom, new arrangements must be in place before existing arrangements are terminated, and there must be a smooth and orderly transition to the new arrangements”. I have to say, from the Second Reading debate, you would not have been very confident about some of that. My second quote is: “It is absolutely essential that following the UK’s exit from Euratom and its EU wide safeguards regime, the nuclear sector in the UK is covered by a UK Safeguards regime. There can be no gap in coverage – the new regime must be ready for deployment on exit day, having already been reviewed and accredited by the IAEA, to ensure the UK can continue to fulfil its international obligations for nuclear non-proliferation”. It has just about a year to achieve that. My third quote is: “An IAEA accredited nuclear Safeguards regime is a ‘must have’ – it is a pre-requisite for the movement of nuclear materials (including fuel) and for the agreement of NCAs”— nuclear co-operation agreements with other countries outside the EU, such as the US, Japan, Canada and Australia. You would have to be one of life’s great optimists to have listened to the debate so far on the Nuclear Safeguards Bill and be confident that all those objectives set out by EDF will be achieved. My final point is that, on the evidence so far provided by the Government, it is almost a racing certainty that by 29 March 2019 the UK will not have in place a nuclear safeguards regime equivalent to that provided by Euratom. Perhaps more worryingly, there is no published ***plan*** with clear milestones showing how the UK will have in place by exit day a nuclear safeguards regime accredited by the International Atomic Energy Agency. This is absolutely essential, as EDF has made plain, if the UK is to have nuclear co-operation agreements with a wide range of other countries, as it has said. These agreements are absolutely essential for nuclear trade with these other countries once we leave Euratom. The agreements have to be reached in time for them to be ratified by the political and governmental processes in the various countries. In the case of the US, they have to be ratified by Congress and even, I am told, be approved by the White House—there is a thought for noble Lords. We are travelling very dangerously in this area, not least because of the timescales that the Government have allowed for putting in place alternative arrangements to Euratom membership. I suggest that we have a duty to make amendments to the Bill and to the Nuclear Safeguards Bill to give the Government a chance to pause and think more carefully about what they are doing. The amendment of the noble Lord, Lord Hunt, is the very least we should do in the Bill. I suspect that we may well need something stronger on Report which reflects the outcomes of our consideration of the Nuclear Safeguards Bill.
41. Viscount Trenchard (Con)    Share this contribution My Lords, this issue is not quite as simple as the noble Lord, Lord Hunt, claimed. I too was present at the briefing referred to ​by the noble Lord, Lord Warner, given by the Nuclear Industry Association and EDF, which was very valuable. The issue is not as simple as the noble Lord, Lord Hunt, said—namely, that Euratom is the most marvellous institution and we have to remain a member of it or continue to apply standards equivalent to those which have been developed by it. I recall that EDF explained that the international standards are set by the IAEA, and that it is absolutely necessary that before exit, other than by virtue of a transition or implementation period, which of course applies more generally to the EU, in order to exit from Euratom and continue to be able to trade in nuclear equipment and fuel, we need an IAEA-accredited—not Euratom—safeguards regime. We need nuclear co-operation agreements with four countries: the United States, Canada, Australia and Japan, a nuclear agreement with the European Union and an export licence regime. Euratom’s nuclear safeguards regime concentrates heavily on verifications, whereas the IAEA places more emphasis on process, operations and compliance with international standards. The noble Lord referred to isotopes. It is essential to ensure a secure and consistent supply of radioisotopes. Molybdenum-99, for example, has a half-life of 66 hours, similar to human organs, and therefore cannot afford to be delayed by customs at ports and airports. There can be no delay at all. We obtain about 60% of our radioisotopes for medical use from the EU, to which the noble Lord referred, but we obtain 40% of our isotopes from non-EU countries, principally South Africa, which the noble Lord did not refer to. I understand that the procedures for importing both those from the EU, which come through the Channel Tunnel without, obviously, any customs procedure, and those from South Africa, which come through Heathrow under a fast-track procedure, are virtually identical; there is no significant difference at all. Our membership of Euratom does not in any significant way influence our access to the world market in isotopes. Therefore, our leaving the EU does not make much difference to how we get in our medical isotopes. However, we need to have this IAEA-accredited regime, and, obviously, there is not enough time for the four essential nuclear partners to get NCAs through their Parliaments before March next year. But given that the Government have committed to an implementation period, we should be able to agree with Euratom that we remain a member of that organisation and therefore we will be able to continue to operate under its standards for that period.
42. Lord Warner    Share this contribution I am sorry to interrupt the noble Viscount’s flow, but does he remember that the Government voted down in the Commons an amendment which would have given him more time for a transition period on this issue? So the Government have turned their face away from allowing more time to a transition period to get things right. Whether one believes that the Government have taken the right course or not, they have committed themselves to do all this by 11 pm on 29 March next year. Does the noble Viscount accept that that is an impossible objective because at the moment the Government have not agreed to a transition period for the subject area?
43. Viscount Trenchard    Share this contribution I am not familiar with the amendment which was voted down in the Commons. I believe it is perfectly possible for the UK to develop its own IAEA-accredited safeguards regime within the next few months, and I understand that a lot of work is being done on that already. I understand that Euratom’s treaties are mixed up with the EU treaties; therefore, is it not natural that, if there is an implementation period for putting into practice what comes afterward with the EU, the same will apply for Euratom?
44. Lord Teverson (LD)    Share this contribution My Lords, I am also a signatory to this amendment, and I thank the noble Lord, Lord Hunt, for having brought it before the House today. There is another explanation about why this has happened. Soon after the referendum, I submitted a Written Question to the Government to ask whether it was intending to leave Euratom. The answer I got back, after a little bit of foreplay, was that the people of Britain voted to come out of the European Union. It was quite clear that the Government did not realise that Euratom was not part of the European Union. They have not even thought about it. That is the answer that came back. I had to go back and ask the question again, at which point the Government answered that they were still thinking about it. Indeed, during ministerial conversations, there was a full admission that we should be able to remain part of the Euratom organisation. However, at that point it was legally impossible, for some reason which I do not understand at all. Euratom has its own separate Article 50 system, Article 106a; it is an entirely separate treaty, which did not come together during the Maastricht process when the other treaties came together, partly because there was a concern that Austria and Germany, which were anti-nuclear nations at that time—Austria still very much is—would not agree for that treaty to be integrated into the rest of the system. I think that the Government agree that it is a good organisation. Coming out of it will certainly cost taxpayers a lot more money in terms of safeguarding and, as the noble Lord, Lord Warner, said, we have a real problem regarding the timescale. As I understand it, it is the Government who are saying that they want Euratom standards. That is their position; it is not ours. It is one that I agree with but the Government’s position is that we need Euratom standards, not purely International Atomic Energy Agency standards. We have a very difficult timetable here.
45. Lord Carlile of Berriew (CB)    Share this contribution I agree entirely with what has been said already by the noble Lords, Lord Hunt, Lord Warner and Lord Teverson, so I shall try to reduce the length of my remarks. I am puzzled about why we are here, and why we are today at all. As to why we are here, we do not have to leave Euratom when we leave the European Union. There is absolutely no evidence that Euratom has performed other than well. It may well be that the Court of Justice of the European Union is the shibboleth, because it is related to Euratom and has jurisdiction over it, and our Government feel that because there is that connection our membership can be no more. But there are no cases about Euratom in the European Court of Justice, so Euratom has operated incredibly well. I am puzzled as to why we are here today because there is another Bill before Parliament, the Nuclear Safeguards Bill, and, as has already been said, the first Committee day on it is tomorrow. I had assumed that we would be able to debate these issues as part of that Bill. After a three or four-day negotiation with the Public Bill Office I had to accept that that was not the case—so here we are today discussing Euratom, but not in the Nuclear Safeguards Bill, which deals with the nuclear safeguards relating to the products dealt with by Euratom. Alice could not have invented this situation. I drafted Amendment 221, which is part of this group. There is nothing particular about the new clause in that amendment, except that it tries to do the same as all the other amendments and new clauses now being debated. It is clear that medical nuclear and radionuclear devices and products are extremely important. They save lives. For example, in University College Hospital and the Royal Free Hospital in London—I cite them because I have witnessed the process in those hospitals—every day of the week consideration is given to using these products to save the lives of patients suffering from cancer. All the arrangements for bringing those products into the United Kingdom are carried out under the umbrella of Euratom. It was not absolutely necessary for that to be done under the umbrella of Euratom, but it is what has happened. The noble Lord, Lord Teverson, mentioned the European Observatory on the Supply of Medical Radioisotopes. That is the umbrella organisation that supervises all these arrangements. The noble Lord, Lord Henley, has been extremely helpful. As I have said in other debates, I am the patron of the Society for Radiological Protection, ​which contains more than 2,000 professionals who are engaged in various activities, including the use and safety of radioisotopes in the health service. The noble Lord, Lord Henley, as Minister, has answered many questions and had the courtesy to see the two senior members of the Society for Radiological Protection last week. He very kindly ***produced*** for me a list of questions with the Government’s original commentary and their additional commentary. It contains some gems, such as: “We agree that continued engagement with ICRP”— that is the International Commission on Radiological Protection— “and IAEA will be important following UK exit from the EU and EURATOM”. The trouble is that nothing has been done to ensure that that importance is translated into a process. The Government have said in one of these answers that they, “will seek to maintain close and effective cooperation with Euratom on nuclear safety. This should include future discussions concerning development of Article 34 policy and cooperative structures”. Well, hope springs eternal. Nothing has been done about that. I was told that, “the Government is committed to ensuring that the UK regulatory regime covering radiation safety remains effective post-exit and can be updated in the future, including to take account of international best practice”. Amen to that. Indeed, the Government are, “considering available options”—this year, next year. This is the flavour of the responses. Then we have: “The UK Government is seeking a bold and ambitious Economic Partnership with the EU that is of greater scope and ambition than any such existing agreement”. It is Euratom plus, plus. The document continues: “We want to have the greatest possible tariff- and barrier-free trade with our European neighbours”. Noble Lords could have fooled me after the earlier debates this evening. It continues: “The Government’s ambition is to maintain as many of these benefits as possible through a close and effective association with Euratom in the future”. I mark that tomorrow and tomorrow and tomorrow. So the document goes on. “The Government is seeking a bold and ambitious Economic Partnership with the EU that is of greater scope and ambition than any such existing agreement. We want to have the greatest possible tariff- and barrier-free trade with our European neighbours”. I mark that as to boldly go where none has been before. There is only a little more, but it is instructive. This is about standards: “HMG are working with BSI to ensure that our future relationship with the European Standards Organisations continues to support a productive, open and competitive business environment in the UK and for the continued benefit of UK patients”. I mark that as “where angels fear to tread”. Finally: “There will be regulatory systems in place for both medicines and medical devices after the UK has left the EU”. Then we come to the important part: “The future arrangements are a matter for the negotiations and it would not be appropriate to prejudge the outcome”.​ That sounds a little bit like those kids’ films I used to see on Saturday mornings which ended with the words, “That’s all, folks”, but no real conclusion. What has happened is that, despite the great attempts at co-operation by Ministers, we have absolutely no system in place, in draft or even in vision for the efficient importation and export of radiopharmaceutical products. We should not allow this legislation to go forward unless we know what ***plans*** the Government have, and unless we know that those ***plans*** have been discussed, negotiated and are the subject of agreement. Otherwise, there is only one option: let us stay in Euratom, which works very well.
46. Lord Adonis    Share this contribution Could the noble Lord address the issue raised by the noble Lord, Lord Teverson, about the notice of withdrawal under Article 106a? As a distinguished lawyer, is he of the opinion that Her Majesty’s Government could withdraw that notice unilaterally, which could be an issue of some moment if the Minister who is open to persuasive arguments were to form the view that the right course for the Government now is simply to withdraw the notice of withdrawal and seek to stay in Euratom?
47. Lord Carlile of Berriew    Share this contribution If I could be allowed an ad majorem argument, I would recommend to noble Lords an article written on the Monckton Chambers website by the distinguished competition lawyer, George Peretz QC, which—as I understand it because I am not an expert on European law—provides the answer yes to the question put by the noble Lord, Lord Adonis.
48. Lord Whitty (Lab)    Share this contribution My Lords, I have two amendments which are grouped with Amendment 8. I am afraid that they probably should not have been included, but like the noble Lord, Lord Teverson, and my noble friend Lord Liddle, I was in Brussels today and did not have a chance to argue the groupings, so I am afraid that noble Lords are going to have to hear me speak on this issue tonight. My Amendment 114 makes a rather important cross-reference to Euratom. The amendment seeks essentially to add a clause to the Bill after Clause 7, with an accompanying schedule. Before we understand what is happening to our whole regulatory system and therefore pass this Bill, and certainly before we leave the European Union, we need to know from the Government what their view is on future relationships with the EU executive agencies. The schedule lists those agencies which include two Euratom agencies. It lists the supply agency to which the noble Lord, Lord Teverson, referred. Its observatory plays a key role in dealing with supply chains of extraordinarily sensitive and potentially dangerous material. It lists also the Fusion for Energy agency which deals with some of the aspects to which the noble Lord, Lord Broers, referred in terms of the development of fusion as a new source of energy and the high-level, European-wide research ***programme*** at Culham and elsewhere. They are very important agencies. At this point we do not know what future UK participation, arrangements, observer status or links with those agencies are going to be.​ In addition to those two Euratom agencies, there are 34 executive agencies of the European Union. I have noticed the time and I will therefore not go through the role and remit of them all, as well as the importance of knowing where we are, but they include a number of agencies of great importance to the lives of our citizens, to our industry and to our environment. There are agencies which deal with safety at work, food safety, environmental safety generally, and of course there is the EU Medicines Agency, which regrettably is moving away from Britain, dealing with medical safety. There is a whole range dealing with police and judicial procedures. These agencies are not law-making bodies, but they are operationally very important to the sectors to which they apply. The UK has engaged very effectively with most of those agencies, to the benefit of our citizens, industries, sciences and judicial system. I have asked a number of Written Questions as to what the future arrangements are, with the standard reply being: “This will all be sorted out in the negotiations”. However, the negotiations are going on at the same time as we are dealing with the Bill. We need to know, in relation to the Bill, how those agencies will interact with the regulations newly transposed into UK law and the way in which we operate in those industries and systems. My visit to Brussels in the last couple of days has underlined the urgency of the situation of knowing where we are with such agencies. For the first time, I carefully read the EU’s proposition on how we deal with transition periods. That document says that the UK will not only no longer participate in the institutions of the European Union but also, “no longer participate in … the decision-making or the governance of the Union bodies, offices and agencies”. In other words, in approximately one year and 34 days, we will no longer participate in any of these vital agencies. It is possible, if the Government put their mind to it, to establish in that period new relationships. In some of these agencies, non-EU bodies are either observers or participants. At the moment, we have not a clue how the Government are approaching the future in all of these important areas. It is an urgent decision that we cannot delay until the end of the transition period, because unless the Government persuade the EU otherwise in the next few weeks and months, from the date of exit we will no longer participate. This will change the way in which we operate in a range of safety, environmental, scientific, judicial and police areas—including security and defence. That issue arises for a whole number of areas well beyond Euratom. On Euratom, I agree very much with what virtually everybody else has said: it is unnecessary to come out of Euratom. It is still possible to distinguish our approach to Euratom and effectively rescind our resignation from it without changing our position on the EU. Indeed, all the arguments—from industry, science and environmentalists—indicate that we should do that. At the same time, I urge your Lordships, and the Government in particular, that before we get very far in the process on the Bill, we should get a clear indication, not only on the Euratom agencies, but on the rest of the agencies set out in Amendment 263 proposing a new schedule, so that we will know, well in advance of leaving the European Union ​and its agencies and well in advance of the beginning of the transition period, quite how we will operate with them in future. I ask the Minister to take seriously the list I have given him and, perhaps in writing or on Report, to indicate to us how the Government intend to deal with this very important tissue.
49. The Earl of Selborne (Con)    Share this contribution My Lords, I think it is important on these Benches to put in a word of support for the amendment of the noble Lord, Lord Hunt. We all recognise that Euratom is a good brand; no one, on any side, is disputing that Euratom has achieved what a good brand should do. It has given confidence to the British and European public on a matter of critical importance, not least in handling medical isotopes with a very short half-life. It is quite clear to my mind that if we leave for reasons that are obscure to me but probably are concerned only with the notional theory that the European Court of Justice might be able to exert some malign influence on Euratom—that seems to be the only reason that has ever been advanced as to why we should leave Euratom—then that plays second order to how we ensure, in the words of the amendment, which I very much support, that we “maintain equivalent participatory relations” with Euratom. It is essential that we continue to command the confidence of the users of isotopes and other nuclear material and of practitioners. It is not clear to me that the regulation we will have to put in place will be ready in time. In fact, I am absolutely certain that it cannot be. The amendment is a very sensible and modest proposal that I fully support.
50. Lord Liddle (Lab)    Share this contribution My Lords, I support what the noble Earl, Lord Selborne, said, and the other speakers who called for the Government to reconsider this question. I speak as a member of Cumbria County Council. Cumbria is very excited by the prospect of nuclear renaissance in this country, but how we are proposing to achieve it is interesting. First, to build a new nuclear power station we hand it over to the French. We are reliant on French leadership at Hinkley Point. Is it not paradoxical that we are not building up a native British industry, but saying to the French, “Please come and we’ll pay you lots of money to do it”, while at the same time saying that, for purely ideological reasons, we will not have anything to do with Euratom? The Government’s policy is contradictory. Secondly, the Government put nuclear revival as one of the priorities for their industrial strategy. That is one of the things highlighted in the Industrial Strategy White Paper. That requires investment in science and the kind of European co-operation in science that we have seen so successfully with JET and nuclear fusion. Yet what do they want to do for ideological reasons on the other Benches? They want to throw spanners in the works of that co-operation by withdrawing from Euratom. What conceivable sense does this make? Will the Minister ***produce*** a clear statement of reasons as to why this policy is being pursued? What are the reasons for it? Secondly, within what timescale are the many problems that withdrawal from Euratom will cause be addressed and by whom? Do the Government not have a duty to do that? Thirdly, what will the cost ​be of having our own separate national arrangements? The Government ought to know that by now. This issue was first raised in this House on the Article 50 Bill. What has happened in the succeeding months? What have the Government actually done since then to address these concerns? Finally, I will make a point about the handling of the Bill in the House. I see this as an extremely important issue of national importance and we are debating it after 11 o’clock at night. Does that make sense? Is that not the duty that we owe people—to provide proper scrutiny? Should we not be allowing proper time for this debate? This is an example of an issue that should have been debated in prime time in this house. It should have been the subject of a vote in Committee. Because of the hour that is clearly not possible, but the fact is that we have failed in our duty to the people on this question.
51. Baroness Altmann (Con)    Share this contribution My Lords, I support these amendments and echo the words of the noble Lords, Lord Hunt, Lord Warner, Lord Teverson and Lord Carlile, from these Benches. This has nothing to do with the referendum: this is not the will of the people. We do not legally need to leave Euratom, as we have heard so many times this evening, if we leave the EU. It is not as though we asked the British people, “Do you want to leave Euratom; do you want to spend millions of pounds of taxpayers’ money to put ourselves back in precisely the position we are now, we hope; to basically reinvent the wheel; to incur huge costs and take huge risks in undermining our world-leading position in nuclear research?” We may not be able to do this in time: we may not be able to find enough skilled people. Indeed, when we spoke with figures in the nuclear industry a few months ago, they informed us that the first they heard of the Government having decided to leave Euratom was when they read the announcement: there was no consultation with the industry on an issue of such monumental importance. What is the cost and what benefit will be achieved for incurring those costs? I urge my noble friend the Minister to relay to his department the tone of the House—that many of us on these Benches would welcome an admission that this decision is unnecessary. It risks our energy security, safety and public health and we do not need to take this risk. Let us withdraw our notification to leave Euratom.
52. Lord Judd (Lab)    Share this contribution My Lords, like my noble friend Lord Liddle I live in Cumbria and these issues are central for the people of Cumbria. In the wider context of all these things we are discussing, we are not expressly taking the point that it is not just in our political lifetime that the consequences will be felt. That is the gravity of the situation. The implications could reach for hundreds or thousands of years ahead. It is impossible to overstress the significance of the issues with which we are dealing. My noble friend was absolutely right to talk about the irresponsibility of discussing them at this time of night instead of at prime time in the parliamentary timetable. We ought ​to be ashamed of ourselves: how on earth can we convince people that we are properly scrutinising if we are pushing things through late at night? In his amendments, with which I am associated, my noble friend Lord Whitty is bringing out very clearly yet again the cavalier, ill-prepared position of the Government as we race towards the conclusion of the negotiations. We have had reference to it in various discussions today. How on earth can all the points that have been raised by my noble friend’s amendments be met in the time available? There is another crucial point. As my noble friend Lord Liddle said, we will be going ahead with our next generation of nuclear energy only with expertise from abroad. Can the Minister explain to us, very specifically, how we will have the people qualified to undertake inspections of the standard of Euratom if we have not got that kind of expertise available within British society for the development of our next phase of nuclear energy? How can we be lacking in that when it comes to the task itself and then say we can somehow inspect the task? Where are these people with the right qualifications going to come from? We need specific reassurances from the Government on that point.
53. Lord Adonis    Share this contribution My Lords, there are 101 reasons why people voted for or against leaving the European Union. As the great Lord Salisbury, the last Prime Minister to serve in this House, famously said after a general election, the problem is: “When the great oracle speaks, we are never quite certain what the great oracle said”. However, I have not yet met a single person in any walk of life anywhere who told me that they voted to leave the European Union so that they could leave Euratom. Indeed, I imagine that there were not many people outside the confines of your Lordships’ House and the nuclear industry who were even aware that there was this organisation called Euratom, where the final court of appeal was—wait for it—the European Court of Justice. There is always a problem about loss of face. I have sat on that Bench, too. I know that Ministers do not like having to change their mind. But I do not think the Minister will have any problem with any loss of face with anyone, including those who have been so keen to see that we leave the European Union because of the instruction from the British people, if he were to announce that the Government intend to withdraw the notice under Article 106a of the Euratom treaty and put this complete nonsense behind them. I do not mind what hour of the night he announces it. I would be perfectly happy for him to announce it at 2.30 am if that ensures that it gets less coverage. The Minister will have noticed that there has been no support at all from behind him. The noble Earl, who is not given to criticising the Government, made a devastating speech. Although the noble Viscount said that he thought the consequences might not be as bad as people had said, I did not detect him saying there would be any positive advantages from leaving Euratom. The noble Baroness gave an equally devastating speech.
54. Viscount Trenchard    Share this contribution I certainly said that Euratom was not the marvellous organisation that it is made out to be. I actually think it would be very good if we ​can find a way to continue the current arrangements until such time as we put in place the necessary independent arrangements with IAEA accreditation. But I did not say that I thought Euratom was marvellous. I know of one senior officer in the nuclear industry who thinks we should remain in the EU but leave Euratom.
55. Lord Adonis    Share this contribution My Lords, it is not part of the human condition to think that institutions are marvellous. They can always be improved. But I did not take the noble Viscount’s clarification to be raising the banner for abolishing Euratom because there were going to be such great advantages to the public from us—in the words of the noble Lord, Lord Bridges, to the House a few weeks ago—walking the “gangplank into thin air”. However, I have a specific question for the Minister. Can he confirm to the Committee that Her Majesty’s Government can withdraw the notice of withdrawal from Euratom under Article 106a of the Euratom treaty and that they can do that unilaterally? As he knows, I am slightly persistent in these matters. I always thought that part of the argument from those who were in favour of Brexit was that we were going to restore the sovereignty of Parliament. It is not too much to expect that Parliament should be able to see and study the legal advice on which Ministers make decisions. I ask him yet again whether he will make available to the House before Report the legal advice which his department has on the legal basis on which the Government can act in withdrawing the notice of withdrawal under Article 106a of the Euratom treaty.
56. Lord Callanan    Share this contribution My Lords, once again I thank noble Lords for an excellent debate on this important issue. I will respond to the point raised by most people who spoke—certainly the noble Lords, Lord Hunt, Lord Warner, Lord Teverson, Lord Carlile, Lord Liddle and Lord Adonis—about the reasons for leaving Euratom. The Euratom treaty is legally distinct from the European Union treaty but it has the same membership, which includes all 28 member states, and makes use of the same institutions. There are no precedents for a non-European Union member state being a member of Euratom. Noble Lords will recall that the decision to leave Euratom formed part of both Houses’ consideration of the European Union (Notification of Withdrawal) Bill, which is now of course an Act. Noble Lords spoke at that time about the unique nature of the relationship between the separate treaties of the European Union and Euratom. As the European Union and Euratom are uniquely legally joined, when we formally notified our intention to leave the European Union we also commenced the process for leaving Euratom.
57. Lord Liddle    Share this contribution The Minister mentioned that it was a parallel European institution. Before we gave that notice, did we actually ask other members whether we could remain in Euratom as a non-EU member?
58. Lord Callanan    Share this contribution It is not a matter of getting a political opinion on this. It is the legal position, as I have set out. When we formally notified our intention to leave—
59. Lord Liddle    Share this contribution When you say it is the legal position, what is the evidence for that? Can we have a look at that legal position? What you are saying as the Minister is that a decision was taken on advice that you are not prepared to show us, with no consultation with our partners, for no good reason.
60. Lord Elton (Con)    Share this contribution My Lords, I hope the noble Lord will remember that we address the House and not individuals. It avoids getting very angry with each other individually and it is much better to address your Lordships collectively.
61. Lord Warner    Share this contribution Before the Minister resumes, can I pursue this issue? The industry is very clear in its legal views, which it is prepared to put in the public arena, that we do not have to leave Euratom if we leave the EU. Have the Government discussed that issue with the industry and what the reasons are for its difference of legal view from the Government’s legal view?
62. Lord Callanan    Share this contribution My Lords, there has been extensive discussion and liaison between ourselves and industry. I will come on to discuss that shortly but we remain of the opinion, as I said, that when we formally notified our intention to leave the European Union we also commenced the process for leaving Euratom. Having said that, we are determined to continue to have a constructive, collaborative relationship with Euratom. The UK is a great supporter of Euratom and will continue to be so. I am grateful to the noble Lord, Lord Adonis, for his efforts to help me save face—even at 2.30 am—but I regret that I will not be able to give him what he requires this evening. Let me go on to discuss the details of Euratom and our other ***plans***. I will go into it in some detail, if that is okay with noble Lords, despite the late hour. As the Government have made clear, the UK’s future relationship with EU agencies, including those under the Euratom treaty, is a matter for negotiations. I will come on to the point of the noble Lord, Lord Whitty, later. Requiring the Government to publish a report in advance of negotiations concluding would be neither helpful to Parliament nor in the national interest. As soon as negotiations have concluded, the Government have committed to hold a vote on the final deal in Parliament. This vote will cover both the withdrawal agreement and the terms of our future relationship, and provide Parliament with the opportunity to scrutinise the outcome of negotiations at the appropriate juncture. In the interests of transparency and providing as much certainty as possible, we took steps during the Commons passage of this Bill and the Nuclear Safeguards Bill to set out our strategy in a Written Statement on 11 January. That Statement made it absolutely clear that the UK will seek a close and effective association with Euratom in the future, and that we are putting in place all measures to ensure that the UK can operate as an independent and responsible nuclear state from day one. This is vital to ensure continuity for industry, whatever the outcome of the negotiations. As noble Lords will be fully aware, the nature of our future relationship with Euratom is part of the next phase of negotiations that has yet to start.​ The Statement set out the principles on which our strategy is based: to aim for continuity with current relevant Euratom arrangements; to ensure that the UK maintains its leading role in European nuclear research; and to ensure that the nuclear industry in the UK has the necessary skilled workforce. We will be seeking a close association with Euratom’s research and training ***programme***, including the Joint European Torus and the International Thermonuclear Experimental Reactor projects. We will also seek continuity of trade arrangements to ensure that the nuclear industry can continue to trade across EU borders. Finally, we will seek to maintain close and effective co-operation with Euratom on nuclear safety. While we have made clear that we will indeed be seeking such an association, it is also essential that we have our own safeguards regime ready to come into place when Euratom arrangements no longer apply in the UK, whatever the outcome of the next phase of EU negotiations on our future relationship. It may be helpful to explain the meaning of nuclear safeguards to inform our discussion of this important but rather technical issue. Nuclear safeguards are non-proliferation reporting and verification processes which states use to demonstrate to the international community that civil nuclear material is not diverted into military or weapons ***programmes***. The UK applies nuclear safeguards because it is a responsible nuclear power. Nuclear safeguards are different from nuclear safety and nuclear security. Civil nuclear safeguards reporting, by assuring the international community about the proper use of certain nuclear materials, underpins international civil nuclear trade.
63. Lord Carlile of Berriew    Share this contribution I am grateful to the Minister for the explanation that he has given on the issue of medical isotopes. Can he give us one further piece of information? How many meetings have actually taken place so far in an attempt to negotiate with the EU the continuity of the system of importing and exporting medical isotopes from the UK and from the EU?
64. Lord Callanan    Share this contribution I am afraid I do not have those figures to hand. I cannot tell him how many meetings there have been.
65. Lord Carlile of Berriew    Share this contribution Have there been any?
66. Lord Callanan    Share this contribution I can say that there has been extensive dialogue and discussion with both our EU partners and international partners at official and ministerial level. I can write to him with the exact number, which I can discover.
67. Lord Warner    Share this contribution Could the Minister respond to a question before he moves on to the important amendment by the noble Lord, Lord Whitty? I stopped believing in Father Christmas and in the tooth fairy some years ago. Can he explain why he thinks there will be a warm ​working relationship between Euratom and a country that has abruptly and unilaterally withdrawn one-quarter of its budget?
68. Lord Callanan    Share this contribution I am sorry that the noble Lord no longer believes in Father Christmas. I think there will be a warm relationship for the same reason that we will have a good trading relationship with the EU: because it is manifestly in the interests of both sides to do that. The amendments from the noble Lord, Lord Whitty, would require the Government to publish a report on how we will engage with a number of EU and Euratom agencies before negotiations had concluded. We believe this would be neither helpful to Parliament nor in the national interest. I can tell him that as soon as negotiations have concluded, we are committed to holding a vote on the final deal in Parliament, and this vote will cover both the withdrawal agreement and the terms of our future relationship, including of course our relationship with various EU agencies. I hope that I have addressed noble Lords’ concerns expressed through the amendments and that the noble Lord will therefore feel able to withdraw the amendment.
69. Lord Adonis    Share this contribution My Lords, with respect, the Minister has not answered either of the two questions I put to him. He has not answered the question whether or not the Government are of the opinion that they can withdraw the notice of withdrawal under Article 106a of the Euratom treaty, and he has not told me whether or not the Government will publish or make available to the House in some abbreviated form the legal advice they have on this matter.
70. Lord Callanan    Share this contribution I can tell him that we are not going to withdraw our notification.
71. Lord Adonis    Share this contribution My Lords, with respect, that is not the question I asked him. I asked him what is the Government’s legal advice on their power to withdraw, which is a very different question.
72. Lord Callanan    Share this contribution I have given the noble Lord the answer he is going to get on that subject.
73. Lord Adonis    Share this contribution My Lords, with respect, that is not a good enough answer. When we return to this at Report, I fear that that it will simply be grist to the mill for all those noble Lords who feel that this is a colossal error that the Government will not even tell the House what power they possess to rectify the error which they have already committed.
74. Lord Hunt of Kings Heath    Share this contribution My Lords, even at this late hour, we have had a good go at the issue. Seeing so many noble Lords here taking such an interest, I invite them to join us tomorrow morning, when we come to debate the Nuclear Safeguards Bill. I thank all noble Lords who have taken part in this debate. I thank the Minister for his lengthy response, but the reasons he gave for leaving Euratom are simply not credible. He said that we have two distinct treaties. ​As far as I can see, the only substantive reason he gave why we could not remain a member of Euratom is that all the other members are members of the EU. Presumably the Government’s view is that if we continue to be a member of Euratom with members of the EU, we would in some way be contaminated by having to sit round the table with the countries with which, according to the Q&A which the noble Lord, Lord Carlile, has obtained, we wish to have a very close and fruitful relationship in future. We will see. The Government’s position is inane. They have decided that we are going to leave Euratom, but we must maintain the same standards as Euratom and keep a close and warm relationship with the agency. The problem that we face, which is very serious indeed, is the issue of confidence, as the noble Earl, Lord Selborne, said. I am a passionate believer in the contribution that nuclear energy can make to this country. We were the first country to develop civil nuclear energy. We completely screwed it up. We failed to take advantage of that lead. We have made foolish decisions on nuclear two or three times since then. My fear is that this will come to be seen as another very foolish decision, putting at risk this industry, which we have a chance—even given that we are relying on the French and on Chinese finance to do it—to restart with new nuclear, develop a supply chain and use the incredible skills we still have in nuclear engineering. The risk is that by doing what the ​Government are doing, alongside some of the financial uncertainties, we will put at risk the development of new nuclear. That would be an absolute tragedy. The Minister basically says that all will be well, everything will be done to ensure continuity and, essentially, we can maintain the same processes and standards as we have had in the past. But the problem is—and it is why the noble Viscount, Lord Trenchard, suggested earlier that we need to remain a member of Euratom, at least in the interim—that the ONR, in which I have a great deal of confidence, has clearly stated publicly to the Commons Bill Committee that there is no way that it can recruit and train the number of inspectors that it needs to be able to maintain Euratom standards by March 2019. Alongside that, with the amount of work that would have to be done in negotiating new treaties and understandings with a series of countries, there is simply not the capacity to do it. We are greatly at risk in terms of public confidence in nuclear safeguards, which in turn undermines public confidence in the development of new nuclear. I am grateful to all noble Lords who have spoken. We really have to come back to this as a substantive issue on Report. In the meantime, I beg leave to withdraw my amendment.

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HINA Digest

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**Body**

Zagreb, 01 June 2017 (Hina) - GDP grows 2.5% in Q1, less than expectedZAGREB, May 31(Hina) -In the first quarter of 2017 the Croatian economy grew 2.5% compared to the same period of last year, which is a much slower rate than the one in the previous quarter and lower than expected, which has prompted analysts to announce that they will revise down growth forecastsfor this year.The national statistical office (DZS) on Wednesday released its preliminary GDP growth estimate for Q1, which shows that GDP grew 2.5% from Q1 2016.The growth rate is lower than expected. Eight economic analysts polled by Hina had forecast an average 3.1% GDP annual growth rate, with individual estimates ranging from 2.3% to 4.2%.The first quarter of this year was the tenth consecutive quarter that GDP grew, albeit slower than in the previous quarter, when the economy grew at a 3.4% rate.The 2.5% growth rate is the slowest rate since Q4 2015."The GDP growth rate is lower than expected but consumption trends are as expected. The most important contribution to growth came from household consumption, which was expectedgiven the tax breaks introduced at the start of the year as well as employment growth. Thathas had a positive impact on household income trends," said Zdeslav Santic, the chief economist of Splitska Banka.Household consumption in Q1 grew 3.5%, which is a significant increase albeit slower than the 3.7% rate in the previous quarter.Santic said GDP was positively impacted also by a faster growth of capital investments, more than was the case in the previous quarter.Gross investments in capital assets grew for the seventh quarter in a row, by 5.4%. In the previous quarter those investments grew by4.6%."However, the fact that the Easter holidays were slightly later in the year has resulted in a relatively modest increase in the export of services.

Because of that, despite a strong increase in the export of commodities, the negative contribution of net exports has slowed down economic growth at the very start of the year," Santic said.According to DZS data, the biggest positive contribution to GDP growth in Q1, of 3.4 percentage points, came from the export of commodities.The contribution of domestic demand was also positive, 3.8 pp, but the contribution of net foreign demand was negative.Given the slowing down of economic growth already in Q1, in which the Agrokor crisis was not expected to have any greater impact on GDP trends, Santic said that he would lower his estimates on GDP growth for this year."In the short term, I expect problems regarding Agrokor to have a more visible impact on GDP trends in Q2... as indicated by trends in industrial production and the slowing down of household consumption," he said.The DZS on Monday reported that industrial production in April dropped 0.6% from the same month of last year, which is the first time industrial production has dropped after more than two years of constant growth.The national statistical office yesterday also reported that retail sales in April grew 2.8% on the year, much slower than in March, when they grew 7.7%.Speaking of domestic risks, Santic cited the possibility of political instability lastinglonger than expected.He said that there were no significant external risks, except the possibility of an increase in interest rates."So far we have predicted economic growth of around 3% but we will probably correct the estimate to around 2.5%. The situation regarding Agrokor has significant negative potential in the medium term," said Santic.Raiffeisenbank Austria (RBA), too, does not rule out the possibility of downgrading its GDP growth forecast for this year."In the short term we expect (the Agrokor crisis) to impact corporate investments the most. As for the continuation of household consumption growth, a part of demand is likely to be covered with increased imports. Still, it remains to be seen to what extent the tourist season will neutralise possible negative effects," said RBA, which recently set Croatia's GDP growth rate in 2017 at 3.3%.The European Commission was among the first to react to risks regarding Agrokor, having recently downgraded Croatia's GDP growth estimate for this year from 3.1% to 2.9%."The economic recovery is set to remain strong and broad-based. The troubles facing Croatia's largest private company, Agrokor, are expected to weigh on growth, but real GDP is still projected to expand by a solid 2.9% this year and slightly decelerate thereafter," says the EC Spring 2017 Economic Forecast, published on May 11.Industryslow-down, higher imports make growth slower, says KristofZAGREB, May 31(Hina) - The 2.5% GDP growth in Q1 2017 is lower than in the previous quarter, mostly because ofindustrial slow-downand higher goods imports, but even with that GDP growth, Croatia is a little above the EU28 average, the head of the national statistical office, Marko Kristof, said on Wednesday.He said the biggest contribution to the GDP growth came from wholesale and retail trade, while the growth decrease was mainly due to a slow-downin the processing and food industries and to higher imports, mostly of goods.Kristof said a5.4% increase in investments in Q1, mainly owing to a rise in construction in March, was important for the GDP growth.All industries except ***agriculture*** were positive, while the biggest contribution to GDP growth in Q1 came from export growth, Kristof said, adding domestic demand contributed with 3.8% percentage points.Household expenditures went up 3 percentage points, while the contribution of net foreign demand was negative.As forseasonally adjusted GDP, in which Croatia is compared with the EU28,Croatia's GDP in Q1 2017 went up by 3.4% from Q1 2016 and by 0.6% from Q4 2016, putting Croatia slightly above the EU average, in seventh place."Various seasonal impacts are important for GDP and the comparison with the EU28, andin that we are somewhat better than the EU average, which is 2% annually and 0.5% in relation the last quarter last year. So we can say that since the beginning of 2015, the Croatian economy annually increased at somewhat higher rates than the EU average, i.e. in every quarter according to then seasonally adjusted data," Kristof said, adding that Croatia was behind Romania, Lithuania, Latvia, Poland, Hungary and Bulgaria, among others.FinMin says GDP growth in line with forecastsZAGREB, May 31(Hina) - The 2.5% GDP growth in Q1 2017 is not far from the government's expectations given that last year Easter was in Q1 and this year it was in April, Finance Minister Zdravko Maric said on Wednesday.The national statistical office todayreleased its preliminary GDP growth estimate for Q1, which shows that GDP grew 2.5% from Q1 2016.Thatwas the tenth consecutive quarter that GDP grew, albeit lessthan in the previous quarter, when the economy grew at a 3.4% rate.The 2.5% growth rate is the slowest rate since Q4 2015."Looking at the seasonally adjusted quarterly growth, GDP is more than 3.4% higher, which is in line with the growth at the end of last year, which means that, despite indicators of slowing down, notably industrial production, we are still have a stable GDP growth rate," Maric told reporters.Commenting on the expenditures side of the GDP growth, he said the 5.4% increase in investments and the 8% increase in exports were in line with the government's forecasts, while personal consumption growth was a little above the forecasts. He said that was a result of the tax reform and some other measures as well as of labour market indicators."What is also slightly above our forecasts and has a negative impact on the whole GDP is the increase in the import of goods and services, which isquite high at 10.1%. This is another indicator that, aside from structural reforms, we must do something in the economy, which is quite import-dependent, and as soon as domestic demand rises, so does the import of goods and services, and the result is the GDP we have."Asked if he expected GDP to worsen in Q2 and perhaps reflect the impact of the crisis in the indebted Agrokor concern, Maric said, "We'll see."He recalled that industrial production mildly decreased in April, mainly due to the energy output, because the winter was dry, and a decline in non-durable goods. "That segment might bebrought into the context of the crisis in the Agrokor concern and the negative effects on GDP. But we'll see. What I'm most interested in is the growth in the production of capital product, which is related to the investment activity."Maric said a lot was expected of tourism in Q2, which would be reflected in GDP, and that he expected the economy to continue to have good results.PM says increased production will lead to long-term sustainable growthZAGREB, May 31(Hina) - Prime Minister Andrej Plenkovic on Wednesday commented on the latest figures showing that in the first quarter of 2017 the Croatian economy grew 2.5% compared to the same periodlast year, saying that one of the government's structural measures was increasing production, which would securelong-term sustainable economic growth."We generated a2.5% economic growth along with a signification growth in consumption and investment, notably exports of goods and services, which rose by 8.6%. Also noticeable was a 10.1% imports growth, which indicates the need tostepup domestic productionwhich, I assume, is very important to a vast majority of entrepreneurs and one of the key priorities in their work," Plenkovic said at Entrepreneurs Day, organised by the Croatian Employers' Association.Plenkovic said that one of the government's structural measures was to increaseproduction which would secure a long-term sustainable growth."If you make a seasonaland working-day adjustment of these figures, youwill see that the GDPgrowth in the first three months amounted to 3.4%. This means that we have continued the recenttrends," Plenkovic said.The national statistical office (DZS) on Wednesday released its preliminary GDP growth estimate for Q1, which shows that GDP grew 2.5% from Q1 2016.The export of commodities contributed the most to the GDP growth, having gone up by 3.4 percentage points.Domestic demand grew 3.8 pp, while the contribution of net foreign demand was negative.According to seasonally adjusted data, in Q1 GDP grew 0.6% from the previous quarter and it grew 3.4% from Q1 2016.PM: Gov't focused on sustainable growth, employment, demographic revivalZAGREB, May 31(Hina) - Prime Minister Andrej Plenkovic said on Wednesday that, aside from political stability, the pillars of the government's activity were economic growth, quality job creation, stopping emigration, demographic revival and social solidarity.Speaking at the Croatian Employers Association's Entrepreneurs Day, he said very important steps forward had been made recently, including reductions of the debt and public deficit and the upgrade of the credit rating outlook from negative to stable.Economic growth is stable, exports are growing, unemployment has been slashed and employment increased, and a more stimulating business environment has raisedinterest amongforeign investors, Plenkovic said, adding that increasing production was one of the structural measures for ensuring sustainable long term growth.He said that in April there were 26,000 more persons employed thanat the same time last year and that, after many years, the number of the jobless had dropped under 200,000 and would drop by several more tens of thousands during the tourist season."The European Commission's decision on Croatia's exit from the excessive deficit procedure gave our policy additional impetus. That's especially important because we have shown over an extensive period of time that we can consolidate our finances," Plenkovic said, adding that the Commission's recommendations after a positive assessment of the National Reform ***Programme*** were identical to the government's priorities.Speaking of change on the labour market, the theme of this year's Entrepreneurs Day, Plenkovic said the goal of every activity on that front was "to create conditions for an efficient, developed and functioning labour market which will provide for dignified work, but also acknowledge the special needs of persons who have been in an unfavourable position on the labour market for a long time" such as young people, the long term unemployed and disabled persons.Plenkovic said the most important part of the employment policy was a nine-measure package for which HRK 1.5 billion is available, 300 million more than in the years before, mainly from European Union funds. He said those measures would cover about 50,000 people.The government is aware there is a labour shortage in some industries, notably in tourism, construction, metal-working, shipbuilding and transport, he said, adding that this would be tackled with measures of additional training and good cooperation with business people.Plenkovic underlined the link between the labour market and the pension system, saying many government measures were aimed at "ensuring the long term stability of the pension system in quite unfavourable demographic conditions."He said the government wouldamend labour legislation to link the retirement age and life expectancy anddiscourage early retirement, among other things. He said the priority now was to make the pension system stable.HGK expects 3%growth in 2017, HUP waits for tourist season to see if economy is growingZAGREB, May 31(Hina) - Commenting on information thatin the first quarter of 2017 the Croatian economy grew 2.5% compared to the same period of last year, the Croatian Chamber of Commerce (HGK) said that this did not indicateanything spectacular and that the growth in 2017 should stand at 3%, while the Croatian Employers' Association (HUP) said that after the tourist season it would be more clear if the economy was growing or stagnating.The national statistical office (DZS) on Wednesday released its preliminary GDP growth estimate for Q1, which shows that GDP grew 2.5% from Q1 2016.The growth rate is lower than expected.The first quarter of this year was the tenth consecutive quarter that GDP grew, albeit slower than in the previous quarter, when the economy grew at a 3.4% rate.The 2.5% growth rate is the slowest positive rate since Q4 2015.Commenting on these figures, the HGK said that "nothing spectacular has happened.""The growth has continued in a majority of categories of the overall demand, it was even more dynamic than in the first quarter of 2016 when GDP growth amounted to 2.7%," the HGK said adding that the exports of goods and services stood out the most, with its growth rate going up from 6.9% last year to 8.6% this year.At the same time, the only demand category to record a mild decrease in growth was investments in fixed capital. However, a more dynamic growth of imports of goods and services was recorded in Q1 2017. Its growth rate was up from 5.6% to 10.1%. while its growth on the year was 58.6% bigger than the growth in Q1 2016."In other words, the start of this year was not marked by a slowdown in demand, but the demand was mostly covered by imported goods and services and less by domestic production, when compared to the same period the year before," the HGK said.HUP president Gordana Deranja said that it was too early to make GDPforecasts and that this autumn it would be more clear what the economic trends were like."I believe that it is not smart to make forecasts based on these figures alone. We most definitely have an even more successful tourist season ahead of us, so we should know better this autumn if our economy is growing or stagnating," Deranja said.2016 HUP Score: Croatia is stagnatingZAGREB, May 31 (Hina) - The HUP Score for 2016 which the Croatian Employers' Association use to measureprogress with reforms in 12 key areas in comparison with 10 transition countries, shows that Croatia stagnated in 2016 compared to 2015 and scored 33 points of a total of 100 points compared to 34 points in 2015.Speaking about the HUP Score for 2016, HUP Director General Davor Majetic said that the results continue to indicate weak foundationsand the absence of structural reforms. A score of 33 brings into question the sustainability of the current growth rate and development capacities for long-term social and economic development, he said.Of the countries used for comparison, Hungary scored the same as in 2015 (52 points), Romania (46), Slovakia (46), Slovenia (58) and Estonia (68).Croatia progressed in productivity and competitiveness with the score increasing by 6 points as a consequenceof a GDP growth and increased exports to GDP ratio. Progress is also visible in equity offers and a recovery in loans provided to enterprises, Majetic said.An analysis has shown several chronic weaknesses in the economy, these being the labour market, fiscal consolidation, burden on the economy, poor absorption of capital and the situation in the judiciary. Majetic considers that the labour market is the most critical aspect recording a score of just 19 points, putting Croatia at the bottom of the scale in comparison to the other countries analysed.Majetic added that even though the state deficit hadbeen reduced, which was perceived asa great achievement, an overall review of several fiscal indicators showed the problematic nature of Croatia's fiscal consolidation model which has prevented any greater progress.According to Majetic, the changes made in Croatia last year were more or less symbolic and HUP urges the continuation of tax reforms, consolidation of the expenditure side of the budget, reduction of fees and levies.With its current growth rate, Croatia is at the bottom of the scale in the European Union without any outlook of getting closer to more successful member states, HUP President Gordana Deranja said.Forecasts indicatethat if a bad-case scenario in Agrokor is avoided, the current growth rate should continue or just below. That isn't good enough. Without reforms in the judiciary, education, health and public administration, without improvement in the business environment and changes on the labour market and so one, we will not go ahead, she said.Eurostat: Largest y-o-y decrease in unemployment rate in CroatiaZAGREB, June 1 (Hina) - The European Union's unemployment rate was 7.8% in April 2017 compared to 7.9% in March, thus hitting a record low since the late 2008, and Croatia's unemployment rate fell from 11.3% in March to 11% in April, according to figures released by the EU statistical office Eurostat.Thus, Croatia experienced the largest decline in unemployment rate year on in comparison to other EU member-states, given that the jobless rate this April declined by 2.7 percentage points from April 2016."Compared with a year ago, the unemployment rate in April 2017 fell in twenty-seven Member States and remained stable in Finland. The largest decreases were registered in Croatia (from 13.7% to 11.0%), Spain (from 20.4% to 17.8%) and Ireland (from 8.4% to 6.4%)," Eurostat reported.This April, 197,000 Croatian citizens were jobless, lower by 5,000 from March.The lowest unemployment rate this April was registered in the Czech Republic, 3.2%, and was followed by Germany 3.9% and Malta 4.1%.The highest rate was registered in Greece, 23.2%, and this was the data from February."The euro area (EA19) seasonally-adjusted unemployment rate was 9.3% in April 2017, down from 9.4% in March 2017 and down from 10.2% in April 2016. This is the lowest rate recorded in the euro area since March 2009. The EU28 unemployment rate was 7.8% in April 2017, down from 7.9% in March 2017 and from 8.7% in April 2016. This is the lowest rate recorded in the EU28 since December 2008."SDP: Impact of political instability, Agrokor crisis could become pronounced in Q2ZAGREB, May 31(Hina) - Social Democrat MP Branko Grcic, who was in charge of the economy in the previous government led by Zoran Milanovic,said on Wednesday that economic growth had evidently slowed down and that the impact of political instability and problems with the ailing Agrokor concern could becomefully visible in the second quarter of the year.The national statistical office (DZS) earlier in the day released its preliminary GDP growth estimate for Q1, which shows that GDP grew 2.5% from Q1 2016.The growth rate is lower than expected. Eight economic analysts polled by Hina had forecast an average 3.1% GDP annual growth rate, their estimates ranging from 2.3% to 4.2%.The first quarter of this year was the tenth consecutive quarter that GDP grew, albeit slower than in the previous quarter, when the economy grew at a 3.4% rate.Speaking to reporters on the margins of an economic conference in Zagreb, Grcic said that the slowing down of economic growth was also heralded by DZS data released on Monday showing that retail trade and industrial production had slowed down in April."This shows that Agrokor is too big a problem for Croatia and that this deep crisis, caused by the situation in Agrokor, will have repercussions on main macroeconomic indicators," he said.Answering a reporter's question, he said that securing a new loan for Agrokor was of the utmost importance."It is up to the government's emergency administrator to secure that new loan that will ensure liquidity and help Agrokor survive," he said, expressing concern about the position of Agrokor's main investors, notably the Russian-owned Sberbank."I think that it will take much more negotiating and effort to mend those relations and for Sberbank to possibly continue participating in providing liquidity. I think that that is important also because of all the old debts which at some future stage will have to be settled in a consensual way or the situation will become very serious."Commenting on the government-sponsored law on emergency administration in systemically important companies, Grcic said that with that move, the government had started a game of Russian roulette."Itis uncertain how it will end, with Sberbank threatening with lawsuits and seeking certain rights which, for the time being, we do not know if it isentitled to under Lex Agrokor," said Grcic.PM says dialogue with Sberbank ongoingZAGREB, May 31(Hina) - Prime Minister Andrej Plenkovic said Wednesday that dialogue with Russia's biggest lender Sberbank regarding Croatia's ailing food concern Agrokor wasongoing and that there were no outstanding issues, adding that he expectsa comprehensiveagreement onanew financial injection necessary for the food concern to be reached in the next several days.Asked if the meeting with Sberbanks'Executive Board First Deputy Chairman Maxim Poletaev in the government headquarters on Monday wentbad, the prime minister said the talks went very well."I did not notice that Mr Poletaev said anything bad," Plenkovic said."Cooperation (...) is very good and there are no outstanding issues, dialogue is ongoing," the prime minister stressed.He expects a comprehensiveagreement about a new credit line for Agrokor to be reached in the near future."The emergency administrator is working on a comprehensiveagreement regarding the new liquidity. I expect this to happen over the next several days. This would round up all needs for the normal functioning of the company, practically during the term of the emergency management, and enabled a regularincome based on business activities," Plenkovic said.Asked if the law -- dubbed Lex Agrokor -- that deals with systemic companies, needed to be amended, Plenkovic briefly said there was no need for amendments to that law.Poletaec told the Vecernji List daily on Wednesday that talks with Plenkovic were very productive, as they started to listen to each other.He, however, criticised the professionalism of the team leading the process in Agrokor, given a strong competition among retail chains. He also advocated a transparent process involving the new debt.He added that the proposed roll-up financing of Agrokor was unacceptable to Sberbank, as this bank was exposed the most.Sberbank is one of Agrokor's biggest creditors, lending about EUR 1.1 billion. The last loan was given in the first quarter of the year, amounting to about EUR 100 million. Sberbank's representatives demand seniority in the repayment of this loan in order to consider new ones.Asked if the bank would take part in new credit lines for Agrokor, Poletaev said the bank would give moneyonce it wasconfident that the new loan would be paid back.Atlantic CEO believes some of Agrokor debts will be written offZAGREB, May 31(Hina) - Atlantic Grupa management board chair Emil Tedeschi said on Wednesday that the Agrokor concern's creditors would most likely have to write off some of their claims and that Atlantic could write off all of its claims from Agrokor in theory.Speaking to reporters, he commended "the government's speed and willingness to prevent Agrokor's certain bankruptcy in late Marchand early April by adopting a law on systemically important companies."He said, however, that everything was not ideal and that everyone must understand that this was Croatia'sfirst corporate crisis. He added it was also a corporate management crisis on which governments had no influence."We must ask ourselves why such a crisis happened in Agrokor, why numerous companies which cooperated with Agrokor are in crisis and why financial institutions were in crisis too. What is the level of corporate management? How transparent and efficient is it and how do we manage risks? Neither the incumbent nor the previous government is to blame for that.""Nobody forced a supplier to deliver goods and the main culprit for what happened in Agrokor is solely Agrokor's management," Tedeschi said, adding that Agrokor's bankruptcy was not in anyone's interest, so Atlantic was delivering goods to Agrokor and that the new bills were being paid on time."I believe the solution will be painful for all participants, but not so painful that it won't give birth to new quality," he said. "It's hard to believe we will all come out of this process without write-offs, but the important thing is that they are such that suppliers can survive them."Tedeschi said Atlantic could survive a 100% write-off of its claims from Agrokor because it had managed risks well and was not very exposed to the crisis, but added that Atlantic did not call for a write-off. He said Atlantic would show solidarity with other suppliers, aware that some could not survive even small write-offs.He voiced confidence that the emergency administrator in Agrokor would manage to secure a new loan "and we must be patient."10% of jobs in Bosnian subsidiaries to be shed due to Agrokor crisis?ZAGREB, May 31(Hina) - The restructuring of Agrokor's daughter companies in Bosnia and Herzegovina will include lay-offs, but the number of employees to be fired is expected to be limited to some 10%, Bosnia and Herzegovina's Minister of Foreign Trade and Economic Relations, Mirko Sarovic, said in Sarajevo on Tuesday.Sarovic told reporters that this estimate was presented by the Croatian government's emergency administrator for Agrokor, Ante Ramljak, at a meeting with Bosnian officials last week.Sarovic said Agrokor ***planned*** to lay off its workers in Bosnia and Herzegovinaover a longer period of time and that it relied also on "natural labour shrinkage".Apart from saving as many jobs as possible, another priority for Bosnia and Herzegovina authorities is the settlement of Agrokor's debt to its suppliers, said Sarovic."If that is not solved, the entire system will be in danger," Sarovic said, explaining that the governments of the two entities monitored the money flows of Agrokor's companies in the country while state-level authorities controlled transactions involving cash being taken out of the country.FM: Stability, EU prospect of Southeast Europe in interest of Zagreb and AthensZAGREB, May 31 (Hina) - Croatia and Greece have many joint projects, particularly on the economic field and it is in their joint interest to support stability and European prospects of all the countries in the region, Croatia's Foreign and European Affairs Minister Davor Ivo Stier said after meeting with his Greek counterpart Nikos Kotzias in Athens on Wednesday.Speaking at a joint press conference Stier thanked his host for the initiative to strengthen bilateral relations and recalled that the last time a Croatian foreign minister visited Greece was in 2008 and that this year the two countries weremarking 25 years of diplomatic relations."It is the common interest of Croatia and Greece to support stability and the European prospect of all the countries in the region that are candidates or potential candidates for EU membership and that requires good coordination," Stier said and added, "today we took a good step in that direction.""We have many joint projects, primarily in the economic field in which we can and are prepared to cooperate in," he added.A meeting of the Chambers of Commerce of both countries will be held in Zagreb in the autumn to discuss how to reactivate an inter-governmental committee so that the two countries can work on projects in tourism, infrastructure and energy, the Croatian ministersaid.Croatia and Greece are cooperating within the frameworkof the Adriatic-Ionian Initiative and Greece has a very important role in the initiative and Croatia also attaches a great deal of attention to it but also in the quadrilateral initiative between Greece, Bulgaria, Croatia and Romania.During the meeting in Athens, the two foreign ministers signed the ***Programme*** of Cultural, Scientific and Education Cooperation which agrees to joint exhibitions, exchange of students, scientists, artists as well as mutually recognising diplomas and cooperation in UNESCO and the Council of Europe.The Croatian minister was received by Prime Minister Alexis Tsipras on Wednesday morning and is scheduled to meet with the Speaker of the Hellenic Parliament Nikos Voutsis and members of the Greece-Croatia parliamentary Friendship Group.Grabar-Kitarovic calls for setting up Office of Croatian Solidarity in ZagrebZAGREB, May 31 (Hina) - Attendingaceremony marking Zagreb City Day - May 31, President Kolinda Grabar-Kitarovicsuggested that a small, efficient Office of Croatian Solidarity should be established within the City Administration which would collaborate with numerous local heritage promoting associations in Zagreb and coordinate cooperation between the capital city and cities and municipalities throughout the country and abroadwhere there were Croat expat communities.She praised Zagreb for already providing a great deal of assistance through various donations to other municipalities and cities and for its involvement in resolvingnational problems such as he Immunological Institute and so on."However, a balanced regional development requires partner-like cooperation between municipalities, counties and cities and Zagreb has the greatest responsibility because it has the greatest potential," Grabar-Kitarovic said.Zagreb Mayor Bandic presented the Zagreb Citizen of the Year award to the greatest Croatian female athlete of all time, skier Janica Kostelic as well as the City of Zagreb award to 14 prominent institutions and individuals.Bandic also conferred the Charter for Honorary Citizen of Zagreb to former Austrian Vice-Chancellor and Foreign Minister Alois Mock and Croatian archaeologist and diplomat Emilio Marin. Austrian Ambassador to Croatia Andreas Wiedenhoff received the Charter on behalf of Alois Mock.The City of Zagreb awards were bestowed on:Auto Hrvatska, VladimirPrelog Secondary School, Zagreb Philharmonic Orchestra, Academic JosipBozicevic, Dr. DubravkaBrezak Stamac, Dr. MislavGrgic, Dr. RobertKolundzic, FriarVladimirMagdic, MarijoMoznik, BozidarPetrac, DimitrijePopovic, Dr. KresimirRotim, filmmaker Director JakovSedlarandIvanSikic.Cardinal Cupich celebrates Mass on occasion of Zagreb City DayZAGREB, June 1 (Hina) - Cardinal Blase Cupich, who serves as the Archbishop of Chicago, said during his sermon in Zagreb on Wednesday evening that he was always very moved when he remembered his Croatian roots.Cardinal Cupic celebrated the Mass in the Zagreb Cathedral on the occasion of the Day of the City of Zagreb and the city's patron saint "the Mother of God of the Stone Gate", observed on 31 May.He thanked Zagreb Archbishop, Josip Bozanic, for the invitation, and underscored during his sermon that the believers were looking forward to the canonisation of the Blessed Blessed Aloysius Stepinac.The Chicago Archbishop and other dignitaries, accompanied by many believers, held a procession from the Zagreb Cathedral to the Shrine of the Mother of God of the Stone Gate after the mass.Blase Joseph Cupich was born in Omaha, Nebraska, into a family of Croatian descent in 1949. He was ordained to the priesthood on August 16, 1975. Cupich was the appointed by Pope Francis to succeed Francis Cardinal George as Archbishop of Chicago in 2014. He has been a member of the College of Cardinals since November 19, 2016.PM says Project Slavonia key for development of eastern CroatiaZAGREB, May 31 (Hina) - Prime Minister and Croatian Democratic Union (HDZ) president Andrej Plenkovic said in Osijek on Wednesday that Project Slavonia was crucial for the development of that part of Croatia and that all activities at state and local level and for drawing EU funds were aimed at the development of eastern Croatia, including the economy, rural development, ***agriculture***, enterprise and education.Plenkovic told reporters the foundation stone was laid today for a new student dormitory at the Osijek University campus, adding tha HRK 117 million was approved a few weeks ago for the local bulk cargo river port and HRK 60 million for the renovation of Osijek's old town.All that shows how much importance the government and all departments attach to Osijek, Osijek-Baranja County, and the whole Slavonia and Baranja region, he said.He said the HDZ's candidates for mayor and county prefect, Ivana Sojat and Ivan Anusic respectively, had done an excellent local election campaign and that he expected them to win in the June 4 runoff.Asked to comment on a parliamentary coalition agreement signed today by the Social Democrats (SDP) and the Peasant Party (HSS), Plenkovic said, "That's their agreement. We'll see if it's necessary."Minister announces HRK 300m for Slavonski Brod transport infrastructureZAGREB, May 31(Hina) - Transport and Infrastructure Minister Oleg Butkovic said in Slavonski Brod on Wednesday that over HRK 300 million would be invested in a new transport infrastructure in that eastern cityand that the first bids for a HRK 15 million projectwould be calledin June.Visiting the Slavonski Brod river port, Butkovic announced investments in the port's infrastructure, a project worth HRK 176 million, and navigabilityalong the Sava.He said both projects had been submitted totheConnecting Europe Facility, whose reply was expected in June or July, after which the port authority could call for bids.Port authority head Marijan Juric said a container terminal would be opened in 45 days and that investing in navigabilityalong the Sava would facilitate a container terminal turnover of 2.5 million.Butkovic also visited aroad construction site worth HRK 30 million, with works set to begin in June. He said HRK 100 million would be invested in the Slavonski Brod transport infrastructure in the next two years.SDP, HSS ink coalition deal on running together in parl. pollsZAGREB, May 31(Hina) - Social Democratic Party (SDP) president Davor Bernardic and Croatian Peasant Party (HSS) chief Kreso Beljak signedin Orahovica on Wednesdaya coalition agreement about running together inthe next parliamentary election."This is a confirmation of the ***strategic*** partnership with the HSS, unanimously decided by the party presidency and it will be confirmed by the maincommittee, once the election is called. Contrary to speculation and spins released every day thatour coalition partners are abandoning us, it turns out that every new spin is another embarrassment for the ruling majority," Bernardic said, adding thathe expected the resolution of the crisisnext week."Today my heart is full, as I feel enthusiasm, hope and energy, the same that we had 17 years ago when we changed Croatia and set it on the path of growth and development, when this coalition gave Croatia hope and secured its European prospects. Today, we need to give rise to that hope, as this is an alliance for changeand a better, more modern, advancedand more honest Croatia," Bernardic said.HSS chief Beljak said the signing of the coalition deal "refuted media headlines about the break-up of the HSS in the best way."He expressed hope that the SDP and the HSS could restoreCroatian citizens' hope.Businessman Pripuz arrested on suspicion of tax evasion, fraudZAGREB, May 31 (Hina) - Petar Pripuz, a co-owner of CIOS, a company specialised in the disposal and primary processing of industrial waste, was arrested on Wednesdayand, according to unofficial reports, he is charged with tax evasion and murky dealings, including the funnelling of cash from theZagreb-based company.An additional 12 suspects allegedly conspired with Pripuz to commit those murky dealings.Some of the suspects are Ante Pripuz, Petar Pripuz's son and a few directors from CIOS.Petar Pripuz's lawyer, Ante Nobilo, today dismissed the charges against his client,claimingthat it was indicative that Pripuz's arresthad been madetoday, a few days before amayoral runoff in Zagreb, given that Pripuz was perceived asa close friend of theincumbent mayor Milan Bandic.Petar Pripuz and Bandic are charged in acase dubbed"Agram" in connection with allegedly suspicions dealings between CIOS and the City of Zagreb. However, the indictment in this case has not yet been upheld by court authorities.Following the latest developments, CIOS issued a press release in which it underscores that it operates in compliance with the law and in an orderly manner.Slovenia's economy soaring, analysts warn of overheating risksZAGREB, May 31 (Hina) - Slovenia's Gross Domestic Product in Q1 2017 expanded at a rate of 5.3% compared to Q1 2016, which was a record high growth rate since the economy started recovering three years ago, according to the latest data provided by the national statistical office.Although this was an excellent result, some of the local analysts warned on Wednesday about the risk of Slovenia's economy overheating.Analyst Romana Korenic recalled that after a 6-percent rise in the economy in Q2 2008, Slovenia experienced an economic slump in 2009 and two subsequent waves of recession.Overheated economy is defined as a prolonged period of good economic growth and activity which leads to high levels of inflation and inefficient supply allocations as ***producers*** overproduce and create excess production capacity in an attempt to capitalise on the high levels of wealth. These inefficiencies and inflation can eventually hinder the economy's growth and cause a recession.Above-trend rates of economic growth were described by the finance ministry as a great challenge for the Croatian fiscal policy that now must make sure that additional revenues are not be spent but used for narrowing the budget gap.The 2017 Q1 growth was due to rising domestic demand, investments and exports.FM Cavosuglu thanks Slovenia for support to Turkey on journey towards EUZAGREB, May 31 (Hina) - The visiting Slovenian Foreign Minister Karl Erjavec and his Turkish host, Foreign Minister Mevlut Cavusoglu, held talks in Ankara on Wednesday and on that occasion, Cavusoglu thanked Slovenia for its support to Turkey's European Union membership bid.The two ministers discussed bilateral political and economic cooperation.Cavosuglu thanked Slovenia for its unequivocal support to Turkey on its journey towards the European Union.The talks focused on the Balkan region, and Cavusogly called for paying more attention to the region.Turkey has an important role in this context, he said, adding that also NATO and the EU and other organisations should focus on the Balkans."Slovenian Foreign Minister Karl Erjavec met on Wednesday his Turkish counterpart Mevlut Cavusoglu, Prime Minister Binali Yildirim and parliamentary Speaker Ismail Kahraman. The talks focused on further developing bilateral relations, but they also discussed the EU-Turkey relations and topical regional issues," the Slovenian STA news agency stated.Erjavec invited Cavusoglu to visit Slovenia and attend the Bled ***Strategic*** Forum this autumn.Vucic inaugurated as new Serbian presidentZAGREB, May 31 (Hina) -Newly-elected president of Serbia, Aleksandar Vucic was sworn in on Wednesday during a special session of Serbia's parliament and officially took up office as head of state for a five-year term."I swear that I will invest all my effortsin preserving the sovereignty and entirety of the territories of the Republic of Serbia, including Kosovo and Metohija as its constituent parts, as well as in ensuring that human and minority rights and freedoms are exercised..." Vucic said in the ceremony.Vucic addressed lawmakers and guests including the diplomatic corps, church dignitaries and former presidents of Serbia and Yugoslavia.In his address he said that he felt fear and hope, however, that he would work to the benefit of Serbia.He underlined that he would work on establishing peace in the region, that he would talk with everyone and insist on dialogue and compromise."We wish to mend relations with Croatia and want to continue cooperating with other countries in the region. We want to build a democratic society and will continue with reforms firmly believingin ourselves. We will continue on that path, not because of the EU but for our own sake," he added.He added that "peace and stability will be the essence of future political action."Vucic also said that he would preserve Serbia's integrity but that he would always accept talks with Kosovo Albanians because that will preserve Serbia. He added that in his capacity as the president of Serbia, he will always stand with his people in the neighbourhood, in Republika Srpska (Serb entity in Bosnia and Herzegovina), Croatia, Montenegro, Macedonia while always respecting the territorial integrity and sovereignty of the countries in which Serbs live.A small group of protesters gathered not far from the assembly building to express their dissatisfaction with the incumbent government however the police prevented them from coming closer to the parliament building.Protesters march through Belgrade accusing Vucic of dictatorshipZAGREB, June 1 (Hina) - Several Opposition parties, civil society associations and movements on Wednesday evening staged a protest march through Belgrade after Aleksandar Vucic, who was the prime minister until he won the presidency, was sworn in as the new Serbian President at a ceremony in the parliament building earlier in the day.The two-hour protest walk was led by drummers who carried a banner with the message" United Against Dictatorship".The protesters, who also carried banners with the messages "The King is Naked!", "Freedom to Media!", ""The People Doesn't Forget!" accused Vucic of the authoritarian rule.Some of the politicians in the march were Social Democrat (SDS) leader and a former president, Boris Tadic, presidential contenders Sasa Jankovic and Vuk Jeremic, the "Dveri" movement leader Bosko Obradovic, and many Opposition lawmakers.At the beginning of the protest walk, Jankovic and Tadic said that this march was against "undemocratic and autocratic regime" of Aleksandar Vucic. Tadic said that "the time has come for the Opposition in Serbia to be united."Protesters dispersed peaceful after the two-hour walk and no incident was reported.Vucic won the presidency in the first round of the elections in April, mustering 55% of the vote. Other presidential contenders criticised him of making it impossible for his rivals to have equal and fear conditions in the presidential campaign.After Vucic took office as the president for a five-year term, Deputy Prime Minister and Foreign Minister Ivica Dacic became the acting premier. Vucic is expected to appoint his successor in the premiership by 20 June.In other news:Four Serbs indicted for war crimesZAGREB, May 31(Hina) - The Rijeka county prosecutor has indicted four Serbian citizens aged 49-59 for war crimes against Croatian civilians in a village near Slunj from July 1992 to July 1993, contending that they continuously physically abused two villagers and repeatedly raped a woman.A fifth man investigated in the case has died in the meantime. The accused, former Serb paramilitaries, are not available to the Croatian authorities and are believed to bein Serbia. The investigation was launched in January 2016.Construction of HRK 170 mln Designer Outlet Croatia beginsZAGREB, May 31 (Hina) -Construction has begun on the Designer Outlet Croatia centre which will be located alongside the Ikea store in Zagreb's eastern outskirts, with the Ikea Centre and Swiss Mutschler Outlet Holding investing HRK 170 million in the project and which should be opened in the spring next year.The investors said on Wednesday that the centre will be built by Strabag after winning the contract in an international tender.TheDesigner Outlet Croatia will be built in two phases and the first stage is expected to be completed in the spring of 2018. The outlet will cover more than 15,000 square metres with 90 stores of 170 m2 each.IkeaCentres has already been involved in similar project with Mutschler Outlet Holding AG in Algarve, Portugal which is expected to open this autumn.The Croatian outlet will be managed by the ROS Retail Outlet Shopping company - a renown Austrian manager of designer outlets which manages several similar centres throughout Europe including the ShopinnBrugnato Outlet Village inItaly, Premier Outlet Budapest in Hungary and the Designer Outlet Soltau in Germany.ZSE: Valamar Riviera ups turnoverZAGREB, May 31 (Hina) -Regular turnoveron the Zagreb Stock Exchange amounted to HRK 14.9 million, which was a great deal higher than in the past few days, with a HRK 10.2 million in turnover generated by the Valamar Riviera hotel company.Valamar Riviera share price soared by 4.63% to close the day at HRK 41.80 per share.Valamar reported that it has released 24,182 of its shares or 0.0191% of its share capital. The company also reported that pursuant to an assembly decision, it has paid out part of its dividend to management and the company's shareholders.The main ZSE indices grew on Wednesday, the Crobex went up by 0.54% to 1,864.17 points and the specialised Crobex10 increased by 0.70% to 1,107.10 points.Not one other stock crossed the million kuna mark.(EUR 1 = HRK7.417398)THIS BULLETIN INCLUDES NEWS ITEMS RELEASED BY 0830 THURSDAY. (Hina) ms Masthead Brief News Bulletin is published by the Croatian News Agency HINA Marulićev trg 1610 000 ZagrebCroatia web:[*www.hina.hr*](http://www.hina.hr) mail: [*hina@hina.hr*](mailto:hina@hina.hr) phone: (+385 1) 48 08 660; fax (+385 1) 48 08 822 Publisher: Branka Gabriela Valentić, DirectorEditor in Chief: Serđo Obratov Bulletin Editor: Marija Šestan

ZAGREB, May 31(Hina) - The 2.5% GDP growth in Q1 2017 is lower than in the previous quarter, mostly because ofindustrial slow-downand higher goods imports, but even with that GDP growth, Croatia is a little above the EU28 average, the head of the national statistical office, Marko Kristof, said on Wednesday.

ZAGREB, May 31(Hina) - The 2.5% GDP growth in Q1 2017 is not far from the government's expectations given that last year Easter was in Q1 and this year it was in April, Finance Minister Zdravko Maric said on Wednesday.

ZAGREB, May 31(Hina) - Prime Minister Andrej Plenkovic on Wednesday commented on the latest figures showing that in the first quarter of 2017 the Croatian economy grew 2.5% compared to the same periodlast year, saying that one of the government's structural measures was increasing production, which would securelong-term sustainable economic growth.

ZAGREB, May 31(Hina) - Prime Minister Andrej Plenkovic said on Wednesday that, aside from political stability, the pillars of the government's activity were economic growth, quality job creation, stopping emigration, demographic revival and social solidarity.

ZAGREB, May 31(Hina) - Commenting on information thatin the first quarter of 2017 the Croatian economy grew 2.5% compared to the same period of last year, the Croatian Chamber of Commerce (HGK) said that this did not indicateanything spectacular and that the growth in 2017 should stand at 3%, while the Croatian Employers' Association (HUP) said that after the tourist season it would be more clear if the economy was growing or stagnating.

ZAGREB, May 31(Hina) - Prime Minister Andrej Plenkovic said Wednesday that dialogue with Russia's biggest lender Sberbank regarding Croatia's ailing food concern Agrokor wasongoing and that there were no outstanding issues, adding that he expectsa comprehensiveagreement onanew financial injection necessary for the food concern to be reached in the next several days.

ZAGREB, May 31(Hina) - Atlantic Grupa management board chair Emil Tedeschi said on Wednesday that the Agrokor concern's creditors would most likely have to write off some of their claims and that Atlantic could write off all of its claims from Agrokor in theory.

ZAGREB, May 31(Hina) - The restructuring of Agrokor's daughter companies in Bosnia and Herzegovina will include lay-offs, but the number of employees to be fired is expected to be limited to some 10%, Bosnia and Herzegovina's Minister of Foreign Trade and Economic Relations, Mirko Sarovic, said in Sarajevo on Tuesday.

ZAGREB, May 31 (Hina) - Attendingaceremony marking Zagreb City Day - May 31, President Kolinda Grabar-Kitarovicsuggested that a small, efficient Office of Croatian Solidarity should be established within the City Administration which would collaborate with numerous local heritage promoting associations in Zagreb and coordinate cooperation between the capital city and cities and municipalities throughout the country and abroadwhere there were Croat expat communities.

ZAGREB, May 31 (Hina) - Prime Minister and Croatian Democratic Union (HDZ) president Andrej Plenkovic said in Osijek on Wednesday that Project Slavonia was crucial for the development of that part of Croatia and that all activities at state and local level and for drawing EU funds were aimed at the development of eastern Croatia, including the economy, rural development, ***agriculture***, enterprise and education.

Plenkovic told reporters the foundation stone was laid today for a new student dormitory at the Osijek University campus, adding tha HRK 117 million was approved a few weeks ago for the local bulk cargo river port and HRK 60 million for the renovation of Osijek's old town.

All that shows how much importance the government and all departments attach to Osijek, Osijek-Baranja County, and the whole Slavonia and Baranja region, he said.

He said the HDZ's candidates for mayor and county prefect, Ivana Sojat and Ivan Anusic respectively, had done an excellent local election campaign and that he expected them to win in the June 4 runoff.

Asked to comment on a parliamentary coalition agreement signed today by the Social Democrats (SDP) and the Peasant Party (HSS), Plenkovic said, "That's their agreement. We'll see if it's necessary."

ZAGREB, May 31(Hina) - Transport and Infrastructure Minister Oleg Butkovic said in Slavonski Brod on Wednesday that over HRK 300 million would be invested in a new transport infrastructure in that eastern cityand that the first bids for a HRK 15 million projectwould be calledin June.

ZAGREB, May 31(Hina) - Social Democratic Party (SDP) president Davor Bernardic and Croatian Peasant Party (HSS) chief Kreso Beljak signedin Orahovica on Wednesdaya coalition agreement about running together inthe next parliamentary election.

ZAGREB, May 31 (Hina) - Petar Pripuz, a co-owner of CIOS, a company specialised in the disposal and primary processing of industrial waste, was arrested on Wednesdayand, according to unofficial reports, he is charged with tax evasion and murky dealings, including the funnelling of cash from theZagreb-based company.

ZAGREB, May 31 (Hina) -Newly-elected president of Serbia, Aleksandar Vucic was sworn in on Wednesday during a special session of Serbia's parliament and officially took up office as head of state for a five-year term.

ZAGREB, June 1 (Hina) - Several Opposition parties, civil society associations and movements on Wednesday evening staged a protest march through Belgrade after Aleksandar Vucic, who was the prime minister until he won the presidency, was sworn in as the new Serbian President at a ceremony in the parliament building earlier in the day.

The two-hour protest walk was led by drummers who carried a banner with the message" United Against Dictatorship".

The protesters, who also carried banners with the messages "The King is Naked!", "Freedom to Media!", ""The People Doesn't Forget!" accused Vucic of the authoritarian rule.

Some of the politicians in the march were Social Democrat (SDS) leader and a former president, Boris Tadic, presidential contenders Sasa Jankovic and Vuk Jeremic, the "Dveri" movement leader Bosko Obradovic, and many Opposition lawmakers.

At the beginning of the protest walk, Jankovic and Tadic said that this march was against "undemocratic and autocratic regime" of Aleksandar Vucic. Tadic said that "the time has come for the Opposition in Serbia to be united."

Protesters dispersed peaceful after the two-hour walk and no incident was reported.

Vucic won the presidency in the first round of the elections in April, mustering 55% of the vote. Other presidential contenders criticised him of making it impossible for his rivals to have equal and fear conditions in the presidential campaign.

After Vucic took office as the president for a five-year term, Deputy Prime Minister and Foreign Minister Ivica Dacic became the acting premier. Vucic is expected to appoint his successor in the premiership by 20 June.

ZAGREB, May 31(Hina) - The Rijeka county prosecutor has indicted four Serbian citizens aged 49-59 for war crimes against Croatian civilians in a village near Slunj from July 1992 to July 1993, contending that they continuously physically abused two villagers and repeatedly raped a woman.

ZAGREB, May 31 (Hina) -Construction has begun on the Designer Outlet Croatia centre which will be located alongside the Ikea store in Zagreb's eastern outskirts, with the Ikea Centre and Swiss Mutschler Outlet Holding investing HRK 170 million in the project and which should be opened in the spring next year.

ZAGREB, May 31 (Hina) -Regular turnoveron the Zagreb Stock Exchange amounted to HRK 14.9 million, which was a great deal higher than in the past few days, with a HRK 10.2 million in turnover generated by the Valamar Riviera hotel company.

THIS BULLETIN INCLUDES NEWS ITEMS RELEASED BY 0830 THURSDAY.

**Load-Date:** June 7, 2017

**End of Document**



[***Nick Xenophon says media reform deal 'won't be happening today' - politics live; Plus attorney general George Brandis condemns Hanson's burqa 'stunt' and cautions her not to offend religious sensibilities of other Australians. Follow the day live ...***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5P8D-5421-JCJY-G3W9-00000-00&context=1516831)

The Guardian(London)

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**Section:** AUSTRALIA NEWS; Version:15

**Length:** 8412 words

**Byline:** Gabrielle Chan

**Body**

block-time published-time 8.47am BST

Night-time politics. That'll do pig. That'll do.

Well what a day, what a week and what a year it has been, bringing Australian politics to you all.

Let's start with the doings of the day.

Major attention seeking was the order of the day.

Look at moi, look at moi.

* The Coalition's media reforms have stalled with some progress made but a sticking point has been reached between the government and the Nick Xenophon Team over tax breaks for small players. Xenophon says he will hold out on the government and there the matter lies until the next sitting. The government says it doesn't go along with tax breaks for multinational media companies.

1. Pauline Hanson shocked the Senate by wearing a burqa into the chamber, where she was promptly carpeted by the attorney general, George Brandis, for not only offending law-abiding Muslims but playing into the hands of radicals. Hanson wants to ban the burqa. Brandis got a standing ovation from the NXT, Greens and Labor.
2. Labor again suspended standing orders in the lower house over Barnaby Joyce and the Greens suspended standing orders in the Senate over Barnaby Joyce. At the same time, Labor's Joel Fitzgibbon took the government to court to get access to the Coalition agreement between the Liberals and the Nationals but the case was postponed while the freedom of information rejection works its way through the administrative appeals tribunal. Cory Bernardi wants to prorogue the parliament until the high court rules on citizenship.

So that is it for politics live until 4 September, barring major catastrophes. And that is it for me for politics live for good, barring guest appearances. You will be in the good hands of Amy Remeikis, our soon to be colleague coming across from Fairfax.

I would like to thank you, dear readers, for making this project - begun by Katharine Murphy - so successful and so interactive. Your suggestions, links, thanks, wishes and outrage are something to behold. I would like to thank my colleagues for all the help (that you mostly do not see) behind the great curtain of politics live. They are Murpharoo, Paul Karp and Gareth Hutchens. Mike Bowers, you are the goods. (Water!) Also those friends of the blog in the building for tips - you know who you are. And finally thanks to Lenore Taylor, my formidable editor for giving me the editorial freedom to mix it up on Bloggo Rd.

Good night.

That'll do pig.

block-time updated-timeUpdated at 8.59am BST

block-time published-time 8.11am BST

undltr pic.twitter.com/mA7xjsO1ml

- Mitch Fifield (@SenatorFifield) August 17, 2017

block-time published-time 8.08am BST

APVMA launches review: why the delays?

I missed this today.

The chief executive of the Australian Pesticides and Veterinary Medicines Authority (APVMA), Dr Chris Parker, has commissioned an independent review of the agency's operational performance to identify the underlying causes for delays in assessment and registration of ***agricultural*** and veterinary chemical products, permits and active constituents.

As the ABC reported:

It was revealed earlier this year that the Australian Pesticides and Veterinary Medicines Authority (APVMA), which is tasked with making sure ***agricultural*** chemicals are safe, had recorded a big slump in the rate of applications for products being assessed and approved.

The performance slump came amid an exodus of senior staff, with revelations one in five regulatory scientists had quit the APVMA, as it forged ahead with a controversial forced move from Canberra to deputy prime minister and ***agriculture*** minister Barnaby Joyce's electorate.

Labor's Joel Fitzgibbon called it a joke.

My advice to Barnaby Joyce's handpicked interim CEO is that he doesn't need to waste taxpayers' money on a review, he should just confront his boss about the mess he has caused.

block-time updated-timeUpdated at 8.13am BST

block-time published-time 7.51am BST

Katharine Murphy reports:

Related: Pauline Hanson wears burqa in Australian Senate while calling for ban

block-time published-time 7.49am BST

Michaelia Cash talking about employment figures. Photograph: Mike Bowers for the Guardian

The monthly jobs figures were out today. Cash made these points in her statement.

* Today's figures show:

1. Total employment rose by 27,900 in July to a record high, of 12,201,400;
2. In the past 12 months, 239,300 new jobs have been created, three times as many than Labor's last year in government. Of those, 197,700 were full-time;
3. In the last seven months, full-time employment has increased by 153,200 - the largest increase in full-time employment over the first seven months of a calendar year since 2008;
4. Female employment has increased by 124,600 over the past 12 months, to a record high of 5,677,100;
5. Youth unemployment has fallen 0.4 percentage points over the past 12 months
6. The unemployment rate was 5.6%, down from last month's revised figure of 5.7%. The annual rate of employment growth of 2% is well above the decade average rate of 1.6%.

block-time updated-timeUpdated at 8.00am BST

block-time published-time 7.38am BST

A sharp-eyed reader has reminded me I did not bring the final vote on Labor's suspension of standing orders against Barnaby Joyce.

The vote was lost 72-62.

Andrew Wilkie, Cathy McGowan and Rebekha Sharkie abstained. Bob Katter also didn't vote but I am pretty sure he was not in the House. He doesn't make it to a fair few votes. Only the three aforementioned crossbenchers were watching from the bleachers.

block-time updated-timeUpdated at 8.01am BST

block-time published-time 7.34am BST

The Australian Conservatives senator Cory Bernardi has again repeated his call for Malcolm Turnbull to prorogue parliament to sort out the citizenship issue. That would involve suspending parliament until the high court rules and any byelections can be held.

Bernardi tells David Speers of Sky that he has been told by staff members of members of parliament that their bosses are ineligible to sit in parliament and yet those same bosses have stood in parliament claiming to be eligible.

It is quite the accusation.

The only way this day can get weirder is if Malcolm Turnbull comes out to prorogue the parliament.

block-time updated-timeUpdated at 8.01am BST

block-time published-time 7.30am BST

Labor's Joel Fitzgibbon's federal court case to get to see the Coalition agreement between the Nationals and the Liberals has been held over. No decision today.

block-time updated-timeUpdated at 7.39am BST

block-time published-time 7.28am BST

Penny Wong has put out a statement to thank George Brandis.

On behalf of all Labor senators, and of all fair-minded Australians, I thank the leader of the government in the Senate, Senator George Brandis, for his words today.

The sort of bigotry and divisiveness we saw displayed by Senator Hanson today has no place in our society. It certainly has no place in our parliament.

Today our parliament showed leadership when it was needed.

It is one thing to wear religious dress as an act of faith. It is another to wear it as a stunt. That can only give offence and divide.

Nobody needs to defend Senator Hanson's right to speak. The people that need defending are the people she attacks.

Leaders have an obligation to stand up for the people in Australia who do not have a voice and today the parliament did so.

block-time updated-timeUpdated at 7.40am BST

block-time published-time 7.20am BST

The employment minister, Michaelia Cash, held a press conference 10 minutes ago and Gareth Hutchens and a few other journos asked why government members did not join the standing ovation by the Greens, Labor and Nick Xenophon.

Cash gave three versions of this answer:

I believe the attorney general has made the position of the government clear and that is all of us should treat each other with respect.

Then she walked out.

block-time updated-timeUpdated at 7.40am BST

block-time published-time 7.10am BST

Derryn Hinch tells David Speers that Pauline Hanson's stunt was disgusting and he said he was speaking as an atheist.

Hinch does not think she should have been allowed in as a matter of respect but he thought president Stephen Parry was caught off guard like everyone else.

I found it insulting and I am thrilled that so many people stood (for George Brandis).

Hinch says this was not a version of the Tasmanian Liberal MP Bruce Goodluck, who dressed in a chicken suit for a dare.

Hanson was no Bruce Goodluck, says Hinch.

block-time updated-timeUpdated at 7.16am BST

block-time published-time 6.55am BST

enltrPauline Hanson told @JohnSafran last year she would "never wear a burqa". pic.twitter.com/9NV2Ke9tRe

- Denham Sadler (@denhamsadler) August 17, 2017

block-time published-time 6.53am BST

Once again, Matt Hatter nails the political point of the story of the day.

enltr @gabriellechan Senator Hansen draws attention to the evils of Freeway Construction. pic.twitter.com/LZAcLNXNfV

- The Matt Hatter (@MattGlassDarkly) August 17, 2017

block-time published-time 6.52am BST

The independents Rebekha Sharkie, Cathy McGowan and Andrew Wilkie abstain from voting. Photograph: Mike Bowers for the Guardian

block-time updated-timeUpdated at 6.53am BST

block-time published-time 6.50am BST

The foreign affairs minister, Julie Bishop, the deputy PM, Barnaby Joyce, and the transport minister, Darren Chester, during a division on Joyce's citizenship. Photograph: Mike Bowers for the Guardian

block-time updated-timeUpdated at 6.54am BST

block-time published-time 6.45am BST

At the same time, the inquiry into the postal ballot has started.

enltrABS says it was only told it would be managing a postal ballot on SSM on August 7. Ten days ago.

- Henry Belot (@Henry\_Belot) August 17, 2017

block-time published-time 6.39am BST

Nick Xenophon says no deal on media reforms as yet

It keeps spinning here. Nick Xen:

We are extending an offer to the government and that we will continue to talk to them

He says they were hopeful of announcing some agreement today but that is not possible.

He wants tax breaks for public interest journalism for smaller outfits earning up to $25m.

block-time published-time 6.35am BST

Now Pauline Hanson is on 2GB speaking about her stunt.

Isn't it a shame that there are Muslim women forced to wear this?

block-time published-time 6.32am BST

enltrGeorge Brandis was just brilliant in the chamber. Just brilliant. Strongest I have ever heard him.

- Sam Dastyari (@samdastyari) August 17, 2017

block-time published-time 6.31am BST

Pauline Hanson asked two other supplementary questions of George Brandis which he completed shut down.

This was the first one: Is the attorney general aware that the burqa is not a religious requirement at all? My question is - will the attorney general then ban the burqa in this house for, in future, as a security risk and also the fact is the people of Australia have the right to see the face of a person they elect to this parliament and they are the person who is going to be making decisions in the parliament on their behalf?

(I think what she was trying to say was, will you ban the burqa for members and visitors).

At that point, the president, Stephen Parry, stepped in.

It is in the purview of the presiding officers, not the attorney general, to the purview of security in the Parliament House. We have determined if anyone enters the building with their face covered is clearly identified prior to entering the building. And I ascertained when you entered dressed as you were, I identified who you were. Attorney general, do you have comment you wish to make?

Brandis said no.

Then Hanson asked: If a person who wears a balaclava or a helmet into a bank or any other building or even on the floor of the court, they must be removed. Why is it not the same case for someone who is covering up their face and cannot be identified? Will the government make changes to these laws?

Brandis said no.

block-time updated-timeUpdated at 6.35am BST

block-time published-time 6.24am BST

I just want to bring you more detail of the burqa exchange.

When I reported that Penny Wong congratulated Brandis, she tried to make a short statement but Senator Hanson refused her permission. So she took a point of order to make the point anyway.

Wong:

My point of order is this, if I had the opportunity, I would move to congratulate the leader [ George Brandis ] for that statement. And all of us on this side of the chamber, there is one thing to wear religious dress as an act of faith and it is another to wear it as a stunt.

block-time updated-timeUpdated at 6.25am BST

block-time published-time 6.20am BST

Lower house is voting now on the suspension of standing orders regarding Barnaby Joyce.

block-time published-time 6.19am BST

By George!

George Brandis sits down after he rebuked Pauline Hanson for wearing a burqa. Photograph: Mike Bowers for the Guardian

block-time updated-timeUpdated at 6.28am BST

block-time published-time 6.17am BST

It was a shame George Brandis did not get a standing ovation from his own side. I suspect they were frozen, thinking through the ***strategic*** value or not of standing. Perhaps if a senior Coalition senator had sprang to their feet, the rest would have followed.

The opposition, the Greens and Nick Xenophon give Senate Leader George Brandis a standing ovation after he passionately rebuked senator Pauline Hanson for wearing a burqa into during question time. Photograph: Mike Bowers for the Guardian

block-time published-time 6.13am BST

Malcolm Turnbull takes the suspension debate.

He agrees with the crossbenchers on the need to get back to policy debate.

He says the parliament should be talking about important issues to Australians such as national security, energy policy and jobs.

And he defends Joyce as a member of the parliament.

block-time published-time 6.11am BST

enltrThere is no point to be made here. Imagine how a young Muslim girl will feel having her faith and her family mocked in our Parliament. Shame pic.twitter.com/yFM2hunzo2

- Sussan Ley (@sussanley) August 17, 2017

block-time published-time 6.11am BST

Crossbenchers call for Joyce to step aside from cabinet but remain a voting member

Three lower house crossbenchers Andrew Wilkie, Cathy McGowan and NXT MP Rebekha Sharkie have been abstaining from the votes re Barnaby thus far because they don't agree with either side.

Their position is that Joyce should step aside from cabinet but that his vote should count until the high court rules.

Wilkie asks if the chamber can stop this "fractious juvenile debate" debate and get back to policy debate.

block-time published-time 6.07am BST

Senator Nick Xenophon will talk about NXT's position on the media reform bill at 3.30pm.

block-time published-time 6.01am BST

Tony Burke's argument is around the two votes in the House recently that were lost by one vote.

Those votes were restoring penalty rate cuts and the other was a procedural motion to bring on a vote on a banking royal commission.

We don't know if that majority is lawful. This is a big deal.

block-time updated-timeUpdated at 6.03am BST

block-time published-time 5.58am BST

Labor's Tony Burke is prosecuting the suspension of standing orders as Malcolm Turnbull sits there with a bemused smile.

He notes the foreign affairs minister Julie Bishop has not had a question on the great trans-Tasman conspiracy theory.

I was ready to move an extension of time.

block-time updated-timeUpdated at 5.59am BST

block-time published-time 5.56am BST

Note the Senate pin.

Senator Pauline Hanson wears a burqa during question time. Photograph: Mike Bowers for the Guardian

block-time updated-timeUpdated at 5.58am BST

block-time published-time 5.54am BST

Labor is now moving a suspension of standing orders on Barnaby Joyce.

That the House:

1. Notes: a) This House has unanimously asked the high court to determine whether the deputy prime minister is constitutionally qualified to be a member of parliament and thereby to determine if the government has a majority;

b) The deputy prime minister has admitted he was a citizen of a foreign power right up until the weekend and has already started campaigning for the New England by-election;

c) Former Minister Matt Canavan has resigned from cabinet and will not vote in the Senate until the high court resolves doubts about his constitutional qualifications;

d) The prime minister is continuing to accept the deputy prime minister's vote in this House even though it means that victims of the banks are denied the Royal Commission they've been calling for and Australians continue to have their penalty rates cut; and

e) The situation with his deputy prime minister is unsustainable; and

2. Therefore, calls on the prime minister to:

a) Admit his continued reliance on the deputy prime minister's vote is causing real harm to the people of Australia;

b) Rule out accepting the vote of the deputy prime minister while his constitutional qualifications are in doubt; and

c) Direct the deputy prime minister to immediately resign from cabinet.

block-time updated-timeUpdated at 6.03am BST

block-time published-time 5.53am BST

Barnaby Joyce takes the question on ***agriculture*** in the lower house after Labor lost their bid to gag him.

He is halfway through the answer, greeted by Labor heckling, when Anthony Albanese takes a point of order.

It's normally the practice that valedictories are heard in silence.

He is thrown out.

block-time published-time 5.48am BST

This is the textbook answer to Pauline Hanson's stunt.

enltrThis is Brandis' response to Pauline Hanson's burqa stunt that earned him a standing ovation from Labor pic.twitter.com/xq5rBSGKQM

- Callum Denness (@CalBD) August 17, 2017

block-time published-time 5.47am BST

Labor loses the gag motion against Barnaby Joyce.

block-time published-time 5.43am BST

Meanwhile in the lower house, three Labor members have been thrown out and when Barnaby Joyce rose to speak, Labor moved to gag him. They are voting now.

block-time published-time 5.42am BST

Remember the last great cunning stunt that Pauline Hanson pulled? The video in which she said:

If you are seeing me now it means I have been murdered.

It was the beginning of the end of the last great caper. #justsaying

block-time published-time 5.35am BST

Penny Wong also congratulated George Brandis. The Senate tries to do what all good parents do when the kid chucks itself on the floor or holds its breath - that is carry on calmly.

block-time updated-timeUpdated at 5.40am BST

block-time published-time 5.28am BST

Brandis gets a standing ovation from Labor and the Greens.

Strangely, he doesn't get the standing ovation from his own side.

block-time published-time 5.28am BST

George Brandis gets a standing ovation after he carpets Pauline Hanson

George Brandis says:

No we will not be banning the burqa.

I am not going to ignore the stunt of arriving in this chamber...

He warns her to be careful of the offence you may do to the religious sensibilities of other Australians.

He says there are almost half a million adherents to Islam and they are law-abiding citizens.

Brandis carpets her. HE IS VERY EMOTIONAL.

GO GEORGE!

His voice is shaking.

block-time updated-timeUpdated at 5.49am BST

block-time published-time 5.25am BST

Pauline Hanson stands and takes off the burqa. She asks attorney general George Brandis whether he will work to ban the burqa in Australia.

block-time published-time 5.24am BST

In the Senate, it feels a bit like your two-year-old sitting in the middle of the living room with a bag over her head to get attention. This really is a strange week.

block-time updated-timeUpdated at 5.34am BST

block-time published-time 5.18am BST

enltrPauline Hanson wears a burqa in senate [*#qt@gabriellechan@GuardianAus#politicslivepic.twitter.com*](mailto:#qt@gabriellechan@GuardianAus#politicslivepic.twitter.com)/KvJyLQlmbf

- Mikearoo (@mpbowers) August 17, 2017

block-time published-time 5.14am BST

The Senate question time carries on with Hanson sitting there in a black burqa. We cannot show you a pic at the moment but will endeavour to get you one shortly.

block-time updated-timeUpdated at 5.27am BST

block-time published-time 5.12am BST

Pauline Hanson has turned up to question time in a black burqa

Labor's Emma Husar to Turnbull : Shop assistants had their penalty rates cut after the House voted with a majority of just one. Does the prime minister acknowledge his decision to accept his deputy's vote when it may have been unconstitutional for him to be here is having an impact on every Australian?

Meanwhile in the Senate, Pauline Hanson has turned up in a black burqa.

block-time updated-timeUpdated at 5.28am BST

block-time published-time 5.09am BST

The first government question is on delivering its commitments in an open and transparent manner.

He lists school needs based funding via Gonski 2.0, tax cuts for small and medium businesses, more jobs.

Jobs and growth is not just a slogan, it is an outcome.

block-time published-time 5.05am BST

Labor's Nick Champion to Turnbull : Despite the fact his deputy has admitted he was a citizen of a foreign power right up until the weekend, the prime minister has spent all week fighting to keep his own job which relies on a one-seat majority that his deputy provides. What's the prime minister's response to factory workers in Elizabeth in my electorate who every day watch this prime minister do absolutely everything to protect his job and nothing to protect theirs?

Turnbull says the greatest threat to his constituents was rising energy prices.

Nothing has done more to undermine the jobs of factory workers and manufacturing workers in SouthAustralia than the high prices of energy and the unreliability of that energy in the honourable member's state. He knows that is a direct consequence of what the Labor premier Jay Weatherill described as his great experiment. I will tell the member for Wakefield what Jay Weatherill was experimenting with: the lives of his constituents.

block-time updated-timeUpdated at 5.11am BST

block-time published-time 4.54am BST

Question time. Grab a beverage.

block-time published-time 4.48am BST

Greens senator Sarah Hanson-Young is excoriating Barnaby Joyce, suggesting he is unfit for office.

I don't think anyone is surprised that the deputy prime minister did not check his paper work. I don't think anyone is surprised at his incompetence...this has made the government a joke....a protection racket is going on here.

She says in a couple of weeks when the prime minister goes overseas, Joyce will be acting prime minister.

The Senate divides to vote on the suspension of standing orders. The Greens vote is lost.

block-time updated-timeUpdated at 4.57am BST

block-time published-time 4.40am BST

enltr @gabriellechan "At the Barnaby Bank our dedicated team of professionals will partner you through the business facilitation process." #auspolpic.twitter.com/S3NdZpbzHu

- The Matt Hatter (@MattGlassDarkly) August 17, 2017

block-time published-time 4.28am BST

In the senate, the Greens senator Nick McKim is trying to suspend standing orders because the government has not ***produced*** legal advice which supports Barnaby Joyce's right to remain as a cabinet minister. (This has been said by various ministers as justification of the deputy PM not standing down.)

The senate passed the motion yesterday ordering the government to ***produce*** the advice. The government has not acted.

Attorney general George Brandis has three points:

* McKim did not give notice of the suspension which is senate practice and poor form.

1. Governments never release advice through history, especially given there is a court case arising.
2. It will be sorted in coming weeks so no need to go there.

Labor says they will not support the motion at this stage. Labor's Jacinta Collins says its bollocks that notice of suspensions is always given. And it's bollocks that governments never show legal advice.

Collins warns she will watch the case closely and may pursue it in the next sitting period (in September).

So given Labor will not support the suspension, it is deceased for the time being.

block-time updated-timeUpdated at 4.30am BST

block-time published-time 4.17am BST

The former Labor treasurer Wayne Swan and former UK chancellor Ed Balls have been speaking at the National Press Club. I am trying to catch up with the breadth of their presentations while doing a few other things but in the mean time, enjoy Katharine Murphy's podcast with them from yesterday.

Related: Is neoliberalism dead? Ed Balls and Wayne Swan respond - Australian politics live podcast

block-time published-time 3.56am BST

A visual interlude: Nationals senator Bridget McKenzie and Playschool characters. Photograph: Mike Bowers for the Guardian

block-time published-time 3.49am BST

Barnaby Bank Bill minus Barnaby

The lower house is currently voting on the Regional Investment Corporation bill - the so-called Barnaby Bank - which amalgamates all the various buckets of concessional loans in one glorious fund.

This is what the bill officially does:

Establishes the Regional Investment Corporation to administer farm business loans and financial assistance granted to states and territories in relation to water infrastructure projects, and any future ***programs*** prescribed by rules; provides for the corporation's functions, operating mandate, ministerial directions, board membership and appointment of a chief executive officer and staff; and provides for miscellaneous matters, including the recovery of costs, delegations, power to make rules, and an independent review of the operation of the Act before 1 July 2024.

It is sort of a Nationals version of One Belt One Road, a bloody great bucket of existing funding in the form of cheap loans and grants, that will provide a whole lot of announceables with very large numbers attached.

Labor's Joel Fitzgibbon is opposed because they say it is just a pork-barrelling exercise.

Barnaby has pushed this - it is a pet project. But it is interesting to see he is not presenting it to the house. Instead Nationals assistant minister Luke Hartsuyker is doing the job.

The bill is expected to pass the house on the numbers.

block-time updated-timeUpdated at 4.13am BST

block-time published-time 3.32am BST

Labor trolls Greens on education

There's an interesting motion to be brought by Labor's Jenny McAllister today according to the Senate notice paper.

On its surface, it's just another Labor attack against the Coalition's Gonski 2.0 education package, which passed in late June. But look more closely and the motion appears to reproduce the language of a leaflet distributed by Greens senator, Lee Rhiannon, against the package while the Greens were negotiating with the government.

This sparked Rhiannon's temporary suspension from the Greens party room and a Four Corners episode in which her colleagues and former colleagues Bob Brown, Christine Milne, Richard Di Natale and Nick McKim criticised her for being a team-wrecker.

The motion asks the Senate to acknowledge that the package "cuts $17bn from Australian schools", and "cancels the current New South Wales agreement on schools funding, locking in a lower 2017 level of funding for the next ten years".

It also calls on the government to "commit to the full, original Gonski needs-based funding model" and for parliamentarians to "take a stand for public education" and "vote against the Australian Education Amendment Bill 2017, and properly fund the Gonski reforms put in place by the Commonwealth Government in 2013".

It's all a bit academic now because the package passed but it will be interesting to see how the Greens in general and Rhiannon in particular vote on Labor's trolling motion.

block-time published-time 3.29am BST

Anthony Albanese is campaigning for the yes vote on marriage equality.

margin:8px 0 0 0; padding:0 4px; Enrol ??Vote ??Win ?? Enrol now ?? [*www.aec.gov.au*](http://www.aec.gov.au) (link in bio) #throwbackthursday #marriageequality #sayyes ??????

color:#c9c8cd; font-family:Arial,sans-serif; font-size:14px; line-height:17px; margin-bottom:0; margin-top:8px; overflow:hidden; padding:8px 0 7px; text-align:center; text-overflow:ellipsis; white-space:nowrap;A post shared by Anthony Albanese (@albomp) on Aug 16, 2017 at 7:05pm PDT

I was hoping he would post a photo of the him in Game of Thrones regalia. Yesterday David Speers called him the Jon Snow (the bastard king of Game of Thrones) of Australian politics. Albo had been pointing out he was clear on citizenship because his single mother was many generations Australian and his father was "unknown". Given Snow is one of the hotties of Game of Thrones, Albo was delighted with this comparison.

block-time published-time 3.17am BST

The Spycatcher Trial gets better. Neil Kinnock is pursued by the Tories for asking a question after speaking to the brash young Australian lawyer.

On page 143, Turnbull writes:

Kinnock took off on a trip to America and allowed the Tories to pursue him for the terrible crime of having spoken with me...

I could never understand why Kinnock was subject to criticism for having spoken with me. I asked [British Conservative MP] Jonathon Aitken about it and he said that in Australia or America no one would think less of Kinnock for making inquiries as widely as he like but in England people were different.

(I really must get back to parliament here.)

block-time updated-timeUpdated at 3.48am BST

block-time published-time 3.01am BST

As I transition to more breathing space, I am hoping to increase my book pile. One of the absences has been Malcolm Turnbull's The Spy Catcher Trial: The Scandal Behind The #1 Best Seller.

This is an explanation of the book from the Publishers Weekly.

The British government's efforts to block publication of Peter Wright's Spycatcher: Candid Autobiography of a Senior Intelligence Agent climaxed in a sensational trial in Australia in 1986 that cast a shadow of disrepute on the British legal system, the Official Secrets Act and the government itself.

The author of this engrossing, suspenseful account is the Australian attorney who represented Wright and his would-be Australian publisher. Excerpts from the trial testimony reveal that Turnbull uncovered mendacity, hypocrisy and cynicism at the highest levels of the British government, principally during his cross-examination of Sir Robert Armstrong, cabinet secretary and adviser on intelligence matters.

In 1987 the High Court at Canberra dismissed the case and ordered the Thatcher government to reimburse legal costs to Wright and Heinemann Publishers Australia. Turnbull calls the Britishers' conduct in the affair "quite disgraceful" and adds that the experience "galvanized my determination to see Australia rid herself of its [sic] remaining constitutional links with England".

It has some interesting observations in it, especially when read in the light of the accusations of the ALP's colluding with a "foreign party" with NZ Labour on Barnaby Joyce's citizenship.

Here is the young author on p118. The British PM at the time was Margaret Thatcher and the young Turnbull writes:

Students of political science have been told for many years how superior is the Westminster system of parliamentary democracy to the presidential system in the United States or France. They are told that English prime ministers are directly answerable to Parliament. Yet throughout this affair when the integrity of her Attorney General and her Cabinet secretary were put into serious doubt, she managed to avoid giving any explanation to parliament.

Later that day, English time, [Labor leader Neil] Kinnock rose to ask a question of the prime minister. It was precisely in the form we had discussed.

The now prime minister would probably argue that he was not an MP at the time but the lawyer representing his client Peter Wright but it goes to show how this business works.

block-time published-time 2.21am BST

Nick Xenophon has a private bill in the Senate to restore shortwave radio in the Northern Territory and parts of the Pacific and Papua New Guinea, after ABC cut off the service earlier this year.

Nationals senator Bridget McKenzie has spoken in favour of the bill.

block-time updated-timeUpdated at 2.26am BST

block-time published-time 2.12am BST

And while we are on the postal survey, the second directions hearing of the high court challenge to the government's postal plebiscite on marriage equality will happen this afternoon.

block-time updated-timeUpdated at 2.14am BST

block-time published-time 1.51am BST

I note there is comment in the blog over the postal survey committee hearings I mentioned earlier.

This is indeed, as comments have pointed out, a Labor/Greens-dominated committee which means the government had its arm twisted.

It is headed by the Labor senator Jenny McAllister and presumably is designed to address and react to the various roiling boiling issues that surface in the heat of the postal survey.

block-time updated-timeUpdated at 1.52am BST

block-time published-time 1.47am BST

I want to go back to hypothecation (because it's such a alluring term) and the idea that the Medicare levy increase for the NDIS goes into a locked box.

Fairfax's Peter Martin addressed this issue back in February.

In reality there are no locked boxes. Clause 81 of the constitution says "all revenues or moneys raised or received by the executive government of the commonwealth shall form one consolidated revenue fund, to be appropriated for the purposes of the commonwealth in the manner and subject to the charges and liabilities imposed by this constitution".

There are no separate jam jars.

But it hasn't stopped the governments of all persuasion from acting as if there are. The best-known is the Medicare levy, which we are told funds Medicare and the National Disability Insurance Scheme, but which in reality goes straight into consolidated revenue (and couldn't anywhere near fully fund them in any event).

block-time updated-timeUpdated at 2.33am BST

block-time published-time 1.42am BST

Bill Shorten was asked whether the constitution should be changed to allow dual citizens in parliament and he suggests MPs should simply make sure they comply with the rules.

He says he will not back down on the Medicare NDIS levy - he will only support the increase on salaries over $87,000.

It is horribly wrong for the government the hold the NDIS hostage and say that the only way to fund it is through increasing taxes on people who earn $50,000 and $60,000 a year. There is many other ways to fund the functioning of government.

block-time updated-timeUpdated at 1.44am BST

block-time published-time 1.39am BST

Shorten dismisses the New Zealand Labour conspiracy theory.

I think we have all seen the mad conspiracy theories of the last 48 hours and I don't think the prime minister or foreign minister have done themselves any favours whatsoever.

Let's be clear here. Labor didn't ask the government to refer their deputy prime minister to the high court. The government did that. Labor didn't ask the government to make their deputy prime minister come out and declare that he was the citizen of a foreign power.

block-time updated-timeUpdated at 1.43am BST

block-time published-time 1.37am BST

Bill Shorten is doing a doorstop and is asked about an old story about a $25,000 donation from the Australian Workers Union when he was the boss of the union.

Did you authorise a $25,000 donation of union money to your 2007 election campaign when you were secretary of the AWU?

This government is absolutely keen to chuck all of the rubbish it can at me because they are desperate to distract from their own matters. I will not go into - in and out of every issue but what I will say is this....

I am very proud of my record of standing up for workers. Very proud indeed. I also had a whole royal commission, a glorious taxpayer waste of money to ask us 1,000 questions and now the government wants to have another crack. I'm not getting into that game.

The trade union royal commission had no adverse findings.

block-time published-time 1.25am BST

The Canberra Times' public service specialist reporter Noel Towell reports :

Rank-and-file officials at the Australian Bureau of Statistics have "grave doubts" that the same-sex marriage postal vote can be done properly in the time-frame ordered by the Turnbull government, the public servants' union says.

Some ABS workers fear the postal survey will be a "rush job" that risks repeating last year's Census debacle, while others are worried it will not deliver an accurate picture of Australians' opinions of same sex marriage, according to the Community and Public Sector Union.

Even the bureau's boss has conceded to his staff that doing the job by November 15 is "challenging" although Chief Statistician David Kalisch insists the ABS is up to the task.

block-time published-time 1.21am BST

Tony Abbott's sister Christine Forster has answered her brother's column on Monday which accused the yes case of moral bullying.

She writes today in the Oz:

The challenge for all of us is to acknowledge there will be fault on both sides and to refrain from pointing the finger at only our opponents. Calling each other - depending on which side you sit - bullies or bigots is never going to be constructive and it will never win over the people the respective proponents seek to convince.

That is particularly true when you consider that once all the politicking, posturing and name-calling is pared back, both sides are arguing the same point: the special nature of marriage.

When we discuss marriage in Australia we are not addressing a religious issue but a relationship between two people, exalted and protected under federal legislation. That legislation was enacted in 1961 and has since been amended 20 times.

block-time published-time 1.16am BST

Banana sandwich.

Sarah Hanson-Young poses with B1 & B 2 during the ABC showcase. Photograph: Mike Bowers for the Guardian

block-time published-time 1.13am BST

Conservative Liberal and former Cormann staffer Slade Brockman has been sworn in as the new senator to replace the retired Chris Back.

New Western Australian senator Slade Brockman enters the Senate to be sworn in. Photograph: Mike Bowers for the Guardian

block-time updated-timeUpdated at 1.15am BST

block-time published-time 12.59am BST

Treasurer Scott Morrison has given quite a long off-the-cuff speech in support of the increase of the Medicare levy and the NDIS generally.

He says it is totally hypocritical for Bill Shorten, who was involved in the establishment of the NDIS, to reject a way of funding it into the future.

Morrison says the Labor party that had the courage and the heart to bring forward the NDIS is not the same Labor party now.

This is one of the few things where I thought we would have agreement.

block-time updated-timeUpdated at 1.01am BST

block-time published-time 12.51am BST

I've just lost it.

enltr @gabriellechan With a grip like that I hope @RichardDiNatale bulk bills. ???? [*#yowza@mpbowers#politicslivepic.twitter.com*](mailto:#yowza@mpbowers#politicslivepic.twitter.com)/Fv9MGDOyPo

- The Matt Hatter (@MattGlassDarkly) August 16, 2017

block-time published-time 12.47am BST

The finance and public administration references committee has announced an inquiry into the postal survey on marriage equality.

It will look at:

* What information will be collected and how it will be collected, aggregated and reported;

1. What departments and agencies will be involved and what resources will be provided;
2. The legislative basis for the collection and how matters such as advertising, fraud, access to the roll and privacy will be regulated;
3. The integrity of the roll and the potential for disenfranchisement of voters;
4. Protections against offensive, misleading or intimidating material or behaviour, especially towards affected communities;
5. How issues incurred during the collection will be addressed;
6. Whether the information will be stored and what controls on future access will apply;
7. All aspects of the conduct of the collection and related matters; and
8. Proposals for use of the information obtained, including to inform future legislation.

Oddly, submissions close on 10 November 2017, well after the postal vote is delivered. The report will be tabled well after, by the second sitting Tuesday in February 2018.

block-time updated-timeUpdated at 12.50am BST

block-time published-time 12.42am BST

Scott Morrison is introducing the Medicare levy bill for an 0.5% increase right now.

He says the bill goes to Australian character of helping out their mates.

It is that character that is called upon in this bill.

block-time published-time 12.33am BST

Goodbye Laurie. What a journalist.

enltrLaurie Oakes prepares for his last TV appearance this morning with legendary cameraman Mark Jessop. Farewell Laurie @gabriellechanpic.twitter.com/w4Gq1wfet6

- Mikearoo (@mpbowers) August 16, 2017

block-time published-time 12.21am BST

Labor's Joel Fitzgibbon challenges Coalition agreement in court

Labor's Joel Fitzgibbon has gone to the courts to seek to see the Coalition Agreement between the Liberals and the Nationals.

This is the unicorn of Australian politics. Everyone claims to know what's in it, MPs use it to justify all sorts of positions, ie we have to stick to no free marriage vote because it's in the agreement.

This from Fitzgibbon this morning:

Today the federal court will rule on my case against the prime minister.

All Australians have the right to know what is in the Coalition Agreement that handed Malcolm Turnbull the prime ministership.

The case will be heard at 10.15am at the federal court of Australia in Sydney.

block-time updated-timeUpdated at 12.24am BST

block-time published-time 12.15am BST

Cathy McGowan gave a raw speech yesterday which we missed as it was in the federation chamber (the second smaller one) about the plight of asylum seekers on Manus Island and Nauru. She said it is un-Christian for a parliament that says the Our Father prayer.

She has sought and received a briefing from the immigration minister, Peter Dutton, and she says while she understands his logic, she does not understand "the heart of it". She said:

I find it personally extraordinarily distressing. But more importantly, as a member of parliament, my constituents find it distressing.

Cathy McGowan spoke on solving the refugee crisis on the same day Liberal MP Russell Broadbent called for the remainder of refugees to be brought to Australia.

Related: 'It's time to act': Liberal MP calls for Australia to take refugees from Manus and Nauru

'Enough': Russell Broadbent calls on parliament to act on Manus and Nauru after US deal

block-time updated-timeUpdated at 12.19am BST

block-time published-time 12.02am BST

Albo does cuddly.

Labor's Anthony Albanese. Photograph: Mike Bowers for the Guardian

block-time updated-timeUpdated at 12.04am BST

block-time published-time 11.58pm BST

This is clearly an audition.

Richard Di Natale meets Humpty during the ABC showcase. Photograph: Mike Bowers for the Guardian

block-time updated-timeUpdated at 12.04am BST

block-time published-time 11.56pm BST

In arguing the case for the Medicare levy rise, Scott Morrison has said in future, the government wants to lower taxes - apart from increasing tax for the NDIS.

Asked if 100% of the levy rise would go toward the NDIS, Morrison says:

100%, all of it.

The treasurer makes this point and while I usually speak Morrison, I am having trouble with this one. I think his main message it that the levy will be put in a separate bucket, otherwise known hypothecation.

In the future, governments like our government would want to reduce taxes... if it was a Bill Shorten government he would want to increase taxes. In either case, the way this is designed is that the levy at 1% out of the total 2.5%, that would be secure so governments could on transfer payments, welfare payments, make whatever changes a government may wish to make but the funding flow from the Medicare levy would be secure.

block-time updated-timeUpdated at 12.10am BST

block-time published-time 11.29pm BST

The Medicare levy increase to fund the NDIS will kick in when a single person earns $21,000 and a family earns $36,000.

Labor will only back the Medicare levy increase for people on more than $87,000.

The independent senator Jacqui Lambie, who has been a strong critic of the government and votes more with Labor than not, has entertained the possibility of a compromise. This might give an indication that the crossbenchers are dealing on the levy increase.

She told Fran Kelly :

I think it needs to be pushed up higher. I think Bill Shorten is calling for $87,000 it starts there. I think that's too high. I think we can find some middle ground here.

The treasurer is not ruling out a compromise but warns that the bringing in different thresholds for this portion of the levy could create complications in the tax system.

Scott Morrison:

This is not about Bill Shorten's politics of envy. It's about disabilities ... if you have a Medicare levy, a part of it that only comes in at a particular income you get a massive spike in the effective marginal tax rate and it's just not good design. And so if there are issues the senators are raising - and they are - then we will work through them in the due course of the parliament.

The increase, if it goes through, starts in 2019 and Morrison rules out bringing it in early if it passes the Senate.

block-time updated-timeUpdated at 11.46pm BST

block-time published-time 11.19pm BST

Thanks, Bowers.

enltrRainbow over Parliament this morn-Join @gabriellechan on #politicslive for her last day in this role ?????? @GuardianAuspic.twitter.com/m2JnKYWFHr

- Mikearoo (@mpbowers) August 16, 2017

block-time updated-timeUpdated at 11.45pm BST

block-time published-time 11.18pm BST

The Justice party senator, Derryn Hinch, has provided a bit of media advice for Malcolm Turnbull.

He said the government could have avoided all this with an audit.

We can avoid all these headlines if the major parties, if the Nats and the Libs and Labor - twice we have gone to the Senate, most of the crossbenchers, and said: 'Give us an independent audit, push it off to the legal and constitutional affairs committee, let them put up an independent audit or and everybody issue documents.'

If the Human Headline can sort it out and fix it, it can't be that hard! Barnaby Joyce should have stood down, should have stood aside. Why on earth a clever prime minister didn't force him to come out on the Friday and the Saturday, get it out on the weekend. It is now Thursday - I hope - and we are still talking about it. They got no clear air all week on any other issue.

block-time updated-timeUpdated at 11.44pm BST

block-time published-time 11.13pm BST

Cory Bernardi calls for the prime minister to prorogue parliament over 'crisis'

The Australian Conservative senator Cory Bernardi says the citizenship issue has caused a lack of confidence in political institutions. He wants to effectively halt the parliament until the high court rules and any byelections are out of the way.

Two senators have stood aside, good on them for doing that, pending the result of the high court appeal.

We also know there are members of the government that have been referred to the high court and the crossbenches.

There are accusations there are members of the Labor party that should also be going. The crisis of confidence is very real. There is a lack of confidence in our body politic and there are great concerns about the health and wellbeing of our political institutions.

After some contemplation, I believe there is only one way forward for this parliament and that is for the prime minister to prorogue the parliament, effectively end this session pending the outcome of the high court, pending any byelections that may be necessary, but we need to ensure every decision taken by this parliament.

Whatever incarnation comes after it before the next election is absolutely above board, that it retains the confidence of the Australian people and that we can get about rebuilding faith in politics and our political institutions.

block-time updated-timeUpdated at 11.38pm BST

block-time published-time 10.58pm BST

Good morning blogans,

There is a veritable derp storm this morning as competing bluff and bluster try to win the political agenda.

The citizenship tornado continues the blow around the benches. The latest to be questioned is the justice minister, Michael Keenan, whose father was British. Journalists have been putting questions to every possible MP since this whole thing broke. Keenan sought to clear his own situation up.

enltr1/3 I am an Australian citizen and I do not hold citizenship of any other country. Fairfax is aware of this, yet in a cheap grab #auspol

- Michael Keenan MP (@MichaelKeenanMP) August 16, 2017

enltr2/3...for a headline they have ignored this. I have to wonder why they're not pursuing Labor with such vigour. #auspol

- Michael Keenan MP (@MichaelKeenanMP) August 16, 2017

enltr3/3 I renounced my citizenship in 2004 before entering Parliament. #auspol

- Michael Keenan MP (@MichaelKeenanMP) August 16, 2017

The treasurer, Scott Morrison, and the immigration minister, Peter Dutton, have addressed this point this morning. Their message: nothing to see here, move on.

But let's get to an actual policy argument. There was a budget in May. Remember that?

Three bills will be introduced into the parliament this morning at 9.30am.

* Medicare Levy Amendment (National Disability Insurance Scheme Funding) and related bills

1. Anti-Money Laundering and Counter-Terrorism Financing Amendment
2. Social Services Legislation Amendment (Cashless Debit Card)

Morrison wants to talk about funding the national disability insurance scheme, specifically the ***planned*** 0.5% rise in the NDIS levy on 1 July 2019, to help fund what the Coalition says is a $55.7bn, 10-year funding shortfall.

The human services minister, Alan Tudge, has also been out talking about the cashless welfare card so you can see the government wants to start filling the hole that was blown in its agenda by the citizenship debacle.

On Medicare, Morrison said he was working constructively with the crossbench - he doesn't want to over-egg it but he underlines that he is being pragmatic.

We are making it work.

I have some other treats in store for you today on this, my last day on the #politicslive blog. Mike Bowers has some fabulous shots from the ABC showcase, with MPs going bananas over B1 and B2. Talk to me in the thread, on the Twits @gabriellechan or on Facebook.

Guardian politics live blog staff Gabrielle Chan and Mike Bowers with Play School toys Big Ted, Little Ted, Humpty and Jemima during the ABC showcase. Photograph: Mike Bowers for the Guardian

block-time updated-timeUpdated at 11.15pm BST

**Load-Date:** August 17, 2017

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HINA Digest

16 March 2018

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**Length:** 10381 words

**Body**

Zagreb, 16 March 2018 (Hina) - Grabar-Kitarovic attends Chilean-Croatian business forumZAGREB, March 16 (Hina) - Croatian president Kolinda Grabar-Kitarovic began her official visit to Chile by attending a business forum in Santiago de Chile on Thursday, accompanied by executives of 15 Croatian companies looking for new business opportunities.Addressing those gathered, Grabar-Kitarovic expressed a strong desire to create closer ties between Croatia and Chile. "We want to support the mutually beneficial interests of the two countries, their stable development and the aspirations of our respective peoples for a better life and prosperity."She underscored the good and friendly relations between Croatia and Chile and deeply rooted connections forged by several generations of Croats who had found their homeland in Chile.Speaking of future partnerships between Croatian and Chilean enterprises, Grabar-Kitarovic cited various industries, tourism, commerce and maritime activities as potential areas of cooperation."The defence industry is one of the interesting areas in which Croatia, with its know-how and technologies, can offer unique opportunities for cooperation. Companies from this sector of the Croatian economy are known globally and their excellence and quality puts them at the very top of the European defence industry," Grabar-Kitarovic said.The president also mentioned shipbuilding as a potential area of cooperation, saying that it was one of Croatia's most successful export industries.

Speaking of trade, she said that Croatia was interested in exporting industrial products, such as transformers, generators and machines, and pharmaceutical and food products. She mentioned the seaports of Rijeka and Ploce and modern infrastructure for the marketing of Chilean products in Croatia and in Central and Southeast Europe.Citing information technology as another area of cooperation, Grabar-Kitarovic said that in the last decade Croatian IT companies had expanded outside Europe and established a presence in global markets.She called on Chilean entrepreneurs to take into account the potential of tourism as an interesting area of cooperation, welcoming investments by the Luksic Group, the largest Chilean investor in Croatia. She said this group was very active, enjoyed an excellent reputation in Croatia and had the full support of the Croatian authorities.The president said she particularly appreciated the fact that the Luksic Group had begun investing in the Croatian economy during the 1991-1995 Homeland War, thus providing support to Croatia in the most difficult of times."The fact that Croatia and Chile are connected by Chilean entrepreneurs of Croatian origin, who are making a significant contribution to the Chilean economy, is encouraging for the progress of our economic cooperation," Grabar-Kitarovic said, noting that the Croatian economy was growing steadily. She invited Chilean entrepreneurs to explore business and investment opportunities in Croatia.The Croatian president continues her visit on Friday by meeting with the newly-elected President Sebastian Pinera, only five days after he took office. She is due to visit Santiago, Punta Arenas and Antofagasta, the cities with the largest Croatian communities in the country. An estimated 250,000 Chileans have Croatian origins, which includes Chile among the countries with the largest Croatian community.O Fearghail praises Croats forhuge contribution to IrelandZAGREB, March 15, 2018 (Hina) - Irelandacknowledges the huge contribution Croatian immigrants have made to its society, visiting Irish Parliament Speaker Sean OFearghail said after talks with his host, Sabor Speaker Gordan Jandrokovic, in Zagreb on Thursday.We are aware of an increasing number of Croatian citizens living in Ireland. I would like to say clearly that werecognise the enormous contribution they are making not only to our economy, but to our society as well, said OFearghail, who wason an official visit to Croatia.We are determined to support them and integrate them with our society, but also to encourage them to nurture their special identity so when the time comes and if they want, they can return to their homeland, just like a large number of Irish people had returned to Ireland. I feel that you in Croatia definitely want that, theIrish official said.The Croatian parliament speaker said that according to some estimates, there were nowapproximately 20,000 Croats registered in Ireland and expressed hope that their status be regulated. Jandrokovic said he hoped those people would be a bridge between the two countries.O Fearghail and Jandrokovic also talked about promoting the trade, which currently amounts to some EUR 80 million.O Fearghail, a politician with experience in ***agriculture***, said the economic ties could be strengthened through trade missions, adding that after he flewback to Dublin he would encourage ***agricultural*** and food institutions to visit Croatia.He also said he was a frequent guest at the Croatian coast, praising Croatia's tourism service but also stressing that Croatia's tourism could be promoted in Ireland more aggressively.OFearghail and Jandrokovic also talked about cultural cooperation in the context of 2020 when the two European capitals of culture will be Rijeka and Galway.OFearghail will therefore visit the biggest Croatian seaport of Rijeka.Croatian PM, Irish lower house speaker hold talksZAGREB, March 15 (Hina) - Prime Minister Andrej Plenkovic on Thursday received the Speaker of the Lower of House of the Irish Parliament, Sean O Fearghail, the government reported in a press release.The two officials expressed satisfaction with the traditionally very good and friendly relations between Croatia and Ireland, underscoring the need to strengthen economic cooperation. In that regard, it was announced that visits by trade delegations would be intensified.Croatia and Ireland are partners within the European Union but also within the UN where they support each other. In the context of challenges facing the European Union, the meeting focused on issues related to Brexit and the fight against growing populism and migration.PM meets Wallenberg Foundation vice-president to discuss digital transformation of Croatian economyZAGREB, March 16 (Hina) - Prime Minister Andrej Plenkovic met in Zagreb on Thursday with Marcus Wallenberg, Vice-President of the Wallenberg Foundation, and discussed investment in the digital transformation of the Croatian economy, a government press release said.They said that the economic cooperation between Croatia and Sweden was intensifying, and that Croatia was a very popular destination for Swedish tourists.Also discussed were Swedish experiences in connecting the corporate sector, the academic community and government institutions in promoting innovation, new technologies and the competitiveness of business entities, the press release said.Wallenberg was accompanied by Niklas Johansson, State Secretary at the Ministry of Enterprise and Innovation, Lars Schmidt, Ambassador to Croatia, and executives of the SAAB and Ericsson Nikola Tesla companies.The Wallenberg Foundation is the largest private funder of research in Sweden and one of the largest in Europe.Croatian FM tells Albania it has to deal with Adriatic pollutionZAGREB, March 15 (Hina) - Croatian Foreign and European Affairs Minister Marija Pejcinovic Buric and her Albanian counterpartDitmir Bushatiheld talks in Tirana on Thursday about strengthening trade and economic ties, cooperation within NATO, Albania's journey to the European Union and preserving the Adriatic environment.Pejcinovic Buric underscored the excellent bilateralrelations, as evidencedin the fact that this is her second visit to Albania in just a few months.She emphasised that the two countries, whichentered NATO at the same time, had excellent cooperation within the alliance, adding that Zagreb is Tirana's ally on its pathway to the EU, with reforms being the key in that regard.Pejcinovic Buric said that in order to bring the countries closer together it is necessary to strengthen connectivity by building roads, energy and air corridors, and referring to the Adriatic-Ionian corridor, she underscored that Croatia hadalready constructed its section of the corridor.She also touched on the issue of the Adriatic Sea and pollution that arrives in Croatia from the south and said that the ecological aspect would be be very important for Albania on its journeyto the EU and that it was important that Albania started addressingthat issue as soon as possible."We have a sea that needs us," she underscored, claiming that the Adriatic Sea has great potential for tourism development.During her official visit, Pejcinovic Buric also met with Albanian Parliament Speaker Gramoz Ruci and Prime Minister Edi Rama, the foreign ministry said in a press release.Minister: Croatia's 3rd highest employment growth in EU thanks to government measuresZAGREB, March 15 (Hina) - A set of employment measures amounting to more than HRK 5 billion for 2017 and 2018 are ***producing*** very good results and Croatia ranks third with regard to growth in employment in the European Union,Labour and Pension System Minister Marko Pavic said in Brussels on Thursday."Croatia is third in Europe with a growth in employment of 3.8% on the year. We had60,000 more jobs in the fourth quarter of 2017 compared to 2016. That means that the policies by Prime Minister Andrej Plenkovic's government areproducing results not just in reducing unemployment, which is at a record low, but we also have an increase in employment which is one ofthis government's priorities," said Minister Pavic, who was attending a meeting of the Employment, Social Policy, Health and Consumer Affairs Council (EPSCO).Eurostat on Wednesday reported that Croatia recorded an increase of 3.8% in employment, behind Malta (+6.1%), andEstonia (+5.7%).The annual increase in Croatia in Q4 2017 was 3.8%, as against a3.3% annual increase in Q3.That is almost double the average increase in employment in the EU28 (+1.5%).A survey of Croatian employers conducted by theManpowerGroup human resources companyhas foundthat more than 100,000 new jobs are expected in Q2 this year, mostly in tourism but also in construction, production and ***agriculture***.Minister Pavic underscored that Croatia was faced with the problem of a lack of qualified labour despite 180,000 unemployed persons and announced an intensifiedapproach to the joblessin order to first activate the domestic labour force andthen fill in the gap with importquotas.A survey carried out by the Croatian Employment Service showed that 24,000 ofthe 190,000 unemployed people surveyed expressed an interest to work during the tourism season."As far as other sectors are concerned, we want to include 8,000 people in retraining ***programmes***. We want to use an individual approach to each person, to define what jobs are needed and we will endeavour to ensure as much domestic labour as possible. For those jobs that we can't fill, particularly in construction, we will increase import quotas from third countries," Pavic said.He announced that he would be travelling to Ukraine next week where he is expected to sign a memorandum with his Ukraine counterpart regarding the issue of seasonal workers, similar to an agreement Croatia has with Bosnia and Herzegovina.EPSCO discussed developing European social policy for the period until 2020 and reducing the gender pay gap.In Croatia, men on average earn 10.6% more than women, and Croatia falls in the category of five EU member states with the narrowestpay gap, which is 16% at the EU level, Pavic said.Croatia launches initiative to establish EU tourism fundZAGREB, March 15(Hina) - Croatia's Tourism Ministry has issued a declaration proposingthe establishment of aEuropean Union tourism fund, and to that end, Bulgarian and Maltese tourism ministersare likely to come to Zagreb in two weeks' time to co-sign the declaration and put it forward to other EU member-states.Croatian Minister GariCappelli's adviser Barbara Mesic said in Zagreb on Thursday that the European Commission currently does no have either a directorate or working group exclusively for tourism, although tourism accounts for up to 10% of the Union's GDP."The tourismindustry in the EU and in Croatia believes that a fund of that kind or directorate would be welcome," Mesic said explaining the initiative launched by the minister.The World Tourism Organisation, and representatives of Austria, Italy and Germany support the initiative.Croatia will continue lobbying for the fund.Alpine-Western Balkan Corridor proposed to facilitate cargo transport by railZAGREB, March 15 (Hina) - The Croatian government on Thursday was informed of a letter of intent to establish an Alpine-Western Balkan Corridor for cargo transport by rail.Setting up this corridor has been proposed by the relevant ministries of Austria, Slovenia, Croatia, Serbia and Bulgaria.The purpose of the letter is to express the political will of the signatories to establish the corridorwithin two years as soon as the pertinent decision takes effect, Croatian Infrastructure and Transport Minister Oleg Butkovic told the cabinet."During the first stage,this rail freight corridor will be put into operation on the territories of the above-mentioned EU member-states, and later it will be expanded to the territory of Serbia as soon as that country creates a legal foundation accordingly," said Butkovic.People who lost their homes in Kostajnica landslide to be provided with housingZAGREB, March 15(Hina) - The government will allocate budgetary funds to provide housing for homeowners whose houses were destroyed or damaged in a landslide in Hrvatska Kostajnica, some 70 km southeast of Zagreb, and in other areas in which residents suffered great material damage caused by landslides.The government will also pay for the debris removal, according to a decision adopted at a session on Thursday.Prime Minister Andrej Plenkovic said the government would coordinate all efforts with the local authorities.About a dozen houses have been damaged, of which several severely, in a landslide in Hrvatska Kostajnica, andno casualties were reported. The landslide was caused by heavy snowmelt.The Social WelfareMinistry has sent financial assistance to the families who lost their homes, the PM said, adding that the Central Office for Housing and Reconstruction and the Construction Ministry would be involved in the process.Plenkovic also commented on problems in other flood-hit areas in Karlovac and Sisak-Moslavina counties which he and his ministers visited earlier this week.The PM said that measures that were put into effect following heavy snowmelt in these areas yielded good results and local homes were protected from the worst.He thanked the local authorities, the civil protection service, the military, police, firemen and the Croatian Mountain Rescue Service for their efforts to help prevent flooding.The water levels of the Kupa riverin Karlovac were falling overnight, as were the levels of the Korana, but the waterin low lying land and roads caused by flooding has still not receded, according to the Karlovac Emergency Centre.Water levels peaked on Tuesday and have been receding since, although theyremainabove what is described as their ‘typical range’.Flood emergency measures arestill in effect.Up to 90 kuna to be paid as state incentive for housing savings in 2018ZAGREB, March 15(Hina) - Croatians who set aside 5,000 kuna in housing savings during 2018 can count on 90 kuna as state incentive to be paid by the government, and the funds for this purpose will be ensured in the 2019budget.According to the decision by Prime Minister Andrej Plenkovic's cabinet, the upper limit of state incentives for housing savings in 2018 is HRK 90 for savings in the amount of HRK 5,000 or more.Finance Minister Zdravko Maric said that an estimated 30 million kuna would be set aside for this purpose in the budget for 2019.The legislation on housing savings and state incentives for housing savings envisages that every yearthe government decides on the amountof state incentives for that purpose.The system of housing savings was introduced in 1998. Initially,state incentives amounted to up to 1,250 kuna annually, later they fell to 750 kuna and then to 500 kuna, while in 2014no incentives were paid. In 2015, aformula was introduced for a variable amount of incentives.Mandatory membership of Chamberof ***Agriculture*** proposed for grant recipientsZAGREB, March 15(Hina) - Membership in the Croatian Chamberof ***Agriculture*** (HPK) will be mandatory for farmers receivinggrants, and the fee will not be more than six kuna per month, according to the government-sponsored billon the Croatian Chamber of ***Agriculture***.The bill, endorsed by the government on Thursday,regulates the status, organisation, duties and membership as well as sources of funding of the Chamber.The monthly fee cannot exceed 6 kuna, which means that the maximum annual fee can be HRK 72.Based on anestimated number of potential members, the Chamber can count on HRK 7.5 million from membership fees.Apartfrom membership, the Chamber is financed from funds accrued by its own activities, and funds allocated from the state budget plus donations.This yearHRK 300,000 has beenset aside from the state budget for the HPK to ensure smooth work of the chamber until the new law takes effect.The Registry of ***Agricultural*** ***Producers***, which is run by thePaying Agency for ***Agriculture***, Fisheries and Rural Development, showed that on 31 December there were 164,458 ***agricultural*** ***producers***, of whom2,554 were companies, 2174 micro-businesses, 347 cooperatives, 192 other kinds of enterprises and 159,191 family-run farms.Draft collective agreement for healthcare and health insurance sectors signedZAGREB, March 15(Hina) - The Croatian government on Thursday adopted a draft collective agreement for the healthcare and health insurance sectors, to be signed for a period of one year so that in the meantime a solid legislative solution couldbe defined to enable the Croatian Doctors Union to participate in talks on the next collective agreement.The collective agreement for the healthcare and health insurance sectors was concluded on 2 December 2013 for a period of four years and its provisions were applied retroactively for three months after its expiry, namely until 2 March 2018.Talks on anew collective agreement started on February 14and its draft was initialled by the government and the unions, said Health Minister Milan Kujundzic.The talks on the collective agreement involved the representative trade unions and the agreement has retained all the provisions of the collective agreements previously in force and their annexes, i.e. the same level of benefits and other entitlements in the healthcare and health insurance sectors.The implementation of the proposed draft collective agreement will not require additional funds in 2018 and 2019 and the required funding will be the same as in 2017, totalling HRK 11.598 billion, Kujundzic added.Government forwards several bills to parliamentThe government today alsosent to the parliament the Final Bill on the Professional Rehabilitation and Employment of Persons with Disabilities, under whichprofessional rehabilitation centres would be founded exclusively by the government, which would also take over all founding rights for the existing centres for professional rehabilitation in Zagreb, Osijek, Rijeka and Split, as of 1 January 2019.Under the proposed amendments, funds raised from payments made by employers who do not employ the required number of persons with disabilities would be used for employment incentives for persons with disabilities as well as for the sustainability and development of the professional rehabilitation system.The government also forwarded to the parliament the Final Bill on Defence and the Final Bill on Service in the Armed Forces.23 SMA patients to be included in clinical trial and get medicationZAGREB, March 15(Hina) - Prime Minister Andrej Plenkovic said on Thursday that 23 Croatian children patients suffering fromspinal muscular atrophy (SMA) would be included in a clinical trial to be conducted by theHoffmann-La Roche pharmaceutical company and they would receive medication for thedisease that affects the motor nerve cells in the spinal cord, taking away the ability to walk, eator breathe.Plenkovic said at a government session that he had spoken to the key person inHoffmann-La Roche during the World Economic Forum in Davos, which resulted in intensive contacts between company executives in Zagreb and the Croatian Health Ministry.It was agreed to include 23 patientssuffering from SMA type 1, 2 and 3, and later possibly type 4 patients, in a clinical trial whichHoffmann-La Roche conducts in several countries, including Croatia, the PM said.The patients will not receive Spinrazademanded by their parents, but a new drug for which Plenkovic believes will significantly improve their condition.The government also endorsed a proposalfrom the Health Ministry to reallocate budgetary funds for 2017 and secure funding for the Pediatric Clinic in Zagreb, in the amount of HRK 4.36 million to procure theDinutuximab beta Apeiron drug for children suffering from neuroblastoma.Last yeara total of HRK 3 million was paid for the treatment of children suffering from high-risk neuroblastoma. In February, the Paediatric Clinic requested additional funds from the Health Ministry.HRT urged to tighten the belt moreZAGREB, March 15(Hina) - The Croatian government on Thursday recommended that the parliament adopt areport on the operation of the HRT public broadcaster in 2016 but also oblige the public media service to make a ***plan*** to cut its loan debt, reduce operating costs and the cost of external contractors, increase the efficiency of its permanent staff and carry out restructuring due to problems identified in its business operations."The report shows that there has been certainprogress in the HRT's business operations, as evidenced by an increase in its profit. However, the HRT should continue reducing operating costs, notably as regards external contractors, and take measures to increase liquidity and reduce the debt," a state secretary at the Culture Ministry, Kresimir Partl, said while explaining the government's proposal to the parliament.The HRT's revenues in 2016 amounted to HRK 1.393billion, down 0.4% (5.5 million) from 2015 and 1.1% (HRK 15 million) from the 2016 ***plan***.Expenses totalled HRK1.363 billion, down 1.3% (HRK 17.6 million) from 2015 and2.5% (HRK 34.6 million) less than ***planned*** for 2016.The profit in 2016 totalled HRK 30.3 million, 66% (HRK 18.3million) more than in 2015and 182.4% more than ***planned*** for 2016.The HRT's debt carried over to 2016 at the end of that year totalled a still high HRK 587.96 million (down 1.6% from 2015).The HRT's debt to banks and other financial institutions was 7.6% orHRK 26.3 million higher than in 2015 as in 2016additional loans worth HRK 140 million weretaken from banks. Payments of due instalments were regular.The cost of external contractors was down 3.8% from 2015, totalling HRK 89.1 million. Even though in 2016 the number of HRT employees declined, the cost of wages was higher due to court and out-of-court settlementstotalling HRK 1.21 million.Divjak: All teachers' entitlements retained, everything to be resolved by EasterZAGREB, March 15 (Hina) - Science and Education Minister Blazenka Divjak said on Thursday that negotiations with the teachers' unions hadresulted in all of their entitlements having beenretained and that everything would be resolved by Easter.Commenting on a protest held by teachersin front of the ministry for the third Thursday in a row, Divjak underscored that the protest was a legitimate right even though she personally did not see any reason for it."We talked and negotiated with the unions on Monday, Tuesday and Wednesday. Practically all entitlements and other rights have been retained. Now we just need to resolve two more issues so everything is drawing to an end," Divjak said.She underscored that everything should be resolved by Easter, after which the regular procedure inunionand government bodies wasexpected to be launched.The teachers'unionsorganised the protest accusing the ministry of stalling negotiations, not givingits opinion on their demands and not securing the finances to concludean improved collective agreement.Minister: Defence, army service bills to improve soldiers' readiness, living standardsZAGREB, March 15(Hina) - Defence Minister Damir Krsticevic said at a government session on Thursday that the main purpose of the bills on defence and service in the Armed Forces, which the government put forward to the parliament,was to increase the functionality and readiness of the army as well as improve the standard of living of soldiers and non-commissioned and commissioned officers.The Defence Bill additionally regulates the definition of relevant terms, suggesting that the Croatian Armed Forces also be called the Croatian Army and that the name Croatian Air Force and Air Defence be changed to the Croatian Air Force.The bill includes a clearer definition of reserve forces'rights and obligations toenable the expansion of the personnel base to fill the Armed Forces professional and reserve units, thus ensuring greater efficiency in carrying out tasks arising from obligations defined by the Defence Act and ***strategic*** documents.The Service in the Armed Forces Bill proposes changes such as the reinstatement of paid work to replace the existing payment of duties and the introduction of special bonuses for guard duty, duty hours and work on the ground.The Defence Ministry says the proposed bills are expected to improve the professional development of members of the Croatian Army as well as restore the dignity of the military profession to encourage interest in employment with the Armed Forces and increase the security and protection of Croatia and its citizens.Minister says Rimac, Oreskovic will work on new conflict of interest lawZAGREB, March 15 (Hina) -Public Administration Minister Lovro Kuscevic said ahead of the government session on Thursday that Josipa Rimac, who was fined for conflict of interest,and Dalija Oreskovic, who used to be at the helm of the Conflict of Interest Commission that fined Rimac, would both work on a new bill regulating prevention ofconflict of interest which, according to him, would result in a good draft proposal.Kuscevic told the press outside Government House that Rimac, former Knin mayorwho currently serves as a state secretary in his ministry, was at the helm of the task force entrusted with drawing up a new conflict of interest bill, although the Conflict of Interest Commission had fined her with HRK 4,000 for failing to submit a declaration of assets on time and for discrepancies between assets listed and the actual situation.The task force consists of a number of experts from the Finance Ministry, the Public Administration Ministry and the academic community. Mrs Dalija Oreskovic is part of the team and I believe that cooperation between Mrs Oreskovic and Mrs Rimac will result in a good draft proposal, Kuscevic said.Dalic: Consumers are the most vulnerable market participantsZAGREB, March 15 (Hina) - Economy Minister Martina Dalic said on Thursday that consumers were the most vulnerable market participants and their rights deserved full attention.She was speaking on the occasion of World Consumer Rights Day, which is observed on March 15. The focus of this year's World Consumer Rights Day is on making digital marketplaces fairer."Phenomena such as unfair business practice, unsafe products, undelivered services, incomplete information on products and services, using personal details without the consumer's consent andunfair pricing are against the law and are in violation of consumers' rights. Consumers are the most vulnerable market participants and that's why they enjoy legal protection," Dalic said."However, a rightprovided for under a law is just a dead letter if consumers are unaware of it or do not know how they can exercise it," she said, adding that the task of state institutions is to educate and inform the consumers and ensure that their rights are respected.Dalic said that although considerable progress had been made in recent years, there was still a lot of room for improvement, both in exercising and increasing consumers' rights. She added that Croatia was participating in the preparation of a new EU legislative package called A New Deal for Consumers.Dalic said that the work on consumer rights protection in Croatia was divided among 39 different state bodies, with the Ministry of Economy, Entrepreneurship and Crafts acting as the coordinator.The head of the European Commission Representation in Croatia, Branko Baricevic, said that consumer protection had been given fresh impetus through the activity of Consumer CommissionerVera Jourova, who has launched many new initiatives, successfully integrating and connecting consumer protection with the rule of law and the judicial sector.Baricevic said that consumer protection was becoming increasingly important in light of cross-border commerce, the strengthening of the digital market and increasing online purchases.A survey conducted by theMinistry of Economy, Entrepreneurship and Crafts has revealed that Croatian consumers mostly complain about faulty products (42%) and public services (23%).In order to raise consumer awareness, the ministry organised the Consumer Rights Week from March 8 to 15in seven cities.Two agreements signed to co-fund operation of consumer advice centresZAGREB, March 15 (Hina) - The Ministry of Economy, Entrepreneurship and Crafts on Thursday signed cooperation agreements with the Ministry of Finance and the City of Zagreb on financing consumer advice centres.The agreements were signed on the occasion of World Consumer Rights Day by the Minister of Economy, Entrepreneurship and Crafts, Martina Dalic, the Minister of Finance, Zdravko Maric, and the Mayor of Zagreb, Milan Bandic.Dalic said that her ministry had issued a call for expression in interest in establishing six consumer advice centres in as many towns. She expressed hope that the advice centres would be in place as of July 1.Civic initiative launches referendum campaign against Istanbul ConventionZAGREB, March 15(Hina) - Activists of the civic initiative "Truth About the Istanbul Convention" said at a news conference on Thursday that they werelaunching a campaign for a referendum at which Croatians would say if they wantthe national parliament not to ratify the Council of EuropeConvention on preventing and combating violence against women and domestic violence, the so-called Istanbul Convention.The initiative's coordinator, Kristina Pavlovic, said that earlier in the day they sent President Kolinda Grabar-Kitarovic an open letter asking her to call a referendum on the matter in line with her constitutional powers."Those who oppose the ratification of the Istanbul Convention do not support violence against women, they oppose the convention because of the gender ideology it contains. Even though the term 'gender' exists in some Croatian laws, it is defined for the first time in the Istanbul Convention as a social construct separate from the biological sex, which is the main postulate of gender ideology," said Pavlovic."If we are a sovereign country, we should be able to adopt and implement good laws on the prevention of violence on our own, rather than import dangerous and very expensive ideologies under the guise of the fight against violence," she added.The results of public consultation conducted on the government's e-Savjetovanja website in July 2017 show that 80% of participants in the consultation were against the Istanbul Convention, so its ratification by the parliament would be contrary to the will of the majority of Croatian citizens, it was said at the news conference.Pavlovic said the promotion of gender ideology had a fatal impact on balanced and integral development of children and young people. She said that as parents and citizens, members of the initiative "Truth About the Istanbul Convention" were against the integration of the concept of gender in the education system and media, which, she said, the convention called for.Ivan Mihanovic of the Vigilare association said that Croatia would have to set aside more than a billion kuna of budget money annually for the implementation of the Istanbul Convention. If Croatia has that money, it can finance shelters for women without the Istanbul Convention and do what is necessary for their protection, spending the rest of the money to promote population growth policies rather than finance gender-feminist associations, said Mihanovic.Member of Parliament Hrvoje Zekanovic of HRAST addressed reporters after the news conference, expressing support for the initiative and its letter to President Grabar-Kitarovic.Earlier in the day, the Protestant Reformed Christian Church in Croatia said it considered the ratification of the Istanbul Convention unnecessary and harmful if it was not preceded by a serious discussion between all social stakeholders on the conventionwhich, it said, was trying to impose gender ideology on Croatian society.SDP will only support integral Istanbul Convention, says BernardicZAGREB, March 15(Hina) -Social Democratic Party (SDP) leader Davor Bernardic said on Thursday that his party would support the ratification of the Istanbul Convention only if it was ratified in its integral form, without any reservations, expressing support for the fight against violence against women and discrimination on any grounds.Speaking at a news conference a week after Prime Minister Andrej Plenkovic of the HDZ party announced ***plans*** for the ratification of the Council of Europe Convention on preventing and combating violence against women and domestic violence (Istanbul Convention), Bernardic said he was glad the government had realised that as a civilised and pro-European country, Croatia also had torespect those who by their gender orientation were different from itsconservative notion of marriage.Commenting on the speculation that Croatia would ratify the document similarly toPoland, prompted by Family Minister Nada Murganic's statement that the government would adopt the convention "with certain reservations", Bernardic said that the SDP wanted the document to be ratified without any reservations, otherwise it would not support it."Combating violence against women has no alternative, no one in Croatia must be against others and those who are different, against gayor transgender people," said Bernardic."We are all humans and have similar needs and dreams and share the same wish for success and happiness. There should be no divisions between us, especially not on this ground," he said.Asked where he saw the connection between the Convention and gay, transgender and LGBT persons, considering that that population was not mentioned in the document, Bernardic cited Article 4 of the Convention which, he said, noted that parties to the document would ensure the implementation of the convention, notably measures for the protection of victims without discrimination on any grounds, whether sex, gender, race, skin colour, ethnic or social background, property status, disability...First condition for SDP - No one must be discriminated against"For us the first condition is that no one must be discriminated against, and it is our obligation to protect women from violence. However, time has come for us in Croatia, too, to say that 'we are all human' and that there must be no discrimination against those who are different," Bernardic said.Commenting on Slovenian Prime Minister Miro Cerar's unexpected resignation on Wednesday, Bernardic said that he did not believe this would have any effect on negotiations on the two countries' border arbitration ruling.HNB: Beginning of 2018 sees further increases in business and consumer optimismZAGREB, March 15 (Hina) - The Croatian National Bank (HNB) Council met on Thursday to discuss recent monetary and economic indicators, saying that the slowing down of economic activity in the final quarter of last year might only be temporary as the beginning of 2018 saw further increases in business and consumer optimism and employment.After the stable growth of economic activity in the year to September 2017, in the final quarter of last year the annual real GDP growth rate slowed down to 2.0%, increasing by 2.8% in the whole of 2017. The final quarter saw a strong slowing down in the annual growth of gross fixed capital investment, mostly due to the lower absorption of EU funding than at the end of 2016, the Council said in a statement.The slowing down of real activity in the fourth quarter might only be of a temporary nature given that the beginning of 2018 saw further increases in business and consumer optimism and employment and a further decrease in the number of unemployed persons, the statement added.The HNB said that consumer prices fell by 0.2% in January 2018 compared with December 2017, mostly due to seasonal decreases in clothing and footwear prices, while annual inflation slowed down to 1.1%. Domestic lending to companies and households continued to increase and favourable fiscal developments also continued at the start of the year, the central bank said.Emergency administrator: Agrokor-Sberbank deal likely to be inked next weekZAGREB, March 15 (Hina) - The signing of an agreement between the lender Sberbank and the debt-laden Agrokor Group can be expected next week, according to a statement made by Agrokor emergency administrator Fabris Perusko after he held a meeting with suppliers in Zagreb on Thursday.Asked by the press if there was any headway in the negotiations with Sberbank, Perusko answered in the affirmative. He said that in principle an agreement had been achieved, and that the signing of the deal could be expected next week.The Russian commercial lender is the biggest creditor of the retail and food group Agrokor, its claims amounting to approximately one billion kuna.Commenting on the process of reaching a settlement with the creditors and with suppliers, Perusoko said that Agrokor's suppliers werevery important."Within this process (of the emergency administration) during the time span of a year, the suppliers have been the only creditors since the start of the process who have been paid and it is essential to care for the suppliers in the proper manner so that they can continue operating within the system," Perusko said.During today's meeting, representatives of the suppliers were informed about the ongoing process of emergency administration and about the outcome of last week's negotiations with the Interim Creditors' Council and the emergency administration in Zadar.One of the representatives of the suppliers, Marica Vidakovic hinted at a possibility of hammering out an agreement as a result of the negotiations.Agrokor companies' estimated value available to creditors between EUR1.8 and 3.8bnThe estimated value of the companies in the Agrokor Group that is available to their creditors ranges from EUR 1.8 billion to 3.8 billion, according to a document published by the emergency administration in the indebted food retail group on Wednesday.Agrokor published two documents:the "Entity Priority Model (EPM) Guidebook" and the "Summary Information Package as per Interim Creditors' Council Disclosure Policy".The purpose of the EPM is to determine stakeholder claims and respective recoveries at each entity in the Agrokor group under emergency administration proceedings. The EPM identifies each entity's distributable value and the legal rights, ranking and characteristics of each of its claims and the EPM Guidebook explains the settings of this model.The Summary constitutes the basis on which the EPM is built and will allow informing the stakeholders of the forthcoming discussions around value allocation. Much of the information is preliminary and subject to material change as settlement ***plan*** discussions with the creditors' representatives continue.This material, for the first time, showcases the Estimated Valuation Summary of Agrokor companies. The estimated value available to the creditors of these companies amounts to EUR 1.8-3.8 billion.EconMin believes settlement in Agrokor is possibleZAGREB, March 15 (Hina) - Economy Minister Martina Dalic said on Thursday that she believed that creditors and other stakeholders involved in the emergency administration process in the ailing Agrokor food and retail conglomerate, would reach an agreement and settlement."I believe and expect that all participants in the process, starting from objective circumstances that show that Agrokor's total debt is significantly higher than its assets and having in mind their position in the entire process, will manage to come to a rational agreement and ensure a settlement," Dalic said on Thursday.Asked if everything was going according to ***plan*** and what her expectations of the emergency administration were, Dalic said that talks were under way with all creditors so that a settlement could be reached within the statutory deadline.The emergency administration is focused on an agreement on the terms of the settlement, Dalic said.She confirmed that last week's meetings with creditors were encouraging and that the emergency administration was now faced with the next round of direct talks.Asked if the Constitutional Court could complicate the process given that it had announced that it would give its opinion on the Agrokor law before the settlement date of July 10, Dalic saidthat the court would decide on the complaints lodged with it autonomously and within the time frame it itself had set."Let's wait for its opinion and decision in those procedures," she said.Court again issues property injunction for Agrokor founder TodoricZAGREB, March 15 (Hina) -Zagreb County Court has decided again to freeze the assets of the founder of the debt-laden Agrokor corporation, Ivica Todoric, as well as a large part of assets owned by four more suspects in the Agrokor scam case.The court decided to freeze all the assets of Ivica Todoric, as well as some of the assets of Tomislav Lucic, Ljerka Puljic, Damir Kustrak and OlivioDiscordia.On the other hand, the court dismissed a request for the injunction of the assets of Todoric's sons Ivan and Ante, his daughter Iva Balent and hisson-in-lawHrvoje Balent, as well as of Piruska Canjuga, Ivan Crnjac, Mislav Galic, Alojzije Pandzic, Sanja Hrstic, Marijan Alagusic and Ivica Sertic.The freezing injunction, published online by the court on Thursday, reads that Ivica Todoricwas implicatedin alleged illegal dealings, whereas othersuspectspartook in some of the offences that have affected Agrokor.Tomislav Lucic is accused of having enabled Todoric to secure 1.5 billion kuna to the detriment of Agrokor, Ljerka Pujlic is charged with having helped Todoric to embezzle 793.4 million, whileKustrak and Discordia allegedly helped him to embezzle 1.9 billion and 670.6 million kuna respectively.The injunction also notes that in 2015Todoric transferred a portion of his assets to his children through a deed of donationand that he is beyond the reach of Croatian authorities, "ignoring the proceedings against him".In late December 2017, the court issued for the first time the property injunction in this case, however, a panel of judges not included in the investigation process upheld appeals by defence teams and ordered the investigating judge to decideagain on the freezing injunction.Centre for Monitoring Business Activities in Energy Sector to cease operatingZAGREB, March 15 (Hina) - The Croatian government on Thursday put forward a final billto close the Centre for Monitoring Business Activities in the Energy Sector and Investments (CEI) andtransfer its assets and staff to the Environment Protection and Energy Ministry.Explaining the bill, Energy and Environment Protection Minister Tomislav Coric said that theclosing of the CEI centre and bringing together professional staff in one place, that is the ministry, would make activities in the energy and environment protection sectors more efficient.The new law will also make some savings.CEI wasestablished in 2012 "with the objective of finding solutions for improving the financial effectiveness of companies in the energy sector in which the state has shares or holds stocks and appropriate and targeted directing of funds in a mannerensuring biggest and most long-term economic return, stable growth and centralised and systematic monitoring of all investments in the Republic of Croatia," according to information on the CEI website.Court orders foreclosure of former PM's real estate, total debt HRK 130mnZAGREB, March 15(Hina) -The Commercial Court in Zagreb on Thursday ordered a foreclosure of the real estate of the bankrupt Niva d.d. company owned by former prime minister Nikica Valentic, which owes creditors more than HRK 130 million, while the terms of the auction sale will be set at a laterdate.The Niva company was founded in 1995 with a nominal capital of HRK 120,000. According to its 2016 financial statements submitted to the Financial Agency (FINA), Niva recorded a loss of more than HRK 26 million.Last year, the Commercial Courtadvertised a call for creditors of the Niva d.d. company owned by former prime minister Nikica Valentic to propose bankruptcy proceedings within 45 days due to the company's recorded debt of HRK 1.35 million.Nikica Valenticwas the company's CEO and chairman of the Management Board from 1997 to 2011. At the end of 2015, he was appointed chairman of the Supervisory Board.Slovenia set for early election in MayZAGREB, March 15 (Hina) - Slovenia's President Borut Pahor met on Thursday with Prime Minister Miro Cerar, who had announced his resignation late on Wednesday, and said that a parliamentary election would most likely be held in the second half of May.Pahor said that due to the prime minister's resignation a snap election could be held in the second half of May, a press release from his office said after he met with Cerar who gave the reason for his resignation.Parliament is expected to "take note" of Cerar's resignation next week after which President Pahor will dissolve the parliament and set an election date.Cerar made a public statement late on Wednesday eveningsaying he had decided to resign due to the resistance he had met not only from the Opposition and lobby groups butalso from coalition partners who "thwarted" reforms that would facilitatethe country's development and betterment for future generations and that his party's efforts have not been recognised in reducing unemployment, stabilising public financesand attracting foreign investment.He added that Wednesday'sdecision by the Supreme Court, which practically suspendeda "***strategic*** project," was the final straw that broke his patience and that he had no other option but to resign.Matjaz Han, aspokesman for the junior coalition partner, theSocial Democrats (SD), said that as far as the border dispute with Croatia is concerned, it is necessary to talk with both Croatia and the European Commission, and that it is also important to discuss the Nova Ljubljanska Banka issue, whereas everything else can be put on hold for a month or two until the political situation in the country is unravelled.The Slovenian government adopted a conclusion on Wednesday confirming the text of a letter containing a complaint against Croatia for not implementing the arbitration ruling in the border dispute between the two countries. The complaint, it is assumed, will now be sent to Brussels, and Cerar believes that this decision should be binding on any future government if the arbitration problem is not resolved in the meantime.US against third entity in BosniaZAGREB, March 15(Hina) - The United States will not support the establishment of a third entity in Bosnia and Herzegovina or any other type of reconfiguration of the country that would be based on ethnic principles, the US Embassy in Sarajevo said on Thursday.In a special statement forwarded to the local media, the US Embassy responded to a repeated offer bySerb entity president Milorad Dodik for the establishment of a third, Croat-majority entity in Bosnia and Herzegovina.In an interview with the Bosnia and Herzegovina edition of the Vecernji List daily, Dodik said a third, Croat entity would be the best way to defuse the current internal tensions and guarantee equality for the country's Croat community, but on the strict condition the Serb entity was preserved within its current borders.Dodik proposed that the new entity be made by dividing the Croat-Muslim Federation entity into a Croat and a Muslimpart.The position of the United States on thismatter is well known and remains unchanged. The USis committed to the principles of the Dayton peace agreement and to Bosnia and Herzegovina as a democratic, multiethnic, sovereign and independent country with two entities, three constituent peoples and unquestionable territorial integrity, the embassy said in the statement.It resolutely dismissed any notion of further divisions within Bosnia and Herzegovina, particularly those based on ethnic criteria.The Croat chairman of the three-member Presidency of Bosnia and Herzegovina, Dragan Covic, who leads theHDZ BiH party, told the N1 broadcaster on Wednesday that Bosnia and Herzegovina should be reorganised so that Croats could be equal to the other two ethnic groups, announcing that this would definitely happen, "in three months or three years.""It does not have to be an entity, it can be any federal unit where (Croats) will enjoy equality," said Covic.ZSE indices downZAGREB, March 15 (Hina) - The main Zagreb Stock Exchange (ZSE) indices fell on Thursday, with the Crobex decreasing by 0.38% to 1,843.40 points and the Crobex10 by 0.24% to 1,069.88 points.Turnover at the close of regular trading was HRK 8.26 million, about 1.6 million higher than on Wednesday.The most traded stock was that of the HT telecommunications company, turning over HRK 2.12 million. Its price rose by 0.91% to close at HRK 165.50 per share.The only other stock to cross the million kuna mark in turnover was the Auto Hrvatska car dealership, which turned over HRK 1.37 million. Its price increased by 3.85% to HRK 675 per share.(EUR 1 = HRK 7.436709)THIS BULLETIN INCLUDES ITEMS RELEASED BY 0830 HOURS FRIDAY. (Hina) vm Masthead Brief News Bulletin is published by the Croatian News Agency HINA Marulićev trg 1610 000 ZagrebCroatia web:[*www.hina.hr*](http://www.hina.hr) mail: [*hina@hina.hr*](mailto:hina@hina.hr) phone: (+385 1) 48 08 660; fax (+385 1) 48 08 822 Publisher: Branka Gabriela Valentić, DirectorEditor in Chief: Serđo Obratov Bulletin Editor: Marija Šestan

ZAGREB, March 16 (Hina) - Croatian president Kolinda Grabar-Kitarovic began her official visit to Chile by attending a business forum in Santiago de Chile on Thursday, accompanied by executives of 15 Croatian companies looking for new business opportunities.

Addressing those gathered, Grabar-Kitarovic expressed a strong desire to create closer ties between Croatia and Chile. "We want to support the mutually beneficial interests of the two countries, their stable development and the aspirations of our respective peoples for a better life and prosperity."

She underscored the good and friendly relations between Croatia and Chile and deeply rooted connections forged by several generations of Croats who had found their homeland in Chile.

Speaking of future partnerships between Croatian and Chilean enterprises, Grabar-Kitarovic cited various industries, tourism, commerce and maritime activities as potential areas of cooperation.

"The defence industry is one of the interesting areas in which Croatia, with its know-how and technologies, can offer unique opportunities for cooperation. Companies from this sector of the Croatian economy are known globally and their excellence and quality puts them at the very top of the European defence industry," Grabar-Kitarovic said.

The president also mentioned shipbuilding as a potential area of cooperation, saying that it was one of Croatia's most successful export industries. Speaking of trade, she said that Croatia was interested in exporting industrial products, such as transformers, generators and machines, and pharmaceutical and food products. She mentioned the seaports of Rijeka and Ploce and modern infrastructure for the marketing of Chilean products in Croatia and in Central and Southeast Europe.

Citing information technology as another area of cooperation, Grabar-Kitarovic said that in the last decade Croatian IT companies had expanded outside Europe and established a presence in global markets.

She called on Chilean entrepreneurs to take into account the potential of tourism as an interesting area of cooperation, welcoming investments by the Luksic Group, the largest Chilean investor in Croatia. She said this group was very active, enjoyed an excellent reputation in Croatia and had the full support of the Croatian authorities.

The president said she particularly appreciated the fact that the Luksic Group had begun investing in the Croatian economy during the 1991-1995 Homeland War, thus providing support to Croatia in the most difficult of times.

"The fact that Croatia and Chile are connected by Chilean entrepreneurs of Croatian origin, who are making a significant contribution to the Chilean economy, is encouraging for the progress of our economic cooperation," Grabar-Kitarovic said, noting that the Croatian economy was growing steadily. She invited Chilean entrepreneurs to explore business and investment opportunities in Croatia.

The Croatian president continues her visit on Friday by meeting with the newly-elected President Sebastian Pinera, only five days after he took office. She is due to visit Santiago, Punta Arenas and Antofagasta, the cities with the largest Croatian communities in the country. An estimated 250,000 Chileans have Croatian origins, which includes Chile among the countries with the largest Croatian community.

ZAGREB, March 15, 2018 (Hina) - Irelandacknowledges the huge contribution Croatian immigrants have made to its society, visiting Irish Parliament Speaker Sean OFearghail said after talks with his host, Sabor Speaker Gordan Jandrokovic, in Zagreb on Thursday.

ZAGREB, March 15 (Hina) - Croatian Foreign and European Affairs Minister Marija Pejcinovic Buric and her Albanian counterpartDitmir Bushatiheld talks in Tirana on Thursday about strengthening trade and economic ties, cooperation within NATO, Albania's journey to the European Union and preserving the Adriatic environment.

ZAGREB, March 15 (Hina) - A set of employment measures amounting to more than HRK 5 billion for 2017 and 2018 are ***producing*** very good results and Croatia ranks third with regard to growth in employment in the European Union,Labour and Pension System Minister Marko Pavic said in Brussels on Thursday.

ZAGREB, March 15(Hina) - Croatia's Tourism Ministry has issued a declaration proposingthe establishment of aEuropean Union tourism fund, and to that end, Bulgarian and Maltese tourism ministersare likely to come to Zagreb in two weeks' time to co-sign the declaration and put it forward to other EU member-states.

ZAGREB, March 15 (Hina) - The Croatian government on Thursday was informed of a letter of intent to establish an Alpine-Western Balkan Corridor for cargo transport by rail.

ZAGREB, March 15(Hina) - The government will allocate budgetary funds to provide housing for homeowners whose houses were destroyed or damaged in a landslide in Hrvatska Kostajnica, some 70 km southeast of Zagreb, and in other areas in which residents suffered great material damage caused by landslides.

The water levels of the Kupa riverin Karlovac were falling overnight, as were the levels of the Korana, but the waterin low lying land and roads caused by flooding has still not receded, according to the Karlovac Emergency Centre.

ZAGREB, March 15(Hina) - Croatians who set aside 5,000 kuna in housing savings during 2018 can count on 90 kuna as state incentive to be paid by the government, and the funds for this purpose will be ensured in the 2019budget.

ZAGREB, March 15(Hina) - The Croatian government on Thursday adopted a draft collective agreement for the healthcare and health insurance sectors, to be signed for a period of one year so that in the meantime a solid legislative solution couldbe defined to enable the Croatian Doctors Union to participate in talks on the next collective agreement.

ZAGREB, March 15(Hina) - Prime Minister Andrej Plenkovic said on Thursday that 23 Croatian children patients suffering fromspinal muscular atrophy (SMA) would be included in a clinical trial to be conducted by theHoffmann-La Roche pharmaceutical company and they would receive medication for thedisease that affects the motor nerve cells in the spinal cord, taking away the ability to walk, eator breathe.

ZAGREB, March 15(Hina) - The Croatian government on Thursday recommended that the parliament adopt areport on the operation of the HRT public broadcaster in 2016 but also oblige the public media service to make a ***plan*** to cut its loan debt, reduce operating costs and the cost of external contractors, increase the efficiency of its permanent staff and carry out restructuring due to problems identified in its business operations.

ZAGREB, March 15 (Hina) - Science and Education Minister Blazenka Divjak said on Thursday that negotiations with the teachers' unions hadresulted in all of their entitlements having beenretained and that everything would be resolved by Easter.

ZAGREB, March 15(Hina) - Defence Minister Damir Krsticevic said at a government session on Thursday that the main purpose of the bills on defence and service in the Armed Forces, which the government put forward to the parliament,was to increase the functionality and readiness of the army as well as improve the standard of living of soldiers and non-commissioned and commissioned officers.

ZAGREB, March 15 (Hina) -Public Administration Minister Lovro Kuscevic said ahead of the government session on Thursday that Josipa Rimac, who was fined for conflict of interest,and Dalija Oreskovic, who used to be at the helm of the Conflict of Interest Commission that fined Rimac, would both work on a new bill regulating prevention ofconflict of interest which, according to him, would result in a good draft proposal.

ZAGREB, March 15 (Hina) - Economy Minister Martina Dalic said on Thursday that consumers were the most vulnerable market participants and their rights deserved full attention.

ZAGREB, March 15 (Hina) - The Ministry of Economy, Entrepreneurship and Crafts on Thursday signed cooperation agreements with the Ministry of Finance and the City of Zagreb on financing consumer advice centres.

ZAGREB, March 15(Hina) - Activists of the civic initiative "Truth About the Istanbul Convention" said at a news conference on Thursday that they werelaunching a campaign for a referendum at which Croatians would say if they wantthe national parliament not to ratify the Council of EuropeConvention on preventing and combating violence against women and domestic violence, the so-called Istanbul Convention.

ZAGREB, March 15(Hina) -Social Democratic Party (SDP) leader Davor Bernardic said on Thursday that his party would support the ratification of the Istanbul Convention only if it was ratified in its integral form, without any reservations, expressing support for the fight against violence against women and discrimination on any grounds.

ZAGREB, March 15 (Hina) - The Croatian National Bank (HNB) Council met on Thursday to discuss recent monetary and economic indicators, saying that the slowing down of economic activity in the final quarter of last year might only be temporary as the beginning of 2018 saw further increases in business and consumer optimism and employment.

ZAGREB, March 15 (Hina) - The signing of an agreement between the lender Sberbank and the debt-laden Agrokor Group can be expected next week, according to a statement made by Agrokor emergency administrator Fabris Perusko after he held a meeting with suppliers in Zagreb on Thursday.

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[***Council of the European Union: Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions - The Future of Food and Farming (Markets & Direct payments) - Exchange of views - Preparation of the Council debate ST 5775 2018 INIT***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5RP3-61X1-F0YC-N2JD-00000-00&context=1516831)

Impact News Service

February 17, 2018 Saturday

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**Body**

Brussels: Council of the European Union has issued the following document:

5775/18 GDLC/LP/JU/ah 1 DGB 1B EN Council of the European Union Brussels, 31 January 2018 (OR. en) 5775/18 AGRI 54 NOTE From: Presidency To: Special Committee on ***Agriculture*** Subject: Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions - The Future of Food and Farming (Markets & Direct payments) - Exchange of views - Preparation of the Council debate I. INTRODUCTION The Commission adopted its Communication on 'The Future of Food and Farming' on 29 November 2017 (doc. 14977/17). On 11 December 2017, the Commission presented the Communication to the Council and Ministers gave their initial reactions. On 29 January 2018, the Council held a first thematic discussion focusing on the CAP's added value, the key objectives at EU level to maintain and further enhance it and the appropriate level of subsidiarity. On that occasion, the Presidency announced that the Council meeting on 19 February would focus on policy elements such as direct payments and measures contributing to environmental protection and climate action, as well as on rural development.

The Council also took note of the fact that, in preparation for that ministerial debate, the Special Committee on ***Agriculture*** would look into some of the Commission's ideas set out in the Communication in more technical detail in order to prepare the Council debate more effectively. 5775/18 GDLC/LP/JU/ah 2 DGB 1B EN To that end, this note sets out some questions for the SCA's discussion on 5 February 2018 focussing on direct payments and market measures. A separate paper for the SCA meeting on 12 February will focus on measures contributing to environmental protection and climate action, as well as on rural development. II. DIRECT PAYMENTS Background Direct payments are an essential part of the CAP in line with its EU Treaty obligations. They provide an important income safety net by helping to stabilise farmers' revenues in times of volatile market prices, adverse weather conditions and variable input costs. They also ensure that there is ***agricultural*** activity in all parts of the EU. Furthermore, direct payments play a role in protecting the environment and helping to develop the rural economy. Currently direct payments are granted to farmers in the form of a basic income support based on the number of hectares farmed. Basic payment are complemented by a series of other support schemes targeting specific objectives or types of farmers such as payments to young farmers, redistributive payments and a small farms scheme, payments for areas with natural constraints as well as voluntary coupled support. The Commission believes that, in spite of providing an important income safety net, direct payments could fulfil their mission more effectively if they were simplified and better targeted. In the Communication, the Commission mentions that the concentration of a large part of payments on a small number of farms raises “accusations of unfairness”. To ensure a fair and better targeted support of farmers' income the Commission suggests to explore in particular the following possibilities: • A compulsory capping of direct payments; • Degressive payments to reduce the support for larger farms; 5775/18 GDLC/LP/JU/ah 3 DGB 1B EN • Enhanced focus on a redistributive payment to the benefit of small and medium sized farms; • Targeting support to 'genuine' farmers to focus on those who are actively farming in order to earn their living. Referring to the principle of equality between Member States the Commission also suggests to reduce the differences between Member States in CAP support. The Commission wants to make the CAP more result-driven by introducing a delivery model based on results that would also cover direct payments. The future CAP ***strategic*** ***plan*** would cover ***interventions*** in both pillars to ensure policy coherence and EU set common and specific objectives. In order to advance towards a more result-driven policy mechanism, solid and measurable indicators and targets as well as a credible performance monitoring and reporting system would need to be developed. Assurance based on legality and regularity would be replaced by assurance based on performance. Questions for the SCA: i) Result and target orientation: a) What results do we expect from direct payments? b) Should direct payment focus on specific groups/types of farming/ ***agricultural*** sectors? c) What would be the appropriate targeting mechanisms to provide fairer distribution and should these mechanisms be mandatory – e.g capping, redistributive and degressive payments? d) Voluntary coupled support: How could coupled support contribute better to meeting CAP objectives? 5775/18 GDLC/LP/JU/ah 4 DGB 1B EN ii) Basic Payments: a) What are the costs and benefits of a basic payment scheme including payment entitlements? Should this type of direct payment be continued? b) Would a single area payment scheme be preferable? iii) Delivery model: a) Which parameters would need to be set at EU level in order to avoid disrupting the single market/distorting competition? b) Which indicators could be used to demonstrate the performance of direct payments in the results-based assurance model? c) On the basis of what analysis included in the CAP ***strategic*** ***plan*** should Member States make their choices? In addition to answering those questions, delegations may also highlight other aspects of the current regime where they see scope for simplification. Suggested questions for the Council debate: – How could direct payments be designed and targeted in the future to ensure a fairer and more effective outcome for farmers across the EU? – How could coupled support be better designed to contribute to CAP objectives and EU added value? III. RISK MANAGEMENT The Commission recognises in its Communication the increasing risks of price volatility leading to increased pressure on incomes, the risks stemming from climate change, the associated increased frequency and severity of extreme weather events and more frequent sanitary and phytosanitary crises affecting EU livestock and agronomic assets. 5775/18 GDLC/LP/JU/ah 5 DGB 1B EN The CAP already provides tools to prevent and manage risks; they range from direct payments and market ***intervention*** to current second pillar measures, in particular the Income Stabilisation Tool (IST) and insurance support. The future of risk management post 2020 was discussed during the Informal Council meeting in Tallinn on 5 September 2017 where ministers exchanged views on the engagement of farmers and the further development of the risk management tools in both pillars. In its Communication, the Commission suggests to increase the understanding and the knowledge of the farmers on the different risk management instruments, to create a permanent EU-level platform on risk management and to develop an integrated and coherent approach combining EU-level ***interventions*** with Member States' strategies and private sector instruments. Question for the SCA: How can risk management be improved? IV. MARKET MEASURES AND CRISIS MANAGEMENT Background The EU markets for ***agricultural*** products are regulated by a set of rules constituting the Common Market Organisation (CMO). The CMO establishes the parameters for intervening on ***agricultural*** markets and providing sector-specific support (e.g , fruit and vegetables, wine, apiculture). It includes rules on marketing of ***agricultural*** products and the functioning of ***producer*** and interbranch organisations. It also covers issues related to trade and competition rules. Special ***intervention*** and exceptional market support measures are provided for, in order to react efficiently and effectively against a market crisis. The Omnibus Regulation, which entered into force on 1 January 2018, further strengthened the position and the roles of ***producer*** organisations to engage in the food supply chain and on the markets. At the Informal meeting in Tallinn held on 5 September 2017 ministers exchanged views on the crisis reserve and the need for more flexibility and modernisation. 5775/18 GDLC/LP/JU/ah 6 DGB 1B EN With regard to the CAP after 2020, the Commission suggests to help farmers make more money from the market. To this end the Commission calls for action to close the investment gap in ***agriculture*** to allow farmers to restructure, modernise, innovate, diversify and take up new technologies and digital-based opportunities such as precision farming. The Commission also argues for additional reflection on the role and effective functioning of ***agricultural*** ***producer*** organisations. At the Council meeting on 29 January 2018, Commissioner Hogan stated that the current market measures envisaged in the CMO Regulation function well and thus no significant changes are suggested in the Communication. Commissioner Hogan also indicated that in the Commission's view sectoral ***plans*** (e.g for fruit and vegetables, wine etc.) should be included in the CAP ***Strategic*** ***Plan***. Questions for the SCA: i) Having regard to the achievements in the Omnibus Regulation, do you consider that any CMO measures should be further modernised/modified? ii) What additional measures need to be envisaged in order to strengthen farmers’ position in the food chain to achieve overall CAP objectives? iii) How can crisis management be improved? iv) Delivery model: Which market measures and elements could be appropriate for inclusion in a ***strategic*** ***plan***? (Ideas on appropriate objectives, targets, indicators could also be shared.) No questions on topics III and IV are envisaged for the Council debate. Conclusion The Presidency invites delegations at the SCA meeting on 5 February to provide views on the technical questions set out above. They may also comment on the proposed questions for the Council meeting on 19 February.

**Load-Date:** February 19, 2018

**End of Document**



[***Register of Commission documents: 2018 Budget - Mandate for the trilogue Document date: 2017-07-03 P8\_AMA(2017)0249(008-008) Amendments to A documents (Reports***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5PCC-KFF1-JDG9-Y3S7-00000-00&context=1516831)

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**Body**

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AM\P8\_AMA(2017)0170(106-106)\_EN.docx 1/60 PE605.573v01-00 EN United in diversity EN 4.7.2017 A8-0170/106 Amendment 106 David McAllister on behalf of the Committee on Foreign Affairs Linda McAvan on behalf of the Committee on Development Jean Arthuis on behalf of the Committee on Budgets Report A8-0170/2017 Eduard Kukan, Doru-Claudian Frunzulică, Eider Gardiazabal Rubial European Fund for Sustainable Development (EFSD) and establishing the EFSD Guarantee and the EFSD Guarantee Fund COM(2016)0586 – C8-0377/2016 – 2016/0281(COD) Proposal for a regulation – AMENDMENTS BY THE EUROPEAN PARLIAMENT\* to the Commission proposal --------------------------------------------------------- REGULATION (EU) 2017/… OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of … on the European Fund for Sustainable Development (EFSD) and establishing the EFSD Guarantee and the EFSD Guarantee Fund \* Amendments: new or amended text is highlighted in bold italics; deletions are indicated by the symbol ▌. AM\P8\_AMA(2017)0170(106-106)\_EN.docx 2/60 PE605.573v01-00 EN United in diversity EN THE EUROPEAN PARLIAMENT AND THE COUNCIL OF THE EUROPEAN UNION, Having regard to the Treaty on the Functioning of the European Union, and in particular Articles 209(1) and 212(2) thereof, Having regard to the proposal from the European Commission, After transmission of the draft legislative act to the national parliaments, Acting in accordance with the ordinary legislative procedure, Whereas: (1) The Union’s External Investment ***Plan*** (EIP) provides for the creation of the European Fund for Sustainable Development (EFSD) as its first pillar, alongside technical assistance (second pillar) and improving investment climate and overall policy environment in partner countries (third pillar). AM\P8\_AMA(2017)0170(106-106)\_EN.docx 3/60 PE605.573v01-00 EN United in diversity EN (2) The EFSD aims to support investments primarily in Africa and the Union’s Neighbourhood as a means to contribute to the achievement of the Sustainable Development Goals of the 2030 Agenda, in particular poverty eradication, as well as the commitments under the recently revised European Neighbourhood Policy, thus addressing specific socio-economic root causes of migration, including irregular migration, and contribute to the sustainable reintegration of migrants returning to their countries of origin, and strengthening transit and host communities.

The EFSD, as part of the EIP, should also contribute to the implementation of the Paris Agreement on Climate Change (Paris Agreement). (3) Investments under the EFSD should complement and reinforce efforts carried out in the context of the Union’s migration policy with third countries, including, where appropriate, the implementation of the New Partnership Framework with Third Countries under the European Migration Agenda. AM\P8\_AMA(2017)0170(106-106)\_EN.docx 4/60 PE605.573v01-00 EN United in diversity EN (4) The EFSD should be guided by the objectives of Union external action set out in Article 21 of the Treaty on European Union (TEU) and of Union development cooperation policy set out in Article 208 TFEU. It should also allow ▌ investors and private companies, in particular micro, small and medium-sized enterprises, to contribute more effectively to sustainable development in partner countries in line with Union development and neighbourhood policies. The EFSD should maximise additionality, address market failures and sub-optimal investment situations, deliver innovative products and crowd in private sector funds. EFSD operations should be clearly distinct from, and complementary to, other support, including the European Investment Bank’s external lending mandate operations and Economic Resilience Initiative, and the ACP Investment Facility. They should also be complementary to the existing activities of other eligible financial institutions. (5) The EFSD should contribute to the implementation of the 2030 Agenda, which recognises international migration as a multi-dimensional reality of major relevance for the development of countries of origin, transit and destination, requiring coherent and comprehensive responses, while underlining the potential for migrants to contribute to inclusive growth and sustainable development. Investments will contribute towards addressing migratory pressures stemming from poverty, conflict, instability, underdevelopment, inequality, human rights violations, demographic growth, lack of employment and economic opportunities as well as from climate change. AM\P8\_AMA(2017)0170(106-106)\_EN.docx 5/60 PE605.573v01-00 EN United in diversity EN (6) The EFSD should be in line with the Union commitment under the Addis Ababa Action Agenda on Financing for Development and the internationally agreed development effectiveness principles. (7) The purpose of the EFSD is in line with the Union Global Strategy for Foreign and Security Policy which embeds challenges such as migration and resilience in the overall EU foreign policy, ensuring that Union external policy is fully coherent with the objectives of development policy and ensuring synergies with European development and Neighbourhood policies. Its purpose is also in line with the Charter of Fundamental Rights of the European Union and international human rights law, ensuring a human rights-based approach while addressing forced displacement and irregular migration. (8) The EFSD should foster decent job creation, economic opportunities and entrepreneurship, and green and inclusive growth with particular focus on gender equality and the empowerment of women and young people in line with the Union’s Gender Action ***Plan*** 2016-2020, while strengthening the rule of law, good governance, human rights and equitable access to and use of natural resources. AM\P8\_AMA(2017)0170(106-106)\_EN.docx 6/60 PE605.573v01-00 EN United in diversity EN (9) Involvement of the private sector in the Union’s cooperation with partner countries through the EFSD should yield measurable and additional development impact, without distorting the market and should be cost-effective, based on mutual accountability and risk and cost sharing. Such involvement should build on a commitment to internationally agreed guidelines and principles, including the Principles for Responsible Investment and the United Nations Guiding Principles on Business and Human Rights and the Organisation for Economic Cooperation and Development’s (OECD) Guidelines for Multinational Enterprises. (10) In order to fulfil the political commitments of the EU on climate action, renewable energy and resource efficiency, a minimum share of 28 % of the funding under the EFSD should be devoted to financing and investment operations relevant for these sectors. (11) Actions under this Regulation should be designed in such a way so as to: fulfil the criteria for Official Development Assistance (ODA) established by the Development Assistance Committee (DAC) of the OECD, taking into account the specificities of private sector development; reflect the needs of countries identified as experiencing fragility or conflict, LDCs and heavily indebted poor countries; provide appropriate support to investments in the Southern and Eastern Neighbourhood. AM\P8\_AMA(2017)0170(106-106)\_EN.docx 7/60 PE605.573v01-00 EN United in diversity EN (12) Technical assistance to partner countries should constitute the second pillar of the EIP. In this context, the Commission should step up assistance in order to help partner countries attract investment by better preparing and promoting projects, developing a higher number of bankable projects and making them known to the international investor community. A project web-portal, in the form of a publicly accessible and user-friendly database, should be established to provide relevant information for each project. (13) The improvement of the investment climate and overall policy environment in partner countries should constitute the third pillar of the EIP. In the context of the Union’s existing political relations with partner countries, the Commission and the High Representative of the Union for Foreign Affairs and Security Policy (High Representative) should maintain policy dialogues aimed at developing legal frameworks, policies and institutions that promote economic stability, sustainable investment and inclusive growth. Those policy dialogues should cover, inter alia, the fight against corruption, organised crime and illicit financial flows, good governance, the inclusion of local markets, the boosting of entrepreneurship as well as local business settings, the respect for human rights and the rule of law as well as gender-responsive policies. AM\P8\_AMA(2017)0170(106-106)\_EN.docx 8/60 PE605.573v01-00 EN United in diversity EN (14) The EFSD should be composed of regional investment platforms, which should be established on the basis of the working methods, procedures and structures of the existing external blending facilities of the Union and which should combine their blending operations and the EFSD Guarantee. The EFSD Guarantee should support financing and investment operations in partner countries in Africa and the Neighbourhood. (15) In the light of the findings of the Court of Auditors regarding the use of blending in the external relations of the Union, it is essential that blending be used where its added value can clearly be demonstrated. ▌ AM\P8\_AMA(2017)0170(106-106)\_EN.docx 9/60 PE605.573v01-00 EN United in diversity EN (16) A ***strategic*** board of the EFSD should be created to support the Commission in setting ***strategic*** guidance and overall investment goals as well as in ensuring an appropriate and diversified geographical and thematic coverage for investment windows. The ***strategic*** board should support overall coordination, complementarity and coherence between the regional investment platforms, between the three pillars of the EIP, between the EIP and the Union’s other efforts on migration and on the implementation of the 2030 Agenda, as well as with the relevant Union external financing instruments and trust funds as well as with the external lending mandate operations managed by the EIB, including the EIB resilience initiative and the ACP Investment Facility, without prejudice to the internal rules of governance of the EIB. (17) The ***strategic*** board should be composed of representatives of the Commission and of the High Representative, of all Member States and of the EIB. The European Parliament should have observer status. Contributors, eligible counterparts, partner countries, relevant regional organisations and other stakeholders may be given observer status, where appropriate. The ***strategic*** board should adopt its rules of procedure. The rules of procedure should define the framework for the involvement of observers, having regard to their respective status and roles. AM\P8\_AMA(2017)0170(106-106)\_EN.docx 10/60 PE605.573v01-00 EN United in diversity EN (18) The Commission and the EIB should conclude an agreement specifying the conditions of their cooperation in the management of the EFSD Guarantee and should present that agreement to the ***strategic*** board. (19) Each regional investment platform should have an operational board, which should draw on the experience of the operational boards of the existing blending facilities. The operational boards should provide support to the Commission in the implementation of this Regulation. They should support the Commission in defining and monitoring regional and sectorial investment goals, regional, sectorial and thematic investment windows, formulating opinions on the blending operations and discussing the use of the EFSD Guarantee in line with the investment windows to be defined. (20) An appropriate level of information to the European Parliament and the Council should be ensured in respect of the orientation of the use of the EFSD Guarantee through the establishment of investment windows. (21) The EFSD should operate as a ʻone-stop-shop’, receiving financing proposals from financial institutions and public or private investors and delivering a wide range of financial support to eligible investments. The EFSD Guarantee should be backed by the EFSD Guarantee Fund. AM\P8\_AMA(2017)0170(106-106)\_EN.docx 11/60 PE605.573v01-00 EN United in diversity EN (22) The EFSD should deploy innovative instruments to support investments and involve the private sector in particular micro-, small- and medium-sized enterprises. It should also allow European investors and private companies, including micro-, small- and medium-sized enterprises, to participate more effectively in efforts to achieve sustainable development in partner countries. Bottlenecks and obstacles to investments need to be addressed in this respect. (23) The EFSD Guarantee should privilege funding projects which have a high impact on job creation and whose cost-benefit ratio enhances the sustainability of investment. When supporting operations with the EFSD Guarantee, an in-depth ex ante assessment of environmental, financial and social aspects should be carried out. The EFSD Guarantee should not be used to replace government responsibility for providing essential public services. (24) European Union delegations in partner countries should include information about EFSD funding opportunities in their communication targeted at civil society and the general public and contribute to the coherence between the pillars of the EIP. AM\P8\_AMA(2017)0170(106-106)\_EN.docx 12/60 PE605.573v01-00 EN United in diversity EN (25) The EFSD Guarantee should be granted to eligible counterparts for financing and investment operations or guarantee instruments for an initial investment period up to 31 December 2020. (26) In order to provide for flexibility, increase the attractiveness for the private sector and maximise the impact of the investments it is appropriate to provide for a derogation from Article 58(1)(c)(vii) of Regulation (EU) No 966/2012 of the European Parliament and the Council1 by which the eligible counterparts who are bodies governed by private law could also be bodies which are not entrusted with the implementation of a public-private partnership and could also be bodies governed by the private law of a partner country. (27) The Commission should conclude guarantee agreements with the eligible counterparts setting out the specific provisions under which the EFSD Guarantee is granted to them. These guarantee agreements should provide the legal basis for adequate risk sharing, thus providing incentives for the eligible counterparts to provide financing, as well as the mechanisms and procedures for potential calls on the EFSD Guarantee. 1 Regulation (EU, Euratom) No 966/2012 of the European Parliament and the Council of 25 October 2012 on the financial rules applicable to the general budget of the Union and repealing Council Regulation (EC, Euratom) No 1605/2002 (OJ L 298, 26.10.2012, p. 1). AM\P8\_AMA(2017)0170(106-106)\_EN.docx 13/60 PE605.573v01-00 EN United in diversity EN (28) The Union should make available a guarantee of EUR 1 500 000 000 to establish the EFSD Guarantee. Member States and other contributors should be invited to contribute further to support the EFSD Guarantee Fund in the form of cash (Member States and other contributors) or guarantees (Member States) in order to increase the liquidity cushion and thus allow the increase of the total volume of EFSD Guarantee. ▌ Member States, public financial institutions and other contributors should be invited to provide additional funding to the EFSD Guarantee Fund under conditions that should be established in an agreement to be concluded between the Commission on behalf of the Union and ▌ the contributor. (29) The EFSD Guarantee Fund should be established as a liquidity cushion in the event of a call on the EFSD Guarantee. To reach a level that adequately reflects EU financial liabilities in relation to the EFSD Guarantee, the Union should make available EUR 750 000 000. (30) In order to increase the impact of the EFSD Guarantee in view of the needs in the regions concerned, Member States and EFTA countries should have the possibility of providing contributions in the form of a guarantee or cash. AM\P8\_AMA(2017)0170(106-106)\_EN.docx 14/60 PE605.573v01-00 EN United in diversity EN (31) As the funds of the EDF are to be used ▌, a minimum of EUR 400 000 000 of EFSD Guarantee coverage should be allocated for investments in partner countries eligible under the 11th European Development Fund (EDF) throughout the implementation period of the EFSD Guarantee. The EFSD Guarantee should only become available when a contribution of EUR 400 000 000 of 11th EDF funds ▌ to the EFSD Guarantee Fund has been confirmed. (32) As the funds of the European Neighbourhood Instrument, established by Regulation (EU) No 232/2014 of the European Parliament and of the Council, are to be used, a minimum of EUR 100 000 000 of the EFSD Guarantee coverage should be allocated for investments in the partner countries from the Eastern and Southern Neighbourhood throughout the implementation period of the EFSD Guarantee. AM\P8\_AMA(2017)0170(106-106)\_EN.docx 15/60 PE605.573v01-00 EN United in diversity EN (33) The Commission should report annually to the European Parliament and the Council on the financing and investment operations covered by the EFSD Guarantee, with a view to ensuring full accountability to the European citizens and scrutiny and control by the European Parliament and the Council. The report should be made public in order to allow relevant stakeholders, including civil society, to express their views. The Commission should also report annually to the European Parliament and the Council on the management of the EFSD Guarantee Fund so that accountability, transparency are ensured. The Commission should also inform the ACP-EU Council and the ACP-EU Joint Parliamentary Assembly as regards the use of the EDF funds. (34) In order to ensure the monitoring and accountability of the EFSD and of the EIP, the European Parliament or the Council may organise hearings as part of a dialogue with the Commission, the High Representative, the EIB and other eligible financial institutions as well as private sector and civil society organisations. AM\P8\_AMA(2017)0170(106-106)\_EN.docx 16/60 PE605.573v01-00 EN United in diversity EN (35) In order to take into account lessons learned and allow for further evolvement of the EFSD, the functioning of the EFSD and the use of the EFSD Guarantee Fund should be evaluated by the Commission and external evaluators and subjected to an annual consultation process with relevant stakeholders, including civil society organisations. The application of this Regulation should be evaluated independently in order to assess the level of conformity of the implementation with the legal basis, but also to establish the applicability and practicability of the Regulation in the achievement of its objectives. (36) In order to protect the financial interests of the Union, with a view to establishing whether there has been fraud, corruption, money laundering or any other illegal activity affecting the financial interests of the Union in connection with any financing and investment operations covered by this Regulation, the European Anti-Fraud Office (OLAF) is entitled to carry out investigations in accordance with Regulation (EU, Euratom) No 883/2013 of the European Parliament and of the Council1, Council Regulation (Euratom, EC) No 2185/962 and Council Regulation (EC, Euratom) No 2988/95.3 1 Regulation (EU, Euratom) No 883/2013 of the European Parliament and of the Council of 11 September 2013 concerning investigations conducted by the European Anti-Fraud Office (OLAF) and repealing Regulation (EC) No 1073/1999 of the European Parliament and of the Council and Council Regulation (Euratom) No 1074/1999 (OJ L 248, 18.9.2013, p. 1). 2 Council Regulation (Euratom, EC) No 2185/96 of 11 November 1996 concerning on-the-spot checks and inspections carried out by the Commission in order to protect the European Communities’ financial interests against fraud and other irregularities (OJ L 292, 15.11.1996, p. 2). 3 Council Regulation (EC, Euratom) No 2988/95 of 18 December 1995 on the protection of the European Communities financial interests (OJ L 312, 23.12.1995, p. 1). AM\P8\_AMA(2017)0170(106-106)\_EN.docx 17/60 PE605.573v01-00 EN United in diversity EN (37) Financing and investment operations supported by the EFSD should adhere to the relevant EU policy on non-cooperative jurisdictions for tax purposes which is laid down in the legal acts of the Union and Council Conclusions, notably those of 8 November 2016, in particular in their Annex, and any subsequent updates. ▌ HAVE ADOPTED THIS REGULATION: AM\P8\_AMA(2017)0170(106-106)\_EN.docx 18/60 PE605.573v01-00 EN United in diversity EN CHAPTER I INTRODUCTORY PROVISIONS Article 1 Subject matter 1. This Regulation establishes the European Fund for Sustainable Development (EFSD), the EFSD Guarantee and the EFSD Guarantee Fund. 2. For the purposes of paragraph 1, this Regulation provides for the Commission on behalf of the Union to conclude guarantee agreements with the eligible counterparts as defined in Article 10. Article 2 Definitions For the purposes of this Regulation, the following definitions apply: (1) ʻregional investment platforms’ means blending facilities in line with Article 4(1)(e) of Regulation (EU) No 236/2014 of the European Parliament and the Council1 and with Article 40 of Council Regulation (EU) 2015/3232 for the contribution from the 11th European Development Fund (EDF) combined with the granting of the EFSD Guarantee as set out in Article 6. 1 Regulation (EU) No 236/2014 of the European Parliament and the Council of 11 March 2014 laying down common rules and procedures for the implementation of the Union’s instruments for financing external action (OJ L 77, 15.03.2014, p. 95). 2 Council Regulation (EU) 2015/323 of 2 March 2015 on the financial regulation applicable to the 11th European Development Fund (OJ L 58, 03.03.2015, p. 17). AM\P8\_AMA(2017)0170(106-106)\_EN.docx 19/60 PE605.573v01-00 EN United in diversity EN (2) ʻinvestment window’ means a targeted area for support by the EFSD Guarantee to portfolios of investments in specific regions, countries or sectors and implemented via the regional investment platforms; (3) ʻcontributor’ means a Member State, an international financial institution or a public institution of a Member State, a public agency or other entities contributing in cash grants or in guarantees to the EFSD Guarantee Fund; (4) ʻpartner countries’ means countries that are signatories to the Partnership Agreement between the members of the African, Caribbean and Pacific Group of States of the one part, and the European Community and its member States, of the other part, signed in Cotonou on 23 June 2000 1, countries that are listed in Annex I to Regulation (EU) No 232/2014 of the European Parliament and of the Council2 as well as countries that are eligible for geographic cooperation under Regulation (EU) No 233/2014 of the European Parliament and of the Council 3. 1 OJ L 317, 15.12.2000 as last amended by OJ L 287, 4.11.2010 2 Regulation (EU) No 232/2014 of the European Parliament and of the Council of 11 March 2014 establishing a European Neighbourhood Instrument (OJ L 77, 15.3.2014, p. 27). 3 Regulation (EU) No 233/2014 of the European Parliament and of the Council of 11 March 2014 establishing a financing instrument for development cooperation for the period 2014-2020 (OJ L 77, 15.3.2014, p. 44). AM\P8\_AMA(2017)0170(106-106)\_EN.docx 20/60 PE605.573v01-00 EN United in diversity EN (5) ʻadditionality’ means the principle ensuring that the EFSD Guarantee support contributes to sustainable development by operations which could not have been carried out without the EFSD Guarantee, or which achieve positive results above and beyond what could have been achieved without it. Additionality also means crowding in private sector funding and addressing market failures or sub-optimal investment situations as well as improving the quality, sustainability, impact or scale of an investment. EFSD Guarantee operations shall not replace the support of a Member State, private funding or another Union or international financial ***intervention***, and shall avoid crowding out other public or private investments. Projects supported by the EFSD Guarantee typically have a higher risk profile than the portfolio of investments supported by the eligible counterparts under their normal investment policies without the EFSD Guarantee. AM\P8\_AMA(2017)0170(106-106)\_EN.docx 21/60 PE605.573v01-00 EN United in diversity EN CHAPTER II EUROPEAN FUND FOR SUSTAINABLE DEVELOPMENT Article 3 Purpose 1. The purpose of the EFSD as an integrated financial package, supplying financing capacity in the form of grants, guarantees and other financial instruments to eligible counterparts, shall be to support investments and increased access to financing, primarily in Africa and the European Neighbourhood, in order to foster sustainable and inclusive economic and social development and promote the socio-economic resilience of partner countries, including, where appropriate, in the context of the European Neighbourhood Policy and the New Partnership Framework with Third Countries under the European Agenda on Migration, with a particular focus on sustainable and inclusive growth, creation of decent jobs, youth and women, socio-economic sectors and micro, small and medium sized enterprises while maximising additionality, delivering innovative products and crowding in private sector funds. AM\P8\_AMA(2017)0170(106-106)\_EN.docx 22/60 PE605.573v01-00 EN United in diversity EN 2. The EFSD shall be guided by the objectives of Union external action set out in Article 21 of the Treaty on European Union (TEU) and of Union development cooperation policy set out in Article 208 TFEU and the internationally agreed development effectiveness principles. It shall contribute to the achievement of the Sustainable Development Goals of the 2030 Agenda, in particular poverty eradication and, where appropriate, contribute to the implementation of the European Neighbourhood Policy, thus addressing specific socio-economic root causes of migration and fostering sustainable reintegration of migrants returning to their countries of origin, and strengthening transit and host communities. 3. The EFSD shall contribute to the implementation of the Paris Agreement by also targeting investments to sectors that advance climate change mitigation and adaptation. 4. The EFSD shall be consistent with the objectives set out in the external financing instruments established by Regulations (EU) 2014/232, (EU) 2014/233, and EDF Regulation (EU) 2015/323 and with the priorities contained in the national or regional ***programmes*** and strategy papers, where available. AM\P8\_AMA(2017)0170(106-106)\_EN.docx 23/60 PE605.573v01-00 EN United in diversity EN Article 4 Structure of the EFSD 1. The EFSD shall be composed of regional investment platforms, established on the basis of the working methods, procedures and structures of the existing external blending facilities of the Union and which shall combine their blending operations and the EFSD Guarantee. 2. The management of the EFSD shall be ensured by the Commission. The Commission shall work in close cooperation with the EIB supported by other eligible counterparts as regards the operational management of the EFSD Guarantee. To that end, a technical assessment group on the Guarantee shall be established. AM\P8\_AMA(2017)0170(106-106)\_EN.docx 24/60 PE605.573v01-00 EN United in diversity EN Article 5 ***Strategic*** board of the EFSD 1. In the management of the EFSD the Commission shall be advised by a ***strategic*** board. 2. The ***strategic*** board shall advise the Commission on the ***strategic*** orientations and priorities of EFSD Guarantee investments and contribute to their alignment with the guiding principles and objectives of the Union external action, neighbourhood and development policy, as well as with the purpose of the EFSD as set out in Article 3. It shall also support the Commission in setting overall investment goals as regards the use of the EFSD Guarantee and monitor an appropriate and diversified geographical and thematic coverage for investment windows while giving special attention to countries identified as experiencing fragility or conflict, Least Developed Countries and heavily indebted poor countries. AM\P8\_AMA(2017)0170(106-106)\_EN.docx 25/60 PE605.573v01-00 EN United in diversity EN 3. The ***strategic*** board shall also support overall coordination, complementarity and coherence between the regional investment platforms, between the three pillars of the EIP, between the EIP and the Union’s other efforts on migration and on the implementation of the 2030 Agenda, as well as with the relevant Union external financing instruments and trust funds as well as with the external lending mandate operations managed by the EIB, including the EIB resilience initiative and the ACP Investment Facility, without prejudice to the internal rules of governance of the EIB. 4. The ***strategic*** board shall be composed of representatives of the Commission and of the High Representative, of all Member States and of the EIB. The European Parliament shall have observer status. Contributors, eligible counterparts, partner countries, relevant regional organisations and other stakeholders may be given observer status, where appropriate. The ***strategic*** board shall be consulted prior to the inclusion of any new observer. The ***strategic*** board shall be co-chaired by the Commission and the High Representative. AM\P8\_AMA(2017)0170(106-106)\_EN.docx 26/60 PE605.573v01-00 EN United in diversity EN 5. The ***strategic*** board shall meet at least twice a year and, when possible, adopt opinions by consensus. Additional meetings may be organised at any time by the chair and upon request of one third of its members. In case consensus cannot be achieved, voting rights, taking due account of the source of financing, shall apply as agreed during the first meeting of the ***strategic*** board and laid down in its rules of procedure. The rules of procedure shall set out the framework regarding the role of observers. The minutes and agendas of the meetings of the ***strategic*** board shall be made public, following their adoption. 6. The Commission shall report annually to the ***strategic*** board about the progress made. The ***strategic*** board shall regularly organise a consultation of relevant stakeholders on the orientation and implementation of the EFSD. 7. During the implementation phase of the EFSD, the ***strategic*** board shall, as soon as possible, adopt and publish guidelines setting out how conformity of EFSD operations with the objectives and eligibility criteria set out in Article 8 is to be ensured. 8. In its ***strategic*** guidance, the ***strategic*** board shall take due account of relevant European Parliament resolutions and Council decisions and conclusions. AM\P8\_AMA(2017)0170(106-106)\_EN.docx 27/60 PE605.573v01-00 EN United in diversity EN Article 5a Regional operational boards Each regional investment platform shall have an operational board. Operational boards shall support the Commission at the implementation level in defining regional and sectoral investment goals and regional, sectoral and thematic investment windows and shall formulate opinions on blending operations and on the use of the EFSD Guarantee. CHAPTER III EFSD GUARANTEE AND EFSD GUARANTEE FUND Article 6 The EFSD Guarantee 1. The Union shall, after careful consideration of the viability of a project, provide an irrevocable and unconditional guarantee on first demand to the eligible counterpart for the financing and investment operations covered by this Regulation. 1a. The EFSD Guarantee shall support financing and investment operations in partner countries in Africa and the Neighbourhood. 2. The EFSD Guarantee shall be granted as a guarantee on first demand in respect of the instruments referred to in Article 9 and in compliance with the eligibility criteria referred to in Article 8. AM\P8\_AMA(2017)0170(106-106)\_EN.docx 28/60 PE605.573v01-00 EN United in diversity EN Article 7 Requirements for the use of the EFSD Guarantee 1. The granting of the EFSD Guarantee shall be subject to the conclusion of the res

pective EFSD guarantee agreement between the Commission on behalf of the Union and the eligible counterpart. 2. The ▌ investment period during which the EFSD guarantee agreements for supporting financing and investment operations can be concluded with the eligible counterparts shall last until 31 December 2020. 3. The maximum period allowed for eligible counterparts to conclude agreements with co-financing private sector partners, financial intermediaries or final beneficiaries shall be four years after the conclusion of the relevant guarantee agreement. AM\P8\_AMA(2017)0170(106-106)\_EN.docx 29/60 PE605.573v01-00 EN United in diversity EN Article 8 Eligibility criteria for the use of the EFSD Guarantee 1. The financing and investment operations eligible for support through the EFSD Guarantee in accordance with the purpose of the EFSD as provided for in Article 3 shall be consistent and aligned with Union policies, in particular development and neighbourhood policies of the Union, as well as with the partner countries’ strategies and policies. Such operations shall take into account other Union and international support to ensure complementarity with other initiatives and shall support the following objectives: (a) contribute to sustainable development in its economic, social and environmental dimensions, and to the implementation of the 2030 Agenda for Sustainable Development and, where appropriate, the European Neighbourhood Policy, with particular focus on the eradication of poverty, creation of decent jobs, economic opportunities, skills and entrepreneurship, promoting in particular gender equality and the empowerment of women and young people, while pursuing and strengthening the rule of law, good governance and human rights; AM\P8\_AMA(2017)0170(106-106)\_EN.docx 30/60 PE605.573v01-00 EN United in diversity EN (aa) contribute to the implementation of the Union’s migration policy, including, where appropriate, the New Partnership Framework with Third Countries; (ab) contribute, by promoting sustainable development, to addressing specific root causes of migration, including irregular migration, as well as foster resilience of transit and host communities, and contribute to the sustainable reintegration of migrants returning to their countries of origin, with due regard to the strengthening of the rule of law, good governance and human rights; (b) strengthen socio-economic sectors, in particular public and private infrastructure including renewable and sustainable energy, water and waste management, transport, information and communications technologies, as well as environment, sustainable use of natural resources, sustainable ***agriculture*** and blue growth, social infrastructure, health, human capital, in order to improve the socio-economic environment; (c) provide finance and support to private and cooperative sector development, with a particular focus on local companies and micro, small and medium-sized enterprises, while addressing market failures and limiting market distortions and encouraging the contribution of European companies to the EFSD objectives; AM\P8\_AMA(2017)0170(106-106)\_EN.docx 31/60 PE605.573v01-00 EN United in diversity EN (d) address bottlenecks to private investments by providing financial instruments, including first loss guarantees to portfolios guarantees to private sector projects such as loan guarantees for small and medium-sized enterprises and guarantees for specific risks for infrastructure projects and other risk capital; financial instruments provided may be denominated in the local currency of the partner country concerned; (e) leverage private sector financing, with a particular focus on micro-, small-, and medium-sized enterprises, by addressing bottlenecks and obstacles to investment; (ea) contribute to climate action and environmental protection and management, thus ***producing*** climate co-benefits, allocating at least 28 % of the financing to investments that contribute to climate action, renewable energy and resource efficiency. 2. The EFSD Guarantee shall support financing and investment operations which address market failures or sub-optimal investment situations and which: (a) provide additionality; (aa) ensure complementarity with other initiatives, making sure that EFSD guarantee operations are clearly distinct, in particular from the external lending mandate operations managed by the EIB; AM\P8\_AMA(2017)0170(106-106)\_EN.docx 32/60 PE605.573v01-00 EN United in diversity EN (b) ensure alignment of interest by providing adequate risk sharing by the respective eligible counterpart and other prospective partners; (c) are economically and financially viable, with due regard to the possible support from, and co-financing by, private and public partners to the project, while taking into account the specific operating environment and capacities of countries identified as experiencing fragility or conflict, Least Developed Countries and heavily indebted poor countries where more concessional terms can be given; (d) are technically viable and are sustainable from an environmental and social point of view; and (e) maximise, where possible, the mobilisation of private sector capital; (ea) respect the principles of development effectiveness as set out in the Busan Partnership for Effective Development Cooperation and reaffirmed in Nairobi in December 2016, including, ownership, alignment, focus on results, transparency and mutual accountability, as well as the objective of untying aid; AM\P8\_AMA(2017)0170(106-106)\_EN.docx 33/60 PE605.573v01-00 EN United in diversity EN (eb) are designed so as to fulfil the criteria for ODA established by the Development Assistance Committee of the OECD, taking into account the specificities of private sector development; and (ec) are implemented in full respect of internationally agreed guidelines, principles and conventions including the UN Principles for Responsible Investment, UN Guiding Principles on Business and Human Rights, OECD Guidelines for Multinational Enterprises, and the UN Food and ***Agriculture*** Organisation’s Principles for Responsible Investment in ***Agriculture*** and Food Systems, and International Labour Organisation conventions, as well as international human rights law. 3. On a case by case basis operations may combine financing from different Union instruments to the extent that it is needed for the success of the investment project backed by the EFSD and as long as this does not lead to reduced financing for other developmental objectives. AM\P8\_AMA(2017)0170(106-106)\_EN.docx 34/60 PE605.573v01-00 EN United in diversity EN 4. Taking due account of the advice provided by the ***strategic*** board, after consultation with the operational boards and after informing the European Parliament and the Council, the Commission shall define investment windows for specific regions or partner countries or for both, for specific sectors, for specific projects or for specific categories of final beneficiaries or for both to be funded by instruments referred to in Article 9 to be covered by the EFSD Guarantee up to a fixed amount. The information to the European Parliament and Council shall specify how the investment windows are aligned with the requirements set out in Articles 3 and 8 and their detailed funding priorities. The EIB should provide a written opinion on banking related matters to accompany each proposal for investment windows. All requests for financial support within investment windows shall be made to the Commission. The choice of investment windows shall be duly justified by an analysis of the market failure or sub-optimal investment situations. Such analysis shall be carried out by the Commission in cooperation with potentially eligible counterparts and stakeholders. AM\P8\_AMA(2017)0170(106-106)\_EN.docx 35/60 PE605.573v01-00 EN United in diversity EN Within the Africa Investment Platform, a significant share of the EFSD Guarantee shall be allocated to fragile and conflict-affected countries, landlocked countries and Least-Developed Countries. The Commission shall assess the operations supported by the EFSD guarantee against the eligibility criteria established in Article 8(1) and 8(2), where possible drawing on eligible counterparts’ existing result measurement systems. It shall publish the result of its assessment for each investment window on an annual basis. Article 9 Eligible instruments for the EFSD Guarantee 1. The EFSD Guarantee shall be used to cover the risks for the following instruments: (a) loans, including local currency loans; (b) guarantees; (c) counter-guarantees; (d) capital market instruments; (e) any other form of funding or credit enhancement, insurance, equity, quasi-equity participations. AM\P8\_AMA(2017)0170(106-106)\_EN.docx 36/60 PE605.573v01-00 EN United in diversity EN 2. The instruments listed in paragraph 1 may be provided by eligible counterparts ▌ under an investment window or individual project administered by an eligible counterpart. They may be provided for the benefit of partner countries, including countries experiencing fragility or conflict or facing challenges in reconstruction and post-conflict recovery, and these partner countries’ institutions, including their public national and private local banks and financial institutions as well as private sector entities of these partner countries. In countries experiencing fragility or conflict, as well as other countries when justified, support may be provided to public sector investments that have relevant effects on private sector development. AM\P8\_AMA(2017)0170(106-106)\_EN.docx 37/60 PE605.573v01-00 EN United in diversity EN Article 10 Eligibility and selection of counterparts 1. The eligible counterparts for the purposes of the EFSD Guarantee shall be: (a) the European Investment Bank and the European Investment Fund; (b) public law bodies; (c) international organisations and their agencies; (d) bodies governed by private law with a public service mission to the extent that they provide adequate financial guarantees; (e) bodies governed by the private law of a Member State that provide adequate financial guarantees, by derogation from Article 58(1)(c)(vii) of Regulation (EU) No 966/2012; (f) bodies governed by the private law of a partner country that provide adequate financial guarantees, by derogation from Article 58(1)(c)(vii) of Regulation (EU) No 966/2012. AM\P8\_AMA(2017)0170(106-106)\_EN.docx 38/60 PE605.573v01-00 EN United in diversity EN 2. Eligible counterparts shall comply with the rules and conditions provided for in Article 60 of Regulation (EU, Euratom) No 966/2012. For bodies governed by the private law of a Member State or a partner country, preference shall be given to those that provide disclosure of information related to Environment, Social and Corporate Governance criteria. The guarantee shall be implemented whenever possible under the lead of a European eligible counterpart in line with the criteria set out in this regulation. The Commission shall ensure an effective, efficient and fair use of resources available among eligible counterparts, while promoting cooperation between them. The Commission shall ensure fair treatment for all eligible counterparts and shall ensure that conflicts of interest are avoided throughout the stages of implementation of the EFSD. In order to ensure complementarity, the Commission may request any relevant information from eligible counterparts about their non-EFSD operations. 3. The Commission shall select the eligible counterparts pursuant to Article 61 of Regulation (EU, Euratom) No 966/2012. 3a. Eligible counterparts may be invited to an exchange of views by the European Parliament or the Council concerning financing and investment operations covered by this Regulation. AM\P8\_AMA(2017)0170(106-106)\_EN.docx 39/60 PE605.573v01-00 EN United in diversity EN Article 11 Coverage and terms of the EFSD Guarantee 1. The EFSD Guarantee shall not, at any time, exceed EUR 1 500 000 000 without prejudice to paragraph 2. 2. Member States and EFTA countries may contribute to the EFSD Guarantee Fund in the form of guarantees or cash. Subject to the opinion of the ***strategic*** board and Commission approval, other contributors may contribute, in the form of cash. The amount of the Guarantee exceeding the amount indicated in paragraph 1 shall be granted on behalf of the Union. Aggregate net payments from the general budget of the Union under the EFSD Guarantee shall not exceed EUR 1 500 000 000. Payments for guarantee calls shall be made, where necessary, by the contributing Member States or other contributors on pari passu basis with the Union, without prejudice to paragraph 4. A contribution agreement shall be concluded between the Commission, on behalf of the Union, and the contributor, which shall contain, in particular, provisions concerning the payment conditions. AM\P8\_AMA(2017)0170(106-106)\_EN.docx 40/60 PE605.573v01-00 EN United in diversity EN 3. The EFSD Guarantee shall only become available when a contribution in cash of EUR 400 000 000 from the 11th European Development Fund (EDF)1 to the general budget of the Union has been confirmed. The Member States may contribute to the EFSD Guarantee in the form of guarantees or cash. The Commission shall inform the European Parliament and the Council without delay about the contributions confirmed. 4. The contributions made by the Member States in the form of a guarantee may only be called for payments of guarantee calls after the funding from the general budget of the Union increased by any other cash contributions has been used on payments of guarantee calls. At the request of the Member States in the ***strategic*** board, the contributions made by them may be earmarked for the initiation of projects in specific regions, countries, sectors or existing investment windows. Any contribution may be used to cover guarantee calls regardless of earmarking. 1 Internal Agreement between the Representatives of the Governments of the Member States of the European Union, meeting within the Council, on the financing of European Union aid under the multiannual financial framework for the period 2014 to 2020, in accordance with the ACP-EU Partnership Agreement and on the allocation of financial assistance for the Overseas Countries and Territories to which Part Four of the Treaty on the Functioning of the European Union applies, OJ L 210, 6.8.2013, p. 1. AM\P8\_AMA(2017)0170(106-106)\_EN.docx 41/60 PE605.573v01-00 EN United in diversity EN 5. At least EUR 400 000 000 of EFSD Guarantee coverage shall be allocated for investments in the partner countries eligible under the 11th EDF throughout the implementation period of the EFSD Guarantee, in line with the objectives of the Cotonou Partnership Agreement. 5a. At least EUR 100 000 000 of EFSD Guarantee coverage shall be allocated for investments in the partner countries from the Eastern and Southern Neighbourhood, in line with Regulation (EU) No 232/2014 of the European Parliament and of the Council. Article 12 Implementation of the EFSD guarantee agreements 1. The Commission on behalf of the Union shall conclude EFSD guarantee agreements with the eligible counterparts selected pursuant to Article 10 and paragraph 4, on the granting of the EFSD Guarantee, which shall be unconditional, irrevocable, at first demand, in favour of the selected eligible counterpart. 2. One or more guarantee agreements shall be concluded for each investment window between the Commission and the eligible counterpart or eligible counterparts selected. In order to address specific needs, the EFSD Guarantee may be granted for individual financing or investment operations. Agreements can be concluded with a consortium of two or more eligible counterparts. All guarantee agreements shall be made available to the European Parliament and the Council upon request, taking into account the protection of confidential and commercially sensitive information. AM\P8\_AMA(2017)0170(106-106)\_EN.docx 42/60 PE605.573v01-00 EN United in diversity EN 3. The guarantee agreements shall contain, in particular, provisions concerning the following: (a) detailed rules on the provision of the EFSD Guarantee, including its arrangements on the coverage and its defined coverage of portfolios and of projects of specific types of instruments as well as a risk analysis of project and portfolio, including on sectoral, regional and national levels; (aa) the objectives and purpose of this Regulation, a needs assessment and an indication of the expected results, taking into account the promotion of corporate social responsibility and responsible business conduct, including, in particular through respect of the internationally agreed guidelines, principles and legal instruments referred to in Article 8(2)(ec); (b) the remuneration of the guarantee, which shall reflect the risk level; it shall be possible for the remuneration to be partly subsidised in order to give more concessional terms, in duly justified cases, in particular in the countries referred to in point (c) of Article 8(2); AM\P8\_AMA(2017)0170(106-106)\_EN.docx 43/60 PE605.573v01-00 EN United in diversity EN (c) requirements for the use of the EFSD Guarantee, including payment conditions, such as specific time frames, interest to be paid on due amounts, expenses and recovery costs and possibly necessary liquidity arrangements; (d) claims procedures, including but not limited to triggering events and waiting periods; and provisions and procedures regarding the recovery of claims; (e) provisions regarding the monitoring, reporting and evaluation obligations pursuant to Articles 15 and 16; (ea) clear and accessible complaints procedures for third parties that could be affected by the implementation of the EFSD Guarantee projects. 4. The Commission, when concluding guarantee agreements with eligible counterparts, shall take due account of: (-aa) the advice and guidance of the boards, in accordance with articles 4 and 5; (a) the objectives of the investment window; (b) the experience, operational, financial and risk management capacity of the counterpart; (c) the amount of own resources as well as private sector co-financing that the counterpart is ready to mobilise for the investment window. AM\P8\_AMA(2017)0170(106-106)\_EN.docx 44/60 PE605.573v01-00 EN United in diversity EN 5. The approval of financing and investment operations shall be made by the eligible counterpart following its own rules and procedures and in compliance with the terms of the guarantee agreement. 6. The EFSD Guarantee may cover: (a) for debt instruments the principal and all interests and amounts due to the selected eligible counterpart, but not received by it in accordance with the terms of the financing operations after an event of default has occurred; (b) for equity investments the amounts invested and their associated financing costs; (c) for other financing and investment operations referred to in Article 8(2) the amounts used and their associated funding costs; (d) all relevant expenses and recovery costs related to an event of default, unless deducted from recovery proceeds. 7. The guarantee agreements shall lay down detailed rules on the cover, requirements, eligibility, eligible counterparts, and procedures. AM\P8\_AMA(2017)0170(106-106)\_EN.docx 45/60 PE605.573v01-00 EN United in diversity EN Article 13 The EFSD Guarantee Fund 1. The EFSD Guarantee Fund shall constitute a liquidity cushion from which the eligible counterparts shall be paid in the event of a call on the EFSD Guarantee pursuant to the relevant EFSD guarantee agreement. 2. The EFSD Guarantee Fund shall be endowed by: (a) contributions from the general budget of the Union and other sources; (b) voluntary contributions from Member States and other contributors; (c) returns on invested resources of EFSD Guarantee Fund ; (d) amounts recovered from defaulting debtors in accordance with the recovery provisions laid down in the guarantee agreements; (e) revenues and any other payments received by the Union in accordance with the guarantee agreements. AM\P8\_AMA(2017)0170(106-106)\_EN.docx 46/60 PE605.573v01-00 EN United in diversity EN 3. Revenues of the EFSD Guarantee Fund as provided for in points (c) and (e) of paragraph 2 shall constitute internal assigned revenue in accordance with Article 21(4) of Regulation (EU, Euratom) No 966/2012. 4. The resources of the EFSD Guarantee Fund referred to in paragraph 2 shall be directly managed by the Commission and invested in accordance with the principle of sound financial management and shall follow appropriate prudential rules. The Commission shall submit to the European Parliament and the Council by 30 June 2019 an independent external evaluation of the advantages and disadvantages of entrusting the financial management of the assets of the guarantee fund for external action and of the European fund for sustainable development to the Commission, EIB, or a combination of the two, taking into account the relevant technical and institutional criteria used in comparing asset management services, including the technical infrastructure, comparison of costs for the services given, institutional set-up, reporting, performance, accountability and expertise of each institution and the other asset management mandates for the EU Budget. The evaluation shall where appropriate be accompanied with a legislative proposal. 5. Endowments to the EFSD Guarantee Fund shall be used to reach an appropriate level of provisioning to cover the total EFSD Guarantee obligations. The provisioning rate shall be at 50 % of the total EFSD Guarantee obligations covered by the general budget of the Union. 6. Following an assessment of the adequacy of the level of the EFSD Guarantee Fund in accordance with the report provided for under Article 15(3), the following payments shall be made: (a) without prejudice to paragraph 8 of this Article, any surplus shall be paid to the general budget of the Union; (b) any replenishment of the EFSD Guarantee Fund shall be paid in annual tranches during a maximum period of three years starting from year n+1. AM\P8\_AMA(2017)0170(106-106)\_EN.docx 47/60 PE605.573v01-00 EN United in diversity EN AM\P8\_AMA(2017)0170(106-106)\_EN.docx 48/60 PE605.573v01-00 EN United in diversity EN 7. From 1 January 2021, if, as a result of calls on the EFSD Guarantee, the level of resources in the Guarantee Fund falls below 50 % of the provisioning rate referred to in paragraph 5, the Commission shall submit a report on: (a) the cause of the shortfall, with detailed explanations; and (b) where deemed necessary, any exceptional measures that may be required to replenish the EFSD Guarantee Fund. 8. After a call on the EFSD Guarantee, endowments to the EFSD Guarantee Fund provided for in points (c), (d) and (e) of paragraph 2 exceeding the resources necessary to reach the provisioning rate at the level referred to in paragraph 5 or any surplus provided for in point (a) of paragraph 6 of this Article shall first be used within the limits of the maximum period provided for in Article 7(3) to restore the EFSD Guarantee up to its initial amount. Article 14 Funding of the EFSD Guarantee Fund from the general budget of the Union A contribution of EUR 350 000 000 shall be provided by the general budget of the Union. AM\P8\_AMA(2017)0170(106-106)\_EN.docx 49/60 PE605.573v01-00 EN United in diversity EN CHAPTER IV REPORTING, ACCOUNTING AND EVALUATION Article 15 Reporting and accounting 1. The Commission shall submit an annual report to the European Parliament and to the Council on the financing and investment operation covered by the EFSD Guarantee. This report shall be made public. It shall include the following elements: (-aa) an assessment of the results contributing to the purpose and objectives set out in Article 3 and Article 8(1) and (2); (a) an assessment of the financing and investment operations in operation and covered by the EFSD Guarantee, sector, country and regional levels and their compliance with this Regulation including the risk measures and their impact on the financial and economic stability of the partners; (b) an assessment, on the basis of the indicators provided for in Article 8(4a), of the additionality and added value, the mobilisation of private sector resources, the estimated and actual outputs and the outcomes and impact of the financing and investment operations covered by the EFSD Guarantee on an aggregated basis, including the impact on decent job creation, the eradication of poverty and on the way in which the root causes of migration, including irregular migration are addressed; this assessment shall include a gender analysis of the operations covered based on evidence and gender-disaggregated data where possible; AM\P8\_AMA(2017)0170(106-106)\_EN.docx 50/60 PE605.573v01-00 EN United in diversity EN (c) an assessment of the compliance with the requirements concerning the use of the EFSD Guarantee and key performance indicators established for each proposal submitted; (d) an assessment of the leverage effect achieved by the operations covered by the EFSD Guarantee; (e) the financial amount transferred to beneficiaries and an assessment of financing and investment operations by each counterpart on an aggregated basis; (f) an assessment of the additionality and added value of financing and investment operations of the eligible counterparts, and of the aggregate risk associated with those operations; (g) detailed information on calls on the EFSD Guarantee, losses, returns, amounts recovered and any other payments received as well as overall risk exposure; AM\P8\_AMA(2017)0170(106-106)\_EN.docx 51/60 PE605.573v01-00 EN United in diversity EN (h) the financial reports on financing and investment operations of the eligible counterparts covered by this Regulation audited by an independent external auditor; (ha) an assessment of the synergies and complementarity between operations covered by the EFSD Guarantee and the second and third pillars of the EIP based on existing reports for the relevant instruments, with particular regard to progress made on good governance, including in the fight against corruption and illicit financial flows, respect for human rights, the rule of law and gender-responsive policies, as well as the boosting of entrepreneurship, local business environment and local financial markets; (hb) an assessment of the compliance of EFSD Guarantee operations with the internationally agreed development effectiveness principles; (hc) an assessment of the remuneration of the guarantees and of the implementation of Article 20. AM\P8\_AMA(2017)0170(106-106)\_EN.docx 52/60 PE605.573v01-00 EN United in diversity EN 2. For the purposes of the Commission’s accounting, its reporting of the risks covered by the EFSD Guarantee and its management of the EFSD Guarantee Fund, the eligible counterparts with whom a guarantee agreement has been concluded shall provide the Commission and Court of Auditors annually with the financial reports on financing and investment operations covered by this Regulation audited by an independent external auditor, containing, among other, information on: (a) the risk assessment of financing and investment operations of the eligible counterparts including information on the Union liabilities measured in compliance with the accounting rules of the Union set by the accounting officer of the Commission based on the internationally accepted accounting standards for the public sector; (b) the outstanding financial obligation for the Union arising from the EFSD Guarantee provided towards the eligible counterparts and their financing and investment operations, broken down by individual operations. The Counterparts shall upon request provide to the Commission any additional information necessary to fulfil the Commission’s obligations in relation to this Regulation. AM\P8\_AMA(2017)0170(106-106)\_EN.docx 53/60 PE605.573v01-00 EN United in diversity EN 3. By 31 March of each year, the Commission shall submit to the European Parliament, to the Council and to the Court of Auditors, in the context of the financial statements of the Commission, the required information on the situation of the EFSD Guarantee Fund. In addition, it shall, by 31 May of each year, submit to the European Parliament, to the Council and to the Court of Auditors an annual report on the management of the EFSD Guarantee Fund in the previous calendar year, including an assessment of the adequacy of the provisioning and the level of the Guarantee Fund and of the need for its replenishment. The annual report shall contain the presentation of the financial position of the EFSD Guarantee Fund at the end of the previous calendar year, the financial flows during the previous calendar year as well as the significant transactions and any relevant information on the financial accounts. The report shall also include information about the financial management, the performance, and the risk of the guarantee fund at the end of the previous calendar year. AM\P8\_AMA(2017)0170(106-106)\_EN.docx 54/60 PE605.573v01-00 EN United in diversity EN Article 16 Evaluation and review 1. By 31 December 2019, the Commission shall evaluate the initial functioning of the EFSD, its management and its effective contribution to the purpose and objectives of this Regulation. The Commission shall submit its evaluation report to the European Parliament and the Council, containing an independent external evaluation of the application of this Regulation, accompanied by a reasoned proposal to amend this Regulation, as appropriate, in particular with a view to extending the initial investment period referred to in Article 7(2). That evaluation report shall be accompanied by an opinion of the Court of Auditors. 2. By 31 December 2019 and every three years thereafter, the Commission shall evaluate the use and the functioning of the EFSD Guarantee Fund. The Commission shall submit its evaluation report to the European Parliament and the Council. That evaluation report shall be accompanied by an opinion of the Court of Auditors. AM\P8\_AMA(2017)0170(106-106)\_EN.docx 55/60 PE605.573v01-00 EN United in diversity EN CHAPTER V GENERAL PROVISIONS Article 17 Transparency, communication, and public disclosure of information 1. In accordance with its transparency policies and Union rules on access to documents and information and data protection, the eligible counterparts shall proactively and systematically make publicly available on their websites information relating to all financing and investment operations covered by the EFSD Guarantee under this Regulation, relating in particular to the manner in which those operations contribute to the objectives and requirements of this Regulation. Where possible, such information shall be broken down at project level. Such information shall always take into account the protection of confidential and commercially sensitive information. 2. The Commission shall publish on its web-portal information on financing and investment operations and the essential elements of all guarantee agreements, including information on the legal identity of counterparts, expected development benefits and complaints procedures in accordance with point (ea) of Article 12(3), taking into account the protection of confidential and commercially sensitive information. AM\P8\_AMA(2017)0170(106-106)\_EN.docx 56/60 PE605.573v01-00 EN United in diversity EN 3. Eligible counterparts shall publicise the Union support in all information which they publish on financing and investment operations covered by the EFSD guarantee in accordance with this Regulation. 4. European Union delegations shall include information about funding opportunities provided by the EFSD in their communication targeted at civil society and the public at large. Article 17a Grievance and redress mechanism In view of possible grievances of third parties in partner countries, including communities and individuals affected by EFSD Guarantee supported projects, the Commission and European Union delegations shall publish on their websites direct references to the complaints mechanisms of the relevant counterparts which have concluded agreements with the Commission. The Commission shall also provide the possibility of directly receiving complaints related to the treatment of grievances by eligible counterparts. It shall take that information into account in view of future cooperation with those counterparts. AM\P8\_AMA(2017)0170(106-106)\_EN.docx 57/60 PE605.573v01-00 EN United in diversity EN Article 18 Auditing by the Court of Auditors 1. The external audit of the activities undertaken in accordance with this Regulation shall be carried out by the Court of Auditors in accordance with Article 287 of the Treaty on the Functioning of the European Union (TFEU) and the activities are thus subject to the discharge procedure in accordance with Article 319 TFEU. 2. For the purpose of paragraph 1 of this Article, the Court of Auditors shall, at its request and in accordance with Article 287(3) TFEU, be granted access to any document or information necessary to carry out its auditing tasks. Article 19 Anti-fraud measures 1. The Commission or the eligible counterparts shall immediately notify the European Anti-Fraud Office (OLAF) when, at any stage of the preparation, implementation or closure of financing and investment operations covered by this Regulation, they have grounds for suspecting fraud, corruption, money laundering or any other illegal activity that may affect the financial interests of the Union. They shall provide it with all necessary information to enable a full and thorough investigation to be carried out. AM\P8\_AMA(2017)0170(106-106)\_EN.docx 58/60 PE605.573v01-00 EN United in diversity EN 2. OLAF may carry out investigations, including on-the-spot checks and inspections, in accordance with the provisions and procedures laid down in Regulation (EU, Euratom) No 883/2013 of the European Parliament and of the Council, Council Regulation (Euratom, EC) No 2185/96 and Council Regulation (EC, Euratom) No 2988/95 in order to protect the financial interests of the Union, with a view to establishing whether there has been fraud, corruption, money laundering or any other illegal activity affecting the financial interests of the Union in connection with any financing and investment operations covered by this Regulation. OLAF may transmit any information obtained in the course of its investigations to the competent authorities of the Member States concerned. Where such illegal activities are proven, the eligible counterparts shall undertake recovery efforts with respect to its financing and investment operations covered by this Regulation that are concerned by such activities, and shall also provide to the relevant authorities all information needed for investigation and possible prosecution. AM\P8\_AMA(2017)0170(106-106)\_EN.docx 59/60 PE605.573v01-00 EN United in diversity EN Article 20 Excluded activities and non-cooperative jurisdictions 1. In their financing and investment operations, the eligible counterparts shall comply with applicable EU legislation and agreed international and EU standards and, therefore, shall not support projects under this Regulation that contribute to money laundering, terrorism financing, tax avoidance, tax fraud and tax evasion. In addition the eligible counterparts shall not enter into new or renewed operations with entities incorporated or established in jurisdictions listed under the relevant EU policy on non-cooperative jurisdictions, or that are identified as high risk third countries pursuant to article 9.2 of Directive (EU) 2015/849, or that do not effectively comply with EU or internationally agreed tax standards on transparency and exchange of information. The eligible counterparts may derogate from this principle only if the project is physically implemented in one of those jurisdictions, and does not present any indication that the relevant operation falls under any of the categories listed in paragraph 1. When concluding agreements with financial intermediaries, the eligible counterparts shall transpose the requirements referred to in this Article into the relevant agreements and shall request the financial intermediaries to report on their observance. AM\P8\_AMA(2017)0170(106-106)\_EN.docx 60/60 PE605.573v01-00 EN United in diversity EN 2. In its financing and investment operations, the eligible counterpart shall apply the principles and standards set out in Union law on the prevention of the use of the financial system for the purpose of money laundering and terrorist financing and in particular Regulation (EU) 2015/847 of the European Parliament and of the Council and Directive (EU) 2015/849 of the European Parliament and of the Council. The eligible counterparts shall make both direct funding and funding via intermediaries under this Regulation contingent upon the disclosure of beneficial ownership information in accordance with Directive (EU) 2015/849 (the EU Anti-Money Laundering Directive) and publish country-by-country reporting data in accordance with Article 89(1) of Directive 2013/36/EU of the European Parliament and of the Council. CHAPTER VI FINAL PROVISIONS Article 21 Entry into force This Regulation shall enter into force on the ▌day following that of its publication in the Official Journal of the European Union. This Regulation shall be binding in its entirety and directly applicable in all Member States. Done at For the European Parliament For the Council The President The President Or. en

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**End of Document**



[***Register of Commission documents: European Parliament legislative resolution of 6 July 2017 on the proposal for a regulation of the European Parliament and of the Council on the European Fund for Sustainable Development (EFSD) and establishing the EFSD Guarantee and the EFSD Guarantee Fund (COM(2016)0586 – C8-0377/2016 – 2016/0281(COD)) (Ordinary legislative procedure: first reading) Document date: 2017-07-06 P8\_TA-PROV(2017)0311 Texts adopted (provisional edition***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5P97-J9Y1-JDG9-Y0M9-00000-00&context=1516831)

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Brussels: Public Register European Parliament has issued the following document:

European Parliament 2014-2019 TEXTS ADOPTED Provisional edition P8\_TA-PROV(2017)0311 European Fund for Sustainable Development (EFSD) and establishing the EFSD Guarantee and the EFSD Guarantee Fund \*\*\*I European Parliament legislative resolution of 6 July 2017 on the proposal for a regulation of the European Parliament and of the Council on the European Fund for Sustainable Development (EFSD) and establishing the EFSD Guarantee and the EFSD Guarantee Fund (COM(2016)0586 – C8-0377/2016 – 2016/0281(COD)) (Ordinary legislative procedure: first reading) The European Parliament, – having regard to the Commission proposal to Parliament and the Council (COM(2016)0586), – having regard to Article 294(2), Article 209(1) and Article 212(2) of the Treaty on the Functioning of the European Union, pursuant to which the Commission submitted the proposal to Parliament (C8-0377/2016), – having regard to Article 294(3) of the Treaty on the Functioning of the European Union, – having regard to the provisional agreement approved by the committees responsible under Rule 69f(4) of its Rules of Procedure and the undertaking given by the Council representative by letter of 28 June 2017 to approve Parliament’s position, in accordance with Article 294(4) of the Treaty on the Functioning of the European Union, – having regard to Rule 59 of its Rules of Procedure, – having regard to the joint deliberations of the Committee on Foreign Affairs, the Committee on Development and the Committee on Budgets under Rule 55 of its Rules of Procedure, – having regard to the report of the Committee on Foreign Affairs, the Committee on Development and the Committee on Budgets and the opinion of the Committee on Budgetary Control (A8-0170/2017), 1. Adopts its position at first reading hereinafter set out; 2. Calls on the Commission to refer the matter to Parliament again if it replaces, substantially amends or intends to substantially amend its proposal; 3. Instructs its President to forward its position to the Council, the Commission and the national parliaments.

P8\_TC1-COD(2016)0281 Position of the European Parliament adopted at first reading on 6 July 2017 with a view to the adoption of Regulation (EU) 2017/… of the European Parliament and of the Council on the European Fund for Sustainable Development (EFSD) and establishing the EFSD Guarantee and the EFSD Guarantee Fund THE EUROPEAN PARLIAMENT AND THE COUNCIL OF THE EUROPEAN UNION, Having regard to the Treaty on the Functioning of the European Union, and in particular Articles 209(1) and 212(2) thereof, Having regard to the proposal from the European Commission, After transmission of the draft legislative act to the national parliaments, Acting in accordance with the ordinary legislative procedure1,  TEXT HAS NOT YET UNDERGONE LEGAL-LINGUISTIC FINALISATION. 1 Position of the European Parliament of 6 July 2017. Whereas: (1) The Union’s External Investment ***Plan*** (EIP) provides for the creation of the European Fund for Sustainable Development (EFSD) as its first pillar, alongside technical assistance (second pillar) and improving investment climate and overall policy environment in partner countries (third pillar). (2) The EFSD aims to support investments primarily in Africa and the Union’s Neighbourhood as a means to contribute to the achievement of the Sustainable Development Goals of the 2030 Agenda, in particular poverty eradication, as well as the commitments under the recently revised European Neighbourhood Policy, thus addressing specific socio-economic root causes of migration, including irregular migration, and contribute to the sustainable reintegration of migrants returning to their countries of origin, and strengthening transit and host communities. The EFSD, as part of the EIP, should also contribute to the implementation of the Paris Agreement on Climate Change (Paris Agreement). (3) Investments under the EFSD should complement and reinforce efforts carried out in the context of the Union’s migration policy with third countries, including, where appropriate, the implementation of the New Partnership Framework with Third Countries under the European Migration Agenda. (4) The EFSD should be guided by the objectives of Union external action set out in Article 21 of the Treaty on European Union (TEU) and of Union development cooperation policy set out in Article 208 TFEU. It should also allow ▌ investors and private companies, in particular micro, small and medium-sized enterprises, to contribute more effectively to sustainable development in partner countries in line with Union development and neighbourhood policies. The EFSD should maximise additionality, address market failures and sub-optimal investment situations, deliver innovative products and crowd in private sector funds. EFSD operations should be clearly distinct from, and complementary to, other support, including the European Investment Bank’s external lending mandate operations and Economic Resilience Initiative, and the ACP Investment Facility. They should also be complementary to the existing activities of other eligible financial institutions. (5) The EFSD should contribute to the implementation of the 2030 Agenda, which recognises international migration as a multi-dimensional reality of major relevance for the development of countries of origin, transit and destination, requiring coherent and comprehensive responses, while underlining the potential for migrants to contribute to inclusive growth and sustainable development. Investments will contribute towards addressing migratory pressures stemming from poverty, conflict, instability, underdevelopment, inequality, human rights violations, demographic growth, lack of employment and economic opportunities as well as from climate change. (6) The EFSD should be in line with the Union commitment under the Addis Ababa Action Agenda on Financing for Development and the internationally agreed development effectiveness principles. (7) The purpose of the EFSD is in line with the Union Global Strategy for Foreign and Security Policy which embeds challenges such as migration and resilience in the overall EU foreign policy, ensuring that Union external policy is fully coherent with the objectives of development policy and ensuring synergies with European development and Neighbourhood policies. Its purpose is also in line with the Charter of Fundamental Rights of the European Union and international human rights law, ensuring a human rights-based approach while addressing forced displacement and irregular migration. (8) The EFSD should foster decent job creation, economic opportunities and entrepreneurship, and green and inclusive growth with particular focus on gender equality and the empowerment of women and young people in line with the Union’s Gender Action ***Plan*** 2016-2020, while strengthening the rule of law, good governance, human rights and equitable access to and use of natural resources. (9) Involvement of the private sector in the Union’s cooperation with partner countries through the EFSD should yield measurable and additional development impact, without distorting the market and should be cost-effective, based on mutual accountability and risk and cost sharing. Such involvement should build on a commitment to internationally agreed guidelines and principles, including the Principles for Responsible Investment and the United Nations Guiding Principles on Business and Human Rights and the Organisation for Economic Cooperation and Development’s (OECD) Guidelines for Multinational Enterprises. (10) In order to fulfil the political commitments of the EU on climate action, renewable energy and resource efficiency, a minimum share of 28 % of the funding under the EFSD should be devoted to financing and investment operations relevant for these sectors. (11) Actions under this Regulation should be designed in such a way so as to: fulfil the criteria for Official Development Assistance (ODA) established by the Development Assistance Committee (DAC) of the OECD, taking into account the specificities of private sector development; reflect the needs of countries identified as experiencing fragility or conflict, LDCs and heavily indebted poor countries; provide appropriate support to investments in the Southern and Eastern Neighbourhood. (12) Technical assistance to partner countries should constitute the second pillar of the EIP. In this context, the Commission should step up assistance in order to help partner countries attract investment by better preparing and promoting projects, developing a higher number of bankable projects and making them known to the international investor community. A project web-portal, in the form of a publicly accessible and user-friendly database, should be established to provide relevant information for each project. (13) The improvement of the investment climate and overall policy environment in partner countries should constitute the third pillar of the EIP. In the context of the Union’s existing political relations with partner countries, the Commission and the High Representative of the Union for Foreign Affairs and Security Policy (High Representative) should maintain policy dialogues aimed at developing legal frameworks, policies and institutions that promote economic stability, sustainable investment and inclusive growth. Those policy dialogues should cover, inter alia, the fight against corruption, organised crime and illicit financial flows, good governance, the inclusion of local markets, the boosting of entrepreneurship as well as local business settings, the respect for human rights and the rule of law as well as gender-responsive policies. (14) The EFSD should be composed of regional investment platforms, which should be established on the basis of the working methods, procedures and structures of the existing external blending facilities of the Union and which should combine their blending operations and the EFSD Guarantee. The EFSD Guarantee should support financing and investment operations in partner countries in Africa and the Neighbourhood. (15) In the light of the findings of the Court of Auditors regarding the use of blending in the external relations of the Union, it is essential that blending be used where its added value can clearly be demonstrated. ▌ (16) A ***strategic*** board of the EFSD should be created to support the Commission in setting ***strategic*** guidance and overall investment goals as well as in ensuring an appropriate and diversified geographical and thematic coverage for investment windows. The ***strategic*** board should support overall coordination, complementarity and coherence between the regional investment platforms, between the three pillars of the EIP, between the EIP and the Union’s other efforts on migration and on the implementation of the 2030 Agenda, as well as with the relevant Union external financing instruments and trust funds as well as with the external lending mandate operations managed by the EIB, including the EIB resilience initiative and the ACP Investment Facility, without prejudice to the internal rules of governance of the EIB. (17) The ***strategic*** board should be composed of representatives of the Commission and of the High Representative, of all Member States and of the EIB. The European Parliament should have observer status. Contributors, eligible counterparts, partner countries, relevant regional organisations and other stakeholders may be given observer status, where appropriate. The ***strategic*** board should adopt its rules of procedure. The rules of procedure should define the framework for the involvement of observers, having regard to their respective status and roles. (18) The Commission and the EIB should conclude an agreement specifying the conditions of their cooperation in the management of the EFSD Guarantee and should present that agreement to the ***strategic*** board. (19) Each regional investment platform should have an operational board, which should draw on the experience of the operational boards of the existing blending facilities. The operational boards should provide support to the Commission in the implementation of this Regulation. They should support the Commission in defining and monitoring regional and sectorial investment goals, regional, sectorial and thematic investment windows, formulating opinions on the blending operations and discussing the use of the EFSD Guarantee in line with the investment windows to be defined. (20) An appropriate level of information to the European Parliament and the Council should be ensured in respect of the orientation of the use of the EFSD Guarantee through the establishment of investment windows. (21) The EFSD should operate as a ʻone-stop-shop’, receiving financing proposals from financial institutions and public or private investors and delivering a wide range of financial support to eligible investments. The EFSD Guarantee should be backed by the EFSD Guarantee Fund. (22) The EFSD should deploy innovative instruments to support investments and involve the private sector in particular micro-, small- and medium-sized enterprises. It should also allow European investors and private companies, including micro-, small- and medium-sized enterprises, to participate more effectively in efforts to achieve sustainable development in partner countries. Bottlenecks and obstacles to investments need to be addressed in this respect. (23) The EFSD Guarantee should privilege funding projects which have a high impact on job creation and whose cost-benefit ratio enhances the sustainability of investment. When supporting operations with the EFSD Guarantee, an in-depth ex ante assessment of environmental, financial and social aspects should be carried out. The EFSD Guarantee should not be used to replace government responsibility for providing essential public services. (24) European Union delegations in partner countries should include information about EFSD funding opportunities in their communication targeted at civil society and the general public and contribute to the coherence between the pillars of the EIP. (25) The EFSD Guarantee should be granted to eligible counterparts for financing and investment operations or guarantee instruments for an initial investment period up to 31 December 2020. (26) In order to provide for flexibility, increase the attractiveness for the private sector and maximise the impact of the investments it is appropriate to provide for a derogation from Article 58(1)(c)(vii) of Regulation (EU) No 966/2012 of the European Parliament and the Council1 by which the eligible counterparts who are bodies governed by private law could also be bodies which are not entrusted with the implementation of a public-private partnership and could also be bodies governed by the private law of a partner country. (27) The Commission should conclude guarantee agreements with the eligible counterparts setting out the specific provisions under which the EFSD Guarantee is granted to them. These guarantee agreements should provide the legal basis for adequate risk sharing, thus providing incentives for the eligible counterparts to provide financing, as well as the mechanisms and procedures for potential calls on the EFSD Guarantee. 1 Regulation (EU, Euratom) No 966/2012 of the European Parliament and the Council of 25 October 2012 on the financial rules applicable to the general budget of the Union and repealing Council Regulation (EC, Euratom) No 1605/2002 (OJ L 298, 26.10.2012, p. 1). (28) The Union should make available a guarantee of EUR 1 500 000 000 to establish the EFSD Guarantee. Member States and other contributors should be invited to contribute further to support the EFSD Guarantee Fund in the form of cash (Member States and other contributors) or guarantees (Member States) in order to increase the liquidity cushion and thus allow the increase of the total volume of EFSD Guarantee. ▌ Member States, public financial institutions and other contributors should be invited to provide additional funding to the EFSD Guarantee Fund under conditions that should be established in an agreement to be concluded between the Commission on behalf of the Union and ▌ the contributor. (29) The EFSD Guarantee Fund should be established as a liquidity cushion in the event of a call on the EFSD Guarantee. To reach a level that adequately reflects EU financial liabilities in relation to the EFSD Guarantee, the Union should make available EUR 750 000 000. (30) In order to increase the impact of the EFSD Guarantee in view of the needs in the regions concerned, Member States and EFTA countries should have the possibility of providing contributions in the form of a guarantee or cash. (31) As the funds of the EDF are to be used ▌, a minimum of EUR 400 000 000 of EFSD Guarantee coverage should be allocated for investments in partner countries eligible under the 11th European Development Fund (EDF) throughout the implementation period of the EFSD Guarantee. The EFSD Guarantee should only become available when a contribution of EUR 400 000 000 of 11th EDF funds ▌ to the EFSD Guarantee Fund has been confirmed. (32) As the funds of the European Neighbourhood Instrument, established by Regulation (EU) No 232/2014 of the European Parliament and of the Council, are to be used, a minimum of EUR 100 000 000 of the EFSD Guarantee coverage should be allocated for investments in the partner countries from the Eastern and Southern Neighbourhood throughout the implementation period of the EFSD Guarantee. (33) The Commission should report annually to the European Parliament and the Council on the financing and investment operations covered by the EFSD Guarantee, with a view to ensuring full accountability to the European citizens and scrutiny and control by the European Parliament and the Council. The report should be made public in order to allow relevant stakeholders, including civil society, to express their views. The Commission should also report annually to the European Parliament and the Council on the management of the EFSD Guarantee Fund so that accountability, transparency are ensured. The Commission should also inform the ACP-EU Council and the ACP-EU Joint Parliamentary Assembly as regards the use of the EDF funds. (34) In order to ensure the monitoring and accountability of the EFSD and of the EIP, the European Parliament or the Council may organise hearings as part of a dialogue with the Commission, the High Representative, the EIB and other eligible financial institutions as well as private sector and civil society organisations. (35) In order to take into account lessons learned and allow for further evolvement of the EFSD, the functioning of the EFSD and the use of the EFSD Guarantee Fund should be evaluated by the Commission and external evaluators and subjected to an annual consultation process with relevant stakeholders, including civil society organisations. The application of this Regulation should be evaluated independently in order to assess the level of conformity of the implementation with the legal basis, but also to establish the applicability and practicability of the Regulation in the achievement of its objectives. (36) In order to protect the financial interests of the Union, with a view to establishing whether there has been fraud, corruption, money laundering or any other illegal activity affecting the financial interests of the Union in connection with any financing and investment operations covered by this Regulation, the European Anti-Fraud Office (OLAF) is entitled to carry out investigations in accordance with Regulation (EU, Euratom) No 883/2013 of the European Parliament and of the Council1, Council Regulation (Euratom, EC) No 2185/962 and Council Regulation (EC, Euratom) No 2988/95.3 1 Regulation (EU, Euratom) No 883/2013 of the European Parliament and of the Council of 11 September 2013 concerning investigations conducted by the European Anti-Fraud Office (OLAF) and repealing Regulation (EC) No 1073/1999 of the European Parliament and of the Council and Council Regulation (Euratom) No 1074/1999 (OJ L 248, 18.9.2013, p. 1). 2 Council Regulation (Euratom, EC) No 2185/96 of 11 November 1996 concerning on-the-spot checks and inspections carried out by the Commission in order to protect the European Communities’ financial interests against fraud and other irregularities (OJ L 292, 15.11.1996, p. 2). 3 Council Regulation (EC, Euratom) No 2988/95 of 18 December 1995 on the protection of the European Communities financial interests (OJ L 312, 23.12.1995, p. 1). (37) Financing and investment operations supported by the EFSD should adhere to the relevant EU policy on non-cooperative jurisdictions for tax purposes which is laid down in the legal acts of the Union and Council Conclusions, notably those of 8 November 2016, in particular in their Annex, and any subsequent updates. ▌ HAVE ADOPTED THIS REGULATION: CHAPTER I INTRODUCTORY PROVISIONS Article 1 Subject matter 1. This Regulation establishes the European Fund for Sustainable Development (EFSD), the EFSD Guarantee and the EFSD Guarantee Fund. 2. For the purposes of paragraph 1, this Regulation provides for the Commission on behalf of the Union to conclude guarantee agreements with the eligible counterparts as defined in Article 10. Article 2 Definitions For the purposes of this Regulation, the following definitions apply: (1) ʻregional investment platforms’ means blending facilities in line with Article 4(1)(e) of Regulation (EU) No 236/2014 of the European Parliament and the Council1 and with Article 40 of Council Regulation (EU) 2015/3232 for the contribution from the 11th European Development Fund (EDF) combined with the granting of the EFSD Guarantee as set out in Article 6. 1 Regulation (EU) No 236/2014 of the European Parliament and the Council of 11 March 2014 laying down common rules and procedures for the implementation of the Union’s instruments for financing external action (OJ L 77, 15.03.2014, p. 95). 2 Council Regulation (EU) 2015/323 of 2 March 2015 on the financial regulation applicable to the 11th European Development Fund (OJ L 58, 03.03.2015, p. 17). (2) ʻinvestment window’ means a targeted area for support by the EFSD Guarantee to portfolios of investments in specific regions, countries or sectors and implemented via the regional investment platforms; (3) ʻcontributor’ means a Member State, an international financial institution or a public institution of a Member State, a public agency or other entities contributing in cash grants or in guarantees to the EFSD Guarantee Fund; (4) ʻpartner countries’ means countries that are signatories to the Partnership Agreement between the members of the African, Caribbean and Pacific Group of States of the one part, and the European Community and its member States, of the other part, signed in Cotonou on 23 June 2000 1, countries that are listed in Annex I to Regulation (EU) No 232/2014 of the European Parliament and of the Council2 as well as countries that are eligible for geographic cooperation under Regulation (EU) No 233/2014 of the European Parliament and of the Council 3. 1 OJ L 317, 15.12.2000 as last amended by OJ L 287, 4.11.2010 2 Regulation (EU) No 232/2014 of the European Parliament and of the Council of 11 March 2014 establishing a European Neighbourhood Instrument (OJ L 77, 15.3.2014, p. 27). 3 Regulation (EU) No 233/2014 of the European Parliament and of the Council of 11 March 2014 establishing a financing instrument for development cooperation for the period 2014-2020 (OJ L 77, 15.3.2014, p. 44). (5) ʻadditionality’ means the principle ensuring that the EFSD Guarantee support contributes to sustainable development by operations which could not have been carried out without the EFSD Guarantee, or which achieve positive results above and beyond what could have been achieved without it. Additionality also means crowding in private sector funding and addressing market failures or sub-optimal investment situations as well as improving the quality, sustainability, impact or scale of an investment. EFSD Guarantee operations shall not replace the support of a Member State, private funding or another Union or international financial ***intervention***, and shall avoid crowding out other public or private investments. Projects supported by the EFSD Guarantee typically have a higher risk profile than the portfolio of investments supported by the eligible counterparts under their normal investment policies without the EFSD Guarantee. CHAPTER II EUROPEAN FUND FOR SUSTAINABLE DEVELOPMENT Article 3 Purpose 1. The purpose of the EFSD as an integrated financial package, supplying financing capacity in the form of grants, guarantees and other financial instruments to eligible counterparts, shall be to support investments and increased access to financing, primarily in Africa and the European Neighbourhood, in order to foster sustainable and inclusive economic and social development and promote the socio-economic resilience of partner countries, including, where appropriate, in the context of the European Neighbourhood Policy and the New Partnership Framework with Third Countries under the European Agenda on Migration, with a particular focus on sustainable and inclusive growth, creation of decent jobs, youth and women, socio-economic sectors and micro, small and medium sized enterprises while maximising additionality, delivering innovative products and crowding in private sector funds. 2. The EFSD shall be guided by the objectives of Union external action set out in Article 21 of the Treaty on European Union (TEU) and of Union development cooperation policy set out in Article 208 TFEU and the internationally agreed development effectiveness principles. It shall contribute to the achievement of the Sustainable Development Goals of the 2030 Agenda, in particular poverty eradication and, where appropriate, contribute to the implementation of the European Neighbourhood Policy, thus addressing specific socio-economic root causes of migration and fostering sustainable reintegration of migrants returning to their countries of origin, and strengthening transit and host communities. 3. The EFSD shall contribute to the implementation of the Paris Agreement by also targeting investments to sectors that advance climate change mitigation and adaptation. 4. The EFSD shall be consistent with the objectives set out in the external financing instruments established by Regulations (EU) 2014/232, (EU) 2014/233, and EDF Regulation (EU) 2015/323 and with the priorities contained in the national or regional ***programmes*** and strategy papers, where available. Article 4 Structure of the EFSD 1. The EFSD shall be composed of regional investment platforms, established on the basis of the working methods, procedures and structures of the existing external blending facilities of the Union and which shall combine their blending operations and the EFSD Guarantee. 2. The management of the EFSD shall be ensured by the Commission. The Commission shall work in close cooperation with the EIB supported by other eligible counterparts as regards the operational management of the EFSD Guarantee. To that end, a technical assessment group on the Guarantee shall be established. Article 5 ***Strategic*** board of the EFSD 1. In the management of the EFSD the Commission shall be advised by a ***strategic*** board. 2. The ***strategic*** board shall advise the Commission on the ***strategic*** orientations and priorities of EFSD Guarantee investments and contribute to their alignment with the guiding principles and objectives of the Union external action, neighbourhood and development policy, as well as with the purpose of the EFSD as set out in Article 3. It shall also support the Commission in setting overall investment goals as regards the use of the EFSD Guarantee and monitor an appropriate and diversified geographical and thematic coverage for investment windows while giving special attention to countries identified as experiencing fragility or conflict, Least Developed Countries and heavily indebted poor countries. 3. The ***strategic*** board shall also support overall coordination, complementarity and coherence between the regional investment platforms, between the three pillars of the EIP, between the EIP and the Union’s other efforts on migration and on the implementation of the 2030 Agenda, as well as with the relevant Union external financing instruments and trust funds as well as with the external lending mandate operations managed by the EIB, including the EIB resilience initiative and the ACP Investment Facility, without prejudice to the internal rules of governance of the EIB. 4. The ***strategic*** board shall be composed of representatives of the Commission and of the High Representative, of all Member States and of the EIB. The European Parliament shall have observer status. Contributors, eligible counterparts, partner countries, relevant regional organisations and other stakeholders may be given observer status, where appropriate. The ***strategic*** board shall be consulted prior to the inclusion of any new observer. The ***strategic*** board shall be co-chaired by the Commission and the High Representative. 5. The ***strategic*** board shall meet at least twice a year and, when possible, adopt opinions by consensus. Additional meetings may be organised at any time by the chair and upon request of one third of its members. In case consensus cannot be achieved, voting rights, taking due account of the source of financing, shall apply as agreed during the first meeting of the ***strategic*** board and laid down in its rules of procedure. The rules of procedure shall set out the framework regarding the role of observers. The minutes and agendas of the meetings of the ***strategic*** board shall be made public, following their adoption. 6. The Commission shall report annually to the ***strategic*** board about the progress made. The ***strategic*** board shall regularly organise a consultation of relevant stakeholders on the orientation and implementation of the EFSD. 7. During the implementation phase of the EFSD, the ***strategic*** board shall, as soon as possible, adopt and publish guidelines setting out how conformity of EFSD operations with the objectives and eligibility criteria set out in Article 8 is to be ensured. 8. In its ***strategic*** guidance, the ***strategic*** board shall take due account of relevant European Parliament resolutions and Council decisions and conclusions. Article 5a Regional operational boards Each regional investment platform shall have an operational board. Operational boards shall support the Commission at the implementation level in defining regional and sectoral investment goals and regional, sectoral and thematic investment windows and shall formulate opinions on blending operations and on the use of the EFSD Guarantee. CHAPTER III EFSD GUARANTEE AND EFSD GUARANTEE FUND Article 6 The EFSD Guarantee 1. The Union shall, after careful consideration of the viability of a project, provide an irrevocable and unconditional guarantee on first demand to the eligible counterpart for the financing and investment operations covered by this Regulation. 1a. The EFSD Guarantee shall support financing and investment operations in partner countries in Africa and the Neighbourhood. 2. The EFSD Guarantee shall be granted as a guarantee on first demand in respect of the instruments referred to in Article 9 and in compliance with the eligibility criteria referred to in Article 8. Article 7 Requirements for the use of the EFSD Guarantee 1. The granting of the EFSD Guarantee shall be subject to the conclusion of the respective EFSD guarantee agreement between the Commission on behalf of the Union and the eligible counterpart. 2. The ▌ investment period during which the EFSD guarantee agreements for supporting financing and investment operations can be concluded with the eligible counterparts shall last until 31 December 2020. 3. The maximum period allowed for eligible counterparts to conclude agreements with co-financing private sector partners, financial intermediaries or final beneficiaries shall be four years after the conclusion of the relevant guarantee agreement. Article 8 Eligibility criteria for the use of the EFSD Guarantee 1. The financing and investment operations eligible for support through the EFSD Guarantee in accordance with the purpose of the EFSD as provided for in Article 3 shall

be consistent and aligned with Union policies, in particular development and neighbourhood policies of the Union, as well as with the partner countries’ strategies and policies. Such operations shall take into account other Union and international support to ensure complementarity with other initiatives and shall support the following objectives: (a) contribute to sustainable development in its economic, social and environmental dimensions, and to the implementation of the 2030 Agenda for Sustainable Development and, where appropriate, the European Neighbourhood Policy, with particular focus on the eradication of poverty, creation of decent jobs, economic opportunities, skills and entrepreneurship, promoting in particular gender equality and the empowerment of women and young people, while pursuing and strengthening the rule of law, good governance and human rights; (aa) contribute to the implementation of the Union’s migration policy, including, where appropriate, the New Partnership Framework with Third Countries; (ab) contribute, by promoting sustainable development, to addressing specific root causes of migration, including irregular migration, as well as foster resilience of transit and host communities, and contribute to the sustainable reintegration of migrants returning to their countries of origin, with due regard to the strengthening of the rule of law, good governance and human rights; (b) strengthen socio-economic sectors, in particular public and private infrastructure including renewable and sustainable energy, water and waste management, transport, information and communications technologies, as well as environment, sustainable use of natural resources, sustainable ***agriculture*** and blue growth, social infrastructure, health, human capital, in order to improve the socio-economic environment; (c) provide finance and support to private and cooperative sector development, with a particular focus on local companies and micro, small and medium-sized enterprises, while addressing market failures and limiting market distortions and encouraging the contribution of European companies to the EFSD objectives; (d) address bottlenecks to private investments by providing financial instruments, including first loss guarantees to portfolios guarantees to private sector projects such as loan guarantees for small and medium-sized enterprises and guarantees for specific risks for infrastructure projects and other risk capital; financial instruments provided may be denominated in the local currency of the partner country concerned; (e) leverage private sector financing, with a particular focus on micro-, small-, and medium-sized enterprises, by addressing bottlenecks and obstacles to investment; (ea) contribute to climate action and environmental protection and management, thus ***producing*** climate co-benefits, allocating at least 28 % of the financing to investments that contribute to climate action, renewable energy and resource efficiency. 2. The EFSD Guarantee shall support financing and investment operations which address market failures or sub-optimal investment situations and which: (a) provide additionality; (aa) ensure complementarity with other initiatives, making sure that EFSD guarantee operations are clearly distinct, in particular from the external lending mandate operations managed by the EIB; (b) ensure alignment of interest by providing adequate risk sharing by the respective eligible counterpart and other prospective partners; (c) are economically and financially viable, with due regard to the possible support from, and co-financing by, private and public partners to the project, while taking into account the specific operating environment and capacities of countries identified as experiencing fragility or conflict, Least Developed Countries and heavily indebted poor countries where more concessional terms can be given; (d) are technically viable and are sustainable from an environmental and social point of view; and (e) maximise, where possible, the mobilisation of private sector capital; (ea) respect the principles of development effectiveness as set out in the Busan Partnership for Effective Development Cooperation and reaffirmed in Nairobi in December 2016, including, ownership, alignment, focus on results, transparency and mutual accountability, as well as the objective of untying aid; (eb) are designed so as to fulfil the criteria for ODA established by the Development Assistance Committee of the OECD, taking into account the specificities of private sector development; and (ec) are implemented in full respect of internationally agreed guidelines, principles and conventions including the UN Principles for Responsible Investment, UN Guiding Principles on Business and Human Rights, OECD Guidelines for Multinational Enterprises, and the UN Food and ***Agriculture*** Organisation’s Principles for Responsible Investment in ***Agriculture*** and Food Systems, and International Labour Organisation conventions, as well as international human rights law. 3. On a case by case basis operations may combine financing from different Union instruments to the extent that it is needed for the success of the investment project backed by the EFSD and as long as this does not lead to reduced financing for other developmental objectives. 4. Taking due account of the advice provided by the ***strategic*** board, after consultation with the operational boards and after informing the European Parliament and the Council, the Commission shall define investment windows for specific regions or partner countries or for both, for specific sectors, for specific projects or for specific categories of final beneficiaries or for both to be funded by instruments referred to in Article 9 to be covered by the EFSD Guarantee up to a fixed amount. The information to the European Parliament and Council shall specify how the investment windows are aligned with the requirements set out in Articles 3 and 8 and their detailed funding priorities. The EIB should provide a written opinion on banking related matters to accompany each proposal for investment windows. All requests for financial support within investment windows shall be made to the Commission. The choice of investment windows shall be duly justified by an analysis of the market failure or sub-optimal investment situations. Such analysis shall be carried out by the Commission in cooperation with potentially eligible counterparts and stakeholders. Within the Africa Investment Platform, a significant share of the EFSD Guarantee shall be allocated to fragile and conflict-affected countries, landlocked countries and Least-Developed Countries. The Commission shall assess the operations supported by the EFSD guarantee against the eligibility criteria established in Article 8(1) and 8(2), where possible drawing on eligible counterparts’ existing result measurement systems. It shall publish the result of its assessment for each investment window on an annual basis. Article 9 Eligible instruments for the EFSD Guarantee 1. The EFSD Guarantee shall be used to cover the risks for the following instruments: (a) loans, including local currency loans; (b) guarantees; (c) counter-guarantees; (d) capital market instruments; (e) any other form of funding or credit enhancement, insurance, equity, quasi-equity participations. 2. The instruments listed in paragraph 1 may be provided by eligible counterparts ▌ under an investment window or individual project administered by an eligible counterpart. They may be provided for the benefit of partner countries, including countries experiencing fragility or conflict or facing challenges in reconstruction and post-conflict recovery, and these partner countries’ institutions, including their public national and private local banks and financial institutions as well as private sector entities of these partner countries. In countries experiencing fragility or conflict, as well as other countries when justified, support may be provided to public sector investments that have relevant effects on private sector development. Article 10 Eligibility and selection of counterparts 1. The eligible counterparts for the purposes of the EFSD Guarantee shall be: (a) the European Investment Bank and the European Investment Fund; (b) public law bodies; (c) international organisations and their agencies; (d) bodies governed by private law with a public service mission to the extent that they provide adequate financial guarantees; (e) bodies governed by the private law of a Member State that provide adequate financial guarantees, by derogation from Article 58(1)(c)(vii) of Regulation (EU) No 966/2012; (f) bodies governed by the private law of a partner country that provide adequate financial guarantees, by derogation from Article 58(1)(c)(vii) of Regulation (EU) No 966/2012. 2. Eligible counterparts shall comply with the rules and conditions provided for in Article 60 of Regulation (EU, Euratom) No 966/2012. For bodies governed by the private law of a Member State or a partner country, preference shall be given to those that provide disclosure of information related to Environment, Social and Corporate Governance criteria. The guarantee shall be implemented whenever possible under the lead of a European eligible counterpart in line with the criteria set out in this regulation. The Commission shall ensure an effective, efficient and fair use of resources available among eligible counterparts, while promoting cooperation between them. The Commission shall ensure fair treatment for all eligible counterparts and shall ensure that conflicts of interest are avoided throughout the stages of implementation of the EFSD. In order to ensure complementarity, the Commission may request any relevant information from eligible counterparts about their non-EFSD operations. 3. The Commission shall select the eligible counterparts pursuant to Article 61 of Regulation (EU, Euratom) No 966/2012. 3a. Eligible counterparts may be invited to an exchange of views by the European Parliament or the Council concerning financing and investment operations covered by this Regulation. Article 11 Coverage and terms of the EFSD Guarantee 1. The EFSD Guarantee shall not, at any time, exceed EUR 1 500 000 000 without prejudice to paragraph 2. 2. Member States and EFTA countries may contribute to the EFSD Guarantee Fund in the form of guarantees or cash. Subject to the opinion of the ***strategic*** board and Commission approval, other contributors may contribute, in the form of cash. The amount of the Guarantee exceeding the amount indicated in paragraph 1 shall be granted on behalf of the Union. Aggregate net payments from the general budget of the Union under the EFSD Guarantee shall not exceed EUR 1 500 000 000. Payments for guarantee calls shall be made, where necessary, by the contributing Member States or other contributors on pari passu basis with the Union, without prejudice to paragraph 4. A contribution agreement shall be concluded between the Commission, on behalf of the Union, and the contributor, which shall contain, in particular, provisions concerning the payment conditions. 3. The EFSD Guarantee shall only become available when a contribution in cash of EUR 400 000 000 from the 11th European Development Fund (EDF)1 to the general budget of the Union has been confirmed. The Member States may contribute to the EFSD Guarantee in the form of guarantees or cash. The Commission shall inform the European Parliament and the Council without delay about the contributions confirmed. 4. The contributions made by the Member States in the form of a guarantee may only be called for payments of guarantee calls after the funding from the general budget of the Union increased by any other cash contributions has been used on payments of guarantee calls. At the request of the Member States in the ***strategic*** board, the contributions made by them may be earmarked for the initiation of projects in specific regions, countries, sectors or existing investment windows. Any contribution may be used to cover guarantee calls regardless of earmarking. 1 Internal Agreement between the Representatives of the Governments of the Member States of the European Union, meeting within the Council, on the financing of European Union aid under the multiannual financial framework for the period 2014 to 2020, in accordance with the ACP-EU Partnership Agreement and on the allocation of financial assistance for the Overseas Countries and Territories to which Part Four of the Treaty on the Functioning of the European Union applies, OJ L 210, 6.8.2013, p. 1. 5. At least EUR 400 000 000 of EFSD Guarantee coverage shall be allocated for investments in the partner countries eligible under the 11th EDF throughout the implementation period of the EFSD Guarantee, in line with the objectives of the Cotonou Partnership Agreement. 5a. At least EUR 100 000 000 of EFSD Guarantee coverage shall be allocated for investments in the partner countries from the Eastern and Southern Neighbourhood, in line with Regulation (EU) No 232/2014 of the European Parliament and of the Council. Article 12 Implementation of the EFSD guarantee agreements 1. The Commission on behalf of the Union shall conclude EFSD guarantee agreements with the eligible counterparts selected pursuant to Article 10 and paragraph 4, on the granting of the EFSD Guarantee, which shall be unconditional, irrevocable, at first demand, in favour of the selected eligible counterpart. 2. One or more guarantee agreements shall be concluded for each investment window between the Commission and the eligible counterpart or eligible counterparts selected. In order to address specific needs, the EFSD Guarantee may be granted for individual financing or investment operations. Agreements can be concluded with a consortium of two or more eligible counterparts. All guarantee agreements shall be made available to the European Parliament and the Council upon request, taking into account the protection of confidential and commercially sensitive information. 3. The guarantee agreements shall contain, in particular, provisions concerning the following: (a) detailed rules on the provision of the EFSD Guarantee, including its arrangements on the coverage and its defined coverage of portfolios and of projects of specific types of instruments as well as a risk analysis of project and portfolio, including on sectoral, regional and national levels; (aa) the objectives and purpose of this Regulation, a needs assessment and an indication of the expected results, taking into account the promotion of corporate social responsibility and responsible business conduct, including, in particular through respect of the internationally agreed guidelines, principles and legal instruments referred to in Article 8(2)(ec); (b) the remuneration of the guarantee, which shall reflect the risk level; it shall be possible for the remuneration to be partly subsidised in order to give more concessional terms, in duly justified cases, in particular in the countries referred to in point (c) of Article 8(2); (c) requirements for the use of the EFSD Guarantee, including payment conditions, such as specific time frames, interest to be paid on due amounts, expenses and recovery costs and possibly necessary liquidity arrangements; (d) claims procedures, including but not limited to triggering events and waiting periods; and provisions and procedures regarding the recovery of claims; (e) provisions regarding the monitoring, reporting and evaluation obligations pursuant to Articles 15 and 16; (ea) clear and accessible complaints procedures for third parties that could be affected by the implementation of the EFSD Guarantee projects. 4. The Commission, when concluding guarantee agreements with eligible counterparts, shall take due account of: (-aa) the advice and guidance of the boards, in accordance with articles 4 and 5; (a) the objectives of the investment window; (b) the experience, operational, financial and risk management capacity of the counterpart; (c) the amount of own resources as well as private sector co-financing that the counterpart is ready to mobilise for the investment window. 5. The approval of financing and investment operations shall be made by the eligible counterpart following its own rules and procedures and in compliance with the terms of the guarantee agreement. 6. The EFSD Guarantee may cover: (a) for debt instruments the principal and all interests and amounts due to the selected eligible counterpart, but not received by it in accordance with the terms of the financing operations after an event of default has occurred; (b) for equity investments the amounts invested and their associated financing costs; (c) for other financing and investment operations referred to in Article 8(2) the amounts used and their associated funding costs; (d) all relevant expenses and recovery costs related to an event of default, unless deducted from recovery proceeds. 7. The guarantee agreements shall lay down detailed rules on the cover, requirements, eligibility, eligible counterparts, and procedures. Article 13 The EFSD Guarantee Fund 1. The EFSD Guarantee Fund shall constitute a liquidity cushion from which the eligible counterparts shall be paid in the event of a call on the EFSD Guarantee pursuant to the relevant EFSD guarantee agreement. 2. The EFSD Guarantee Fund shall be endowed by: (a) contributions from the general budget of the Union and other sources; (b) voluntary contributions from Member States and other contributors; (c) returns on invested resources of EFSD Guarantee Fund ; (d) amounts recovered from defaulting debtors in accordance with the recovery provisions laid down in the guarantee agreements; (e) revenues and any other payments received by the Union in accordance with the guarantee agreements. 3. Revenues of the EFSD Guarantee Fund as provided for in points (c) and (e) of paragraph 2 shall constitute internal assigned revenue in accordance with Article 21(4) of Regulation (EU, Euratom) No 966/2012. 4. The resources of the EFSD Guarantee Fund referred to in paragraph 2 shall be directly managed by the Commission and invested in accordance with the principle of sound financial management and shall follow appropriate prudential rules. The Commission shall submit to the European Parliament and the Council by 30 June 2019 an independent external evaluation of the advantages and disadvantages of entrusting the financial management of the assets of the guarantee fund for external action and of the European fund for sustainable development to the Commission, EIB, or a combination of the two, taking into account the relevant technical and institutional criteria used in comparing asset management services, including the technical infrastructure, comparison of costs for the services given, institutional set-up, reporting, performance, accountability and expertise of each institution and the other asset management mandates for the EU Budget. The evaluation shall where appropriate be accompanied with a legislative proposal. 5. Endowments to the EFSD Guarantee Fund shall be used to reach an appropriate level of provisioning to cover the total EFSD Guarantee obligations. The provisioning rate shall be at 50 % of the total EFSD Guarantee obligations covered by the general budget of the Union. 6. Following an assessment of the adequacy of the level of the EFSD Guarantee Fund in accordance with the report provided for under Article 15(3), the following payments shall be made: (a) without prejudice to paragraph 8 of this Article, any surplus shall be paid to the general budget of the Union; (b) any replenishment of the EFSD Guarantee Fund shall be paid in annual tranches during a maximum period of three years starting from year n+1. 7. From 1 January 2021, if, as a result of calls on the EFSD Guarantee, the level of resources in the Guarantee Fund falls below 50 % of the provisioning rate referred to in paragraph 5, the Commission shall submit a report on: (a) the cause of the shortfall, with detailed explanations; and (b) where deemed necessary, any exceptional measures that may be required to replenish the EFSD Guarantee Fund. 8. After a call on the EFSD Guarantee, endowments to the EFSD Guarantee Fund provided for in points (c), (d) and (e) of paragraph 2 exceeding the resources necessary to reach the provisioning rate at the level referred to in paragraph 5 or any surplus provided for in point (a) of paragraph 6 of this Article shall first be used within the limits of the maximum period provided for in Article 7(3) to restore the EFSD Guarantee up to its initial amount. Article 14 Funding of the EFSD Guarantee Fund from the general budget of the Union A contribution of EUR 350 000 000 shall be provided by the general budget of the Union. CHAPTER IV REPORTING, ACCOUNTING AND EVALUATION Article 15 Reporting and accounting 1. The Commission shall submit an annual report to the European Parliament and to the Council on the financing and investment operation covered by the EFSD Guarantee. This report shall be made public. It shall include the following elements: (-aa) an assessment of the results contributing to the purpose and objectives set out in Article 3 and Article 8(1) and (2); (a) an assessment of the financing and investment operations in operation and covered by the EFSD Guarantee, sector, country and regional levels and their compliance with this Regulation including the risk measures and their impact on the financial and economic stability of the partners; (b) an assessment, on the basis of the indicators provided for in Article 8(4a), of the additionality and added value, the mobilisation of private sector resources, the estimated and actual outputs and the outcomes and impact of the financing and investment operations covered by the EFSD Guarantee on an aggregated basis, including the impact on decent job creation, the eradication of poverty and on the way in which the root causes of migration, including irregular migration are addressed; this assessment shall include a gender analysis of the operations covered based on evidence and gender-disaggregated data where possible; (c) an assessment of the compliance with the requirements concerning the use of the EFSD Guarantee and key performance indicators established for each proposal submitted; (d) an assessment of the leverage effect achieved by the operations covered by the EFSD Guarantee; (e) the financial amount transferred to beneficiaries and an assessment of financing and investment operations by each counterpart on an aggregated basis; (f) an assessment of the additionality and added value of financing and investment operations of the eligible counterparts, and of the aggregate risk associated with those operations; (g) detailed information on calls on the EFSD Guarantee, losses, returns, amounts recovered and any other payments received as well as overall risk exposure; (h) the financial reports on financing and investment operations of the eligible counterparts covered by this Regulation audited by an independent external auditor; (ha) an assessment of the synergies and complementarity between operations covered by the EFSD Guarantee and the second and third pillars of the EIP based on existing reports for the relevant instruments, with particular regard to progress made on good governance, including in the fight against corruption and illicit financial flows, respect for human rights, the rule of law and gender-responsive policies, as well as the boosting of entrepreneurship, local business environment and local financial markets; (hb) an assessment of the compliance of EFSD Guarantee operations with the internationally agreed development effectiveness principles; (hc) an assessment of the remuneration of the guarantees and of the implementation of Article 20. 2. For the purposes of the Commission’s accounting, its reporting of the risks covered by the EFSD Guarantee and its management of the EFSD Guarantee Fund, the eligible counterparts with whom a guarantee agreement has been concluded shall provide the Commission and Court of Auditors annually with the financial reports on financing and investment operations covered by this Regulation audited by an independent external auditor, containing, among other, information on: (a) the risk assessment of financing and investment operations of the eligible counterparts including information on the Union liabilities measured in compliance with the accounting rules of the Union set by the accounting officer of the Commission based on the internationally accepted accounting standards for the public sector; (b) the outstanding financial obligation for the Union arising from the EFSD Guarantee provided towards the eligible counterparts and their financing and investment operations, broken down by individual operations. The Counterparts shall upon request provide to the Commission any additional information necessary to fulfil the Commission’s obligations in relation to this Regulation. 3. By 31 March of each year, the Commission shall submit to the European Parliament, to the Council and to the Court of Auditors, in the context of the financial statements of the Commission, the required information on the situation of the EFSD Guarantee Fund. In addition, it shall, by 31 May of each year, submit to the European Parliament, to the Council and to the Court of Auditors an annual report on the management of the EFSD Guarantee Fund in the previous calendar year, including an assessment of the adequacy of the provisioning and the level of the Guarantee Fund and of the need for its replenishment. The annual report shall contain the presentation of the financial position of the EFSD Guarantee Fund at the end of the previous calendar year, the financial flows during the previous calendar year as well as the significant transactions and any relevant information on the financial accounts. The report shall also include information about the financial management, the performance, and the risk of the guarantee fund at the end of the previous calendar year. Article 16 Evaluation and review 1. By 31 December 2019, the Commission shall evaluate the initial functioning of the EFSD, its management and its effective contribution to the purpose and objectives of this Regulation. The Commission shall submit its evaluation report to the European Parliament and the Council, containing an independent external evaluation of the application of this Regulation, accompanied by a reasoned proposal to amend this Regulation, as appropriate, in particular with a view to extending the initial investment period referred to in Article 7(2). That evaluation report shall be accompanied by an opinion of the Court of Auditors. 2. By 31 December 2019 and every three years thereafter, the Commission shall evaluate the use and the functioning of the EFSD Guarantee Fund. The Commission shall submit its evaluation report to the European Parliament and the Council. That evaluation report shall be accompanied by an opinion of the Court of Auditors. CHAPTER V GENERAL PROVISIONS Article 17 Transparency, communication, and public disclosure of information 1. In accordance with its transparency policies and Union rules on access to documents and information and data protection, the eligible counterparts shall proactively and systematically make publicly available on their websites information relating to all financing and investment operations covered by the EFSD Guarantee under this Regulation, relating in particular to the manner in which those operations contribute to the objectives and requirements of this Regulation. Where possible, such information shall be broken down at project level. Such information shall always take into account the protection of confidential and commercially sensitive information. 2. The Commission shall publish on its web-portal information on financing and investment operations and the essential elements of all guarantee agreements, including information on the legal identity of counterparts, expected development benefits and complaints procedures in accordance with point (ea) of Article 12(3), taking into account the protection of confidential and commercially sensitive information. 3. Eligible counterparts shall publicise the Union support in all information which they publish on financing and investment operations covered by the EFSD guarantee in accordance with this Regulation. 4. European Union delegations shall include information about funding opportunities provided by the EFSD in their communication targeted at civil society and the public at large. Article 17a Grievance and redress mechanism In view of possible grievances of third parties in partner countries, including communities and individuals affected by EFSD Guarantee supported projects, the Commission and European Union delegations shall publish on their websites direct references to the complaints mechanisms of the relevant counterparts which have concluded agreements with the Commission. The Commission shall also provide the possibility of directly receiving complaints related to the treatment of grievances by eligible counterparts. It shall take that information into account in view of future cooperation with those counterparts. Article 18 Auditing by the Court of Auditors 1. The external audit of the activities undertaken in accordance with this Regulation shall be carried out by the Court of Auditors in accordance with Article 287 of the Treaty on the Functioning of the European Union (TFEU) and the activities are thus subject to the discharge procedure in accordance with Article 319 TFEU. 2. For the purpose of paragraph 1 of this Article, the Court of Auditors shall, at its request and in accordance with Article 287(3) TFEU, be granted access to any document or information necessary to carry out its auditing tasks. Article 19 Anti-fraud measures 1. The Commission or the eligible counterparts shall immediately notify the European Anti-Fraud Office (OLAF) when, at any stage of the preparation, implementation or closure of financing and investment operations covered by this Regulation, they have grounds for suspecting fraud, corruption, money laundering or any other illegal activity that may affect the financial interests of the Union. They shall provide it with all necessary information to enable a full and thorough investigation to be carried out. 2. OLAF may carry out investigations, including on-the-spot checks and inspections, in accordance with the provisions and procedures laid down in Regulation (EU, Euratom) No 883/2013 of the European Parliament and of the Council, Council Regulation (Euratom, EC) No 2185/96 and Council Regulation (EC, Euratom) No 2988/95 in order to protect the financial interests of the Union, with a view to establishing whether there has been fraud, corruption, money laundering or any other illegal activity affecting the financial interests of the Union in connection with any financing and investment operations covered by this Regulation. OLAF may transmit any information obtained in the course of its investigations to the competent authorities of the Member States concerned. Where such illegal activities are proven, the eligible counterparts shall undertake recovery efforts with respect to its financing and investment operations covered by this Regulation that are concerned by such activities, and shall also provide to the relevant authorities all information needed for investigation and possible prosecution. Article 20 Excluded activities and non-cooperative jurisdictions 1. In their financing and investment operations, the eligible counterparts shall comply with applicable EU legislation and agreed international and EU standards and, therefore, shall not support projects under this Regulation that contribute to money laundering, terrorism financing, tax avoidance, tax fraud and tax evasion. In addition the eligible counterparts shall not enter into new or renewed operations with entities incorporated or established in jurisdictions listed under the relevant EU policy on non-cooperative jurisdictions, or that are identified as high risk third countries pursuant to article 9.2 of Directive (EU) 2015/849, or that do not effectively comply with EU or internationally agreed tax standards on transparency and exchange of information. The eligible counterparts may derogate from this principle only if the project is physically implemented in one of those jurisdictions, and does not present any indication that the relevant operation falls under any of the categories listed in paragraph 1. When concluding agreements with financial intermediaries, the eligible counterparts shall transpose the requirements referred to in this Article into the relevant agreements and shall request the financial intermediaries to report on their observance. 2. In its financing and investment operations, the eligible counterpart shall apply the principles and standards set out in Union law on the prevention of the use of the financial system for the purpose of money laundering and terrorist financing and in particular Regulation (EU) 2015/847 of the European Parliament and of the Council and Directive (EU) 2015/849 of the European Parliament and of the Council. The eligible counterparts shall make both direct funding and funding via intermediaries under this Regulation contingent upon the disclosure of beneficial ownership information in accordance with Directive (EU) 2015/849 (the EU Anti-Money Laundering Directive) and publish country-by-country reporting data in accordance with Article 89(1) of Directive 2013/36/EU of the European Parliament and of the Council. CHAPTER VI FINAL PROVISIONS Article 21 Entry into force This Regulation shall enter into force on the ▌day following that of its publication in the Official Journal of the European Union. This Regulation shall be binding in its entirety and directly applicable in all Member States. Done at For the European Parliament For the Council The President The President

**Load-Date:** August 21, 2017

**End of Document**



[***Register of Commission documents:PROVISIONAL AGREEMENT RESULTING FROM INTERINSTITUTIONAL NEGOTIATIONS Proposal for a regulation of the European Parliament and of the Council on the European Fund for Sustainable Development (EFSD) and establishing the EFSD Guarantee and the EFSD Guarantee Fund Document date: 2017-06-28 CJ31\_AG(2017)607892 Agreed text resulting from interinstitutional***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5P8C-YRC1-JDG9-Y4B8-00000-00&context=1516831)

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AG\1129764EN.docx PE607.892v01-00 EN United in diversity EN European Parliament 2014-2019 Committee on Foreign Affairs Committee on Development Committee on Budgets 28.6.2017 PROVISIONAL AGREEMENT RESULTING FROM INTERINSTITUTIONAL NEGOTIATIONS Subject: Proposal for a regulation of the European Parliament and of the Council on the European Fund for Sustainable Development (EFSD) and establishing the EFSD Guarantee and the EFSD Guarantee Fund (COM(2016)0586 – C8-0377/2016 – 2016/0281(COD)) The interinstitutional negotiations on the aforementioned [proposal for a regulation] have led to a compromise. In accordance with Rule 69f(4) of the Rules of Procedure, the provisional agreement, reproduced below, is submitted as a whole to the Committee on Foreign Affairs, the Committee on Development, and the Committee on Budgets for consideration. PE607.892v01-00 2/59 AG\1129764EN.docx EN REGULATION (EU) 2017/… OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of … on the European Fund for Sustainable Development (EFSD) and establishing the EFSD Guarantee and the EFSD Guarantee Fund THE EUROPEAN PARLIAMENT AND THE COUNCIL OF THE EUROPEAN UNION, Having regard to the Treaty on the Functioning of the European Union, and in particular Articles 209(1) and 212(2) thereof, Having regard to the proposal from the European Commission, After transmission of the draft legislative act to the national parliaments, Acting in accordance with the ordinary legislative procedure, Whereas: (1) The Union’s External Investment ***Plan*** (EIP) provides for the creation of the European Fund for Sustainable Development (EFSD) as its first pillar, alongside technical assistance (second pillar) and improving investment climate and overall policy environment in partner countries (third pillar). AG\1129764EN.docx 3/59 PE607.892v01-00 EN (2) The EFSD aims to support investments primarily in Africa and the Union’s Neighbourhood as a means to contribute to the achievement of the Sustainable Development Goals of the 2030 Agenda, in particular poverty eradication, as well as the commitments under the recently revised European Neighbourhood Policy, thus addressing specific socio-economic root causes of migration, including irregular migration, and contribute to the sustainable reintegration of migrants returning to their countries of origin, and strengthening transit and host communities.

The EFSD, as part of the EIP, should also contribute to the implementation of the Paris Agreement on Climate Change (Paris Agreement). (3) Investments under the EFSD should complement and reinforce efforts carried out in the context of the Union’s migration policy with third countries, including, where appropriate, the implementation of the New Partnership Framework with Third Countries under the European Migration Agenda. PE607.892v01-00 4/59 AG\1129764EN.docx EN (4) The EFSD should be guided by the objectives of Union external action set out in Article 21 of the Treaty on European Union (TEU) and of Union development cooperation policy set out in Article 208 TFEU. It should also allow ▌ investors and private companies, in particular micro, small and medium-sized enterprises, to contribute more effectively to sustainable development in partner countries in line with Union development and neighbourhood policies. The EFSD should maximise additionality, address market failures and sub-optimal investment situations, deliver innovative products and crowd in private sector funds. EFSD operations should be clearly distinct from, and complementary to, other support, including the European Investment Bank’s external lending mandate operations and Economic Resilience Initiative, and the ACP Investment Facility. They should also be complementary to the existing activities of other eligible financial institutions. (5) The EFSD should contribute to the implementation of the 2030 Agenda, which recognises international migration as a multi-dimensional reality of major relevance for the development of countries of origin, transit and destination, requiring coherent and comprehensive responses, while underlining the potential for migrants to contribute to inclusive growth and sustainable development. Investments will contribute towards addressing migratory pressures stemming from poverty, conflict, instability, underdevelopment, inequality, human rights violations, demographic growth, lack of employment and economic opportunities as well as from climate change. AG\1129764EN.docx 5/59 PE607.892v01-00 EN (6) The EFSD should be in line with the Union commitment under the Addis Ababa Action Agenda on Financing for Development and the internationally agreed development effectiveness principles. (7) The purpose of the EFSD is in line with the Union Global Strategy for Foreign and Security Policy which embeds challenges such as migration and resilience in the overall EU foreign policy, ensuring that Union external policy is fully coherent with the objectives of development policy and ensuring synergies with European development and Neighbourhood policies. Its purpose is also in line with the Charter of Fundamental Rights of the European Union and international human rights law, ensuring a human rights-based approach while addressing forced displacement and irregular migration. (8) The EFSD should foster decent job creation, economic opportunities and entrepreneurship, and green and inclusive growth with particular focus on gender equality and the empowerment of women and young people in line with the Union’s Gender Action ***Plan*** 2016-2020, while strengthening the rule of law, good governance, human rights and equitable access to and use of natural resources. PE607.892v01-00 6/59 AG\1129764EN.docx EN (9) Involvement of the private sector in the Union’s cooperation with partner countries through the EFSD should yield measurable and additional development impact, without distorting the market and should be cost-effective, based on mutual accountability and risk and cost sharing. Such involvement should build on a commitment to internationally agreed guidelines and principles, including the Principles for Responsible Investment and the United Nations Guiding Principles on Business and Human Rights and the Organisation for Economic Cooperation and Development’s (OECD) Guidelines for Multinational Enterprises. (10) In order to fulfil the political commitments of the EU on climate action, renewable energy and resource efficiency, a minimum share of 28 % of the funding under the EFSD should be devoted to financing and investment operations relevant for these sectors. (11) Actions under this Regulation should be designed in such a way so as to: fulfil the criteria for Official Development Assistance (ODA) established by the Development Assistance Committee (DAC) of the OECD, taking into account the specificities of private sector development; reflect the needs of countries identified as experiencing fragility or conflict, LDCs and heavily indebted poor countries; provide appropriate support to investments in the Southern and Eastern Neighbourhood. AG\1129764EN.docx 7/59 PE607.892v01-00 EN (12) Technical assistance to partner countries should constitute the second pillar of the EIP. In this context, the Commission should step up assistance in order to help partner countries attract investment by better preparing and promoting projects, developing a higher number of bankable projects and making them known to the international investor community. A project web-portal, in the form of a publicly accessible and user-friendly database, should be established to provide relevant information for each project. (13) The improvement of the investment climate and overall policy environment in partner countries should constitute the third pillar of the EIP. In the context of the Union’s existing political relations with partner countries, the Commission and the High Representative of the Union for Foreign Affairs and Security Policy (High Representative) should maintain policy dialogues aimed at developing legal frameworks, policies and institutions that promote economic stability, sustainable investment and inclusive growth. Those policy dialogues should cover, inter alia, the fight against corruption, organised crime and illicit financial flows, good governance, the inclusion of local markets, the boosting of entrepreneurship as well as local business settings, the respect for human rights and the rule of law as well as gender-responsive policies. PE607.892v01-00 8/59 AG\1129764EN.docx EN (14) The EFSD should be composed of regional investment platforms, which should be established on the basis of the working methods, procedures and structures of the existing external blending facilities of the Union and which should combine their blending operations and the EFSD Guarantee. The EFSD Guarantee should support financing and investment operations in partner countries in Africa and the Neighbourhood. (15) In the light of the findings of the Court of Auditors regarding the use of blending in the external relations of the Union, it is essential that blending be used where its added value can clearly be demonstrated. ▌ AG\1129764EN.docx 9/59 PE607.892v01-00 EN (16) A ***strategic*** board of the EFSD should be created to support the Commission in setting ***strategic*** guidance and overall investment goals as well as in ensuring an appropriate and diversified geographical and thematic coverage for investment windows. The ***strategic*** board should support overall coordination, complementarity and coherence between the regional investment platforms, between the three pillars of the EIP, between the EIP and the Union’s other efforts on migration and on the implementation of the 2030 Agenda, as well as with the relevant Union external financing instruments and trust funds as well as with the external lending mandate operations managed by the EIB, including the EIB resilience initiative and the ACP Investment Facility, without prejudice to the internal rules of governance of the EIB. (17) The ***strategic*** board should be composed of representatives of the Commission and of the High Representative, of all Member States and of the EIB. The European Parliament should have observer status. Contributors, eligible counterparts, partner countries, relevant regional organisations and other stakeholders may be given observer status, where appropriate. The ***strategic*** board should adopt its rules of procedure. The rules of procedure should define the framework for the involvement of observers, having regard to their respective status and roles. PE607.892v01-00 10/59 AG\1129764EN.docx EN (18) The Commission and the EIB should conclude an agreement specifying the conditions of their cooperation in the management of the EFSD Guarantee and should present that agreement to the ***strategic*** board. (19) Each regional investment platform should have an operational board, which should draw on the experience of the operational boards of the existing blending facilities. The operational boards should provide support to the Commission in the implementation of this Regulation. They should support the Commission in defining and monitoring regional and sectorial investment goals, regional, sectorial and thematic investment windows, formulating opinions on the blending operations and discussing the use of the EFSD Guarantee in line with the investment windows to be defined. (20) An appropriate level of information to the European Parliament and the Council should be ensured in respect of the orientation of the use of the EFSD Guarantee through the establishment of investment windows. (21) The EFSD should operate as a ʻone-stop-shop’, receiving financing proposals from financial institutions and public or private investors and delivering a wide range of financial support to eligible investments. The EFSD Guarantee should be backed by the EFSD Guarantee Fund. AG\1129764EN.docx 11/59 PE607.892v01-00 EN (22) The EFSD should deploy innovative instruments to support investments and involve the private sector in particular micro-, small- and medium-sized enterprises. It should also allow European investors and private companies, including micro-, small- and medium-sized enterprises, to participate more effectively in efforts to achieve sustainable development in partner countries. Bottlenecks and obstacles to investments need to be addressed in this respect. (23) The EFSD Guarantee should privilege funding projects which have a high impact on job creation and whose cost-benefit ratio enhances the sustainability of investment. When supporting operations with the EFSD Guarantee, an in-depth ex ante assessment of environmental, financial and social aspects should be carried out. The EFSD Guarantee should not be used to replace government responsibility for providing essential public services. (24) European Union delegations in partner countries should include information about EFSD funding opportunities in their communication targeted at civil society and the general public and contribute to the coherence between the pillars of the EIP. PE607.892v01-00 12/59 AG\1129764EN.docx EN (25) The EFSD Guarantee should be granted to eligible counterparts for financing and investment operations or guarantee instruments for an initial investment period up to 31 December 2020. (26) In order to provide for flexibility, increase the attractiveness for the private sector and maximise the impact of the investments it is appropriate to provide for a derogation from Article 58(1)(c)(vii) of Regulation (EU) No 966/2012 of the European Parliament and the Council1 by which the eligible counterparts who are bodies governed by private law could also be bodies which are not entrusted with the implementation of a public-private partnership and could also be bodies governed by the private law of a partner country. (27) The Commission should conclude guarantee agreements with the eligible counterparts setting out the specific provisions under which the EFSD Guarantee is granted to them. These guarantee agreements should provide the legal basis for adequate risk sharing, thus providing incentives for the eligible counterparts to provide financing, as well as the mechanisms and procedures for potential calls on the EFSD Guarantee. 1 Regulation (EU, Euratom) No 966/2012 of the European Parliament and the Council of 25 October 2012 on the financial rules applicable to the general budget of the Union and repealing Council Regulation (EC, Euratom) No 1605/2002 (OJ L 298, 26.10.2012, p. 1). AG\1129764EN.docx 13/59 PE607.892v01-00 EN (28) The Union should make available a guarantee of EUR 1 500 000 000 to establish the EFSD Guarantee. Member States and other contributors should be invited to contribute further to support the EFSD Guarantee Fund in the form of cash (Member States and other contributors) or guarantees (Member States) in order to increase the liquidity cushion and thus allow the increase of the total volume of EFSD Guarantee. ▌ Member States, public financial institutions and other contributors should be invited to provide additional funding to the EFSD Guarantee Fund under conditions that should be established in an agreement to be concluded between the Commission on behalf of the Union and ▌ the contributor. (29) The EFSD Guarantee Fund should be established as a liquidity cushion in the event of a call on the EFSD Guarantee. To reach a level that adequately reflects EU financial liabilities in relation to the EFSD Guarantee, the Union should make available EUR 750 000 000. (30) In order to increase the impact of the EFSD Guarantee in view of the needs in the regions concerned, Member States and EFTA countries should have the possibility of providing contributions in the form of a guarantee or cash. PE607.892v01-00 14/59 AG\1129764EN.docx EN (31) As the funds of the EDF are to be used ▌, a minimum of EUR 400 000 000 of EFSD Guarantee coverage should be allocated for investments in partner countries eligible under the 11th European Development Fund (EDF) throughout the implementation period of the EFSD Guarantee. The EFSD Guarantee should only become available when a contribution of EUR 400 000 000 of 11th EDF funds ▌ to the EFSD Guarantee Fund has been confirmed. (32) As the funds of the European Neighbourhood Instrument, established by Regulation (EU) No 232/2014 of the European Parliament and of the Council, are to be used, a minimum of EUR 100 000 000 of the EFSD Guarantee coverage should be allocated for investments in the partner countries from the Eastern and Southern Neighbourhood throughout the implementation period of the EFSD Guarantee. AG\1129764EN.docx 15/59 PE607.892v01-00 EN (33) The Commission should report annually to the European Parliament and the Council on the financing and investment operations covered by the EFSD Guarantee, with a view to ensuring full accountability to the European citizens and scrutiny and control by the European Parliament and the Council. The report should be made public in order to allow relevant stakeholders, including civil society, to express their views. The Commission should also report annually to the European Parliament and the Council on the management of the EFSD Guarantee Fund so that accountability, transparency are ensured. The Commission should also inform the ACP-EU Council and the ACP-EU Joint Parliamentary Assembly as regards the use of the EDF funds. (34) In order to ensure the monitoring and accountability of the EFSD and of the EIP, the European Parliament or the Council may organise hearings as part of a dialogue with the Commission, the High Representative, the EIB and other eligible financial institutions as well as private sector and civil society organisations. PE607.892v01-00 16/59 AG\1129764EN.docx EN (35) In order to take into account lessons learned and allow for further evolvement of the EFSD, the functioning of the EFSD and the use of the EFSD Guarantee Fund should be evaluated by the Commission and external evaluators and subjected to an annual consultation process with relevant stakeholders, including civil society organisations. The application of this Regulation should be evaluated independently in order to assess the level of conformity of the implementation with the legal basis, but also to establish the applicability and practicability of the Regulation in the achievement of its objectives. (36) In order to protect the financial interests of the Union, with a view to establishing whether there has been fraud, corruption, money laundering or any other illegal activity affecting the financial interests of the Union in connection with any financing and investment operations covered by this Regulation, the European Anti-Fraud Office (OLAF) is entitled to carry out investigations in accordance with Regulation (EU, Euratom) No 883/2013 of the European Parliament and of the Council1, Council Regulation (Euratom, EC) No 2185/962 and Council Regulation (EC, Euratom) No 2988/95.3 1 Regulation (EU, Euratom) No 883/2013 of the European Parliament and of the Council of 11 September 2013 concerning investigations conducted by the European Anti-Fraud Office (OLAF) and repealing Regulation (EC) No 1073/1999 of the European Parliament and of the Council and Council Regulation (Euratom) No 1074/1999 (OJ L 248, 18.9.2013, p. 1). 2 Council Regulation (Euratom, EC) No 2185/96 of 11 November 1996 concerning on-the-spot checks and inspections carried out by the Commission in order to protect the European Communities’ financial interests against fraud and other irregularities (OJ L 292, 15.11.1996, p. 2). 3 Council Regulation (EC, Euratom) No 2988/95 of 18 December 1995 on the protection of the European Communities financial interests (OJ L 312, 23.12.1995, p. 1). AG\1129764EN.docx 17/59 PE607.892v01-00 EN (37) Financing and investment operations supported by the EFSD should adhere to the relevant EU policy on non-cooperative jurisdictions for tax purposes which is laid down in the legal acts of the Union and Council Conclusions, notably those of 8 November 2016, in particular in their Annex, and any subsequent updates. ▌ HAVE ADOPTED THIS REGULATION: PE607.892v01-00 18/59 AG\1129764EN.docx EN CHAPTER I INTRODUCTORY PROVISIONS Article 1 Subject matter 1. This Regulation establishes the European Fund for Sustainable Development (EFSD), the EFSD Guarantee and the EFSD Guarantee Fund. 2. For the purposes of paragraph 1, this Regulation provides for the Commission on behalf of the Union to conclude guarantee agreements with the eligible counterparts as defined in Article 10. Article 2 Definitions For the purposes of this Regulation, the following definitions apply: (1) ʻregional investment platforms’ means blending facilities in line with Article 4(1)(e) of Regulation (EU) No 236/2014 of the European Parliament and the Council1 and with Article 40 of Council Regulation (EU) 2015/3232 for the contribution from the 11th European Development Fund (EDF) combined with the granting of the EFSD Guarantee as set out in Article 6. 1 Regulation (EU) No 236/2014 of the European Parliament and the Council of 11 March 2014 laying down common rules and procedures for the implementation of the Union’s instruments for financing external action (OJ L 77, 15.03.2014, p. 95). 2 Council Regulation (EU) 2015/323 of 2 March 2015 on the financial regulation applicable to the 11th European Development Fund (OJ L 58, 03.03.2015, p. 17). AG\1129764EN.docx 19/59 PE607.892v01-00 EN (2) ʻinvestment window’ means a targeted area for support by the EFSD Guarantee to portfolios of investments in specific regions, countries or sectors and implemented via the regional investment platforms; (3) ʻcontributor’ means a Member State, an international financial institution or a public institution of a Member State, a public agency or other entities contributing in cash grants or in guarantees to the EFSD Guarantee Fund; (4) ʻpartner countries’ means countries that are signatories to the Partnership Agreement between the members of the African, Caribbean and Pacific Group of States of the one part, and the European Community and its member States, of the other part, signed in Cotonou on 23 June 2000 1, countries that are listed in Annex I to Regulation (EU) No 232/2014 of the European Parliament and of the Council2 as well as countries that are eligible for geographic cooperation under Regulation (EU) No 233/2014 of the European Parliament and of the Council 3. 1 OJ L 317, 15.12.2000 as last amended by OJ L 287, 4.11.2010 2 Regulation (EU) No 232/2014 of the European Parliament and of the Council of 11 March 2014 establishing a European Neighbourhood Instrument (OJ L 77, 15.3.2014, p. 27). 3 Regulation (EU) No 233/2014 of the European Parliament and of the Council of 11 March 2014 establishing a financing instrument for development cooperation for the period 2014-2020 (OJ L 77, 15.3.2014, p. 44). PE607.892v01-00 20/59 AG\1129764EN.docx EN (5) ʻadditionality’ means the principle ensuring that the EFSD Guarantee support contributes to sustainable development by operations which could not have been carried out without the EFSD Guarantee, or which achieve positive results above and beyond what could have been achieved without it. Additionality also means crowding in private sector funding and addressing market failures or sub-optimal investment situations as well as improving the quality, sustainability, impact or scale of an investment. EFSD Guarantee operations shall not replace the support of a Member State, private funding or another Union or international financial ***intervention***, and shall avoid crowding out other public or private investments. Projects supported by the EFSD Guarantee typically have a higher risk profile than the portfolio of investments supported by the eligible counterparts under their normal investment policies without the EFSD Guarantee. AG\1129764EN.docx 21/59 PE607.892v01-00 EN CHAPTER II EUROPEAN FUND FOR SUSTAINABLE DEVELOPMENT Article 3 Purpose 1. The purpose of the EFSD as an integrated financial package, supplying financing capacity in the form of grants, guarantees and other financial instruments to eligible counterparts, shall be to support investments and increased access to financing, primarily in Africa and the European Neighbourhood, in order to foster sustainable and inclusive economic and social development and promote the socio-economic resilience of partner countries, including, where appropriate, in the context of the European Neighbourhood Policy and the New Partnership Framework with Third Countries under the European Agenda on Migration, with a particular focus on sustainable and inclusive growth, creation of decent jobs, youth and women, socio-economic sectors and micro, small and medium sized enterprises while maximising additionality, delivering innovative products and crowding in private sector funds. PE607.892v01-00 22/59 AG\1129764EN.docx EN 2. The EFSD shall be guided by the objectives of Union external action set out in Article 21 of the Treaty on European Union (TEU) and of Union development cooperation policy set out in Article 208 TFEU and the internationally agreed development effectiveness principles. It shall contribute to the achievement of the Sustainable Development Goals of the 2030 Agenda, in particular poverty eradication and, where appropriate, contribute to the implementation of the European Neighbourhood Policy, thus addressing specific socio-economic root causes of migration and fostering sustainable reintegration of migrants returning to their countries of origin, and strengthening transit and host communities. 3. The EFSD shall contribute to the implementation of the Paris Agreement by also targeting investments to sectors that advance climate change mitigation and adaptation. 4. The EFSD shall be consistent with the objectives set out in the external financing instruments established by Regulations (EU) 2014/232, (EU) 2014/233, and EDF Regulation (EU) 2015/323 and with the priorities contained in the national or regional ***programmes*** and strategy papers, where available. AG\1129764EN.docx 23/59 PE607.892v01-00 EN Article 4 Structure of the EFSD 1. The EFSD shall be composed of regional investment platforms, established on the basis of the working methods, procedures and structures of the existing external blending facilities of the Union and which shall combine their blending operations and the EFSD Guarantee. 2. The management of the EFSD shall be ensured by the Commission. The Commission shall work in close cooperation with the EIB supported by other eligible counterparts as regards the operational management of the EFSD Guarantee. To that end, a technical assessment group on the Guarantee shall be established. PE607.892v01-00 24/59 AG\1129764EN.docx EN Article 5 ***Strategic*** board of the EFSD 1. In the management of the EFSD the Commission shall be advised by a ***strategic*** board. 2. The ***strategic*** board shall advise the Commission on the ***strategic*** orientations and priorities of EFSD Guarantee investments and contribute to their alignment with the guiding principles and objectives of the Union external action, neighbourhood and development policy, as well as with the purpose of the EFSD as set out in Article 3. It shall also support the Commission in setting overall investment goals as regards the use of the EFSD Guarantee and monitor an appropriate and diversified geographical and thematic coverage for investment windows while giving special attention to countries identified as experiencing fragility or conflict, Least Developed Countries and heavily indebted poor countries. AG\1129764EN.docx 25/59 PE607.892v01-00 EN 3. The ***strategic*** board shall also support overall coordination, complementarity and coherence between the regional investment platforms, between the three pillars of the EIP, between the EIP and the Union’s other efforts on migration and on the implementation of the 2030 Agenda, as well as with the relevant Union external financing instruments and trust funds as well as with the external lending mandate operations managed by the EIB, including the EIB resilience initiative and the ACP Investment Facility, without prejudice to the internal rules of governance of the EIB. 4. The ***strategic*** board shall be composed of representatives of the Commission and of the High Representative, of all Member States and of the EIB. The European Parliament shall have observer status. Contributors, eligible counterparts, partner countries, relevant regional organisations and other stakeholders may be given observer status, where appropriate. The ***strategic*** board shall be consulted prior to the inclusion of any new observer. The ***strategic*** board shall be co-chaired by the Commission and the High Representative. PE607.892v01-00 26/59 AG\1129764EN.docx EN 5. The ***strategic*** board shall meet at least twice a year and, when possible, adopt opinions by consensus. Additional meetings may be organised at any time by the chair and upon request of one third of its members. In case consensus cannot be achieved, voting rights, taking due account of the source of financing, shall apply as agreed during the first meeting of the ***strategic*** board and laid down in its rules of procedure. The rules of procedure shall set out the framework regarding the role of observers. The minutes and agendas of the meetings of the ***strategic*** board shall be made public, following their adoption. 6. The Commission shall report annually to the ***strategic*** board about the progress made. The ***strategic*** board shall regularly organise a consultation of relevant stakeholders on the orientation and implementation of the EFSD. 7. During the implementation phase of the EFSD, the ***strategic*** board shall, as soon as possible, adopt and publish guidelines setting out how conformity of EFSD operations with the objectives and eligibility criteria set out in Article 8 is to be ensured. 8. In its ***strategic*** guidance, the ***strategic*** board shall take due account of relevant European Parliament resolutions and Council decisions and conclusions. AG\1129764EN.docx 27/59 PE607.892v01-00 EN Article 5a Regional operational boards Each regional investment platform shall have an operational board. Operational boards shall support the Commission at the implementation level in defining regional and sectoral investment goals and regional, sectoral and thematic investment windows and shall formulate opinions on blending operations and on the use of the EFSD Guarantee. CHAPTER III EFSD GUARANTEE AND EFSD GUARANTEE FUND Article 6 The EFSD Guarantee 1. The Union shall, after careful consideration of the viability of a project, provide an irrevocable and unconditional guarantee on first demand to the eligible counterpart for the financing and investment operations covered by this Regulation. 1a. The EFSD Guarantee shall support financing and investment operations in partner countries in Africa and the Neighbourhood. 2. The EFSD Guarantee shall be granted as a guarantee on first demand in respect of the instruments referred to in Article 9 and in compliance with the eligibility criteria referred to in Article 8. PE607.892v01-00 28/59 AG\1129764EN.docx EN Article 7 Requirements for the use of the EFSD Guarantee 1. The granting of the EFSD Guarantee shall be subject to the conclusion of the respective EFSD guarantee agreement between the Commission on behalf of the Union and the eligible counterpart. 2. The ▌ investment period during which the EFSD guarantee agreements for supporting financing and investment operations can be concluded with the eligible counterparts shall last until 31 December 2020. 3. The maximum period allowed for eligible counterparts to conclude agreements with co-financing private sector partners, financial intermediaries or final beneficiaries shall be four years after the conclusion of the relevant guarantee agreement. AG\1129764EN.docx 29/59 PE607.892v01-00 EN Article 8 Eligibility criteria for the use of the EFSD Guarantee 1. The financing and investment operations eligible for support through the EFSD Guarantee in accordance with the purpose of the EFSD as provided for in Article 3 shall be consistent and aligned with Union policies, in particular development and neighbourhood policies of the Union, as well as with the partner countries’ strategies and policies. Such operations shall take into account other Union and internatio

nal support to ensure complementarity with other initiatives and shall support the following objectives: (a) contribute to sustainable development in its economic, social and environmental dimensions, and to the implementation of the 2030 Agenda for Sustainable Development and, where appropriate, the European Neighbourhood Policy, with particular focus on the eradication of poverty, creation of decent jobs, economic opportunities, skills and entrepreneurship, promoting in particular gender equality and the empowerment of women and young people, while pursuing and strengthening the rule of law, good governance and human rights; PE607.892v01-00 30/59 AG\1129764EN.docx EN (aa) contribute to the implementation of the Union’s migration policy, including, where appropriate, the New Partnership Framework with Third Countries; (ab) contribute, by promoting sustainable development, to addressing specific root causes of migration, including irregular migration, as well as foster resilience of transit and host communities, and contribute to the sustainable reintegration of migrants returning to their countries of origin, with due regard to the strengthening of the rule of law, good governance and human rights; (b) strengthen socio-economic sectors, in particular public and private infrastructure including renewable and sustainable energy, water and waste management, transport, information and communications technologies, as well as environment, sustainable use of natural resources, sustainable ***agriculture*** and blue growth, social infrastructure, health, human capital, in order to improve the socio-economic environment; (c) provide finance and support to private and cooperative sector development, with a particular focus on local companies and micro, small and medium-sized enterprises, while addressing market failures and limiting market distortions and encouraging the contribution of European companies to the EFSD objectives; AG\1129764EN.docx 31/59 PE607.892v01-00 EN (d) address bottlenecks to private investments by providing financial instruments, including first loss guarantees to portfolios guarantees to private sector projects such as loan guarantees for small and medium-sized enterprises and guarantees for specific risks for infrastructure projects and other risk capital; financial instruments provided may be denominated in the local currency of the partner country concerned; (e) leverage private sector financing, with a particular focus on micro-, small-, and medium-sized enterprises, by addressing bottlenecks and obstacles to investment; (ea) contribute to climate action and environmental protection and management, thus ***producing*** climate co-benefits, allocating at least 28 % of the financing to investments that contribute to climate action, renewable energy and resource efficiency. 2. The EFSD Guarantee shall support financing and investment operations which address market failures or sub-optimal investment situations and which: (a) provide additionality; (aa) ensure complementarity with other initiatives, making sure that EFSD guarantee operations are clearly distinct, in particular from the external lending mandate operations managed by the EIB; PE607.892v01-00 32/59 AG\1129764EN.docx EN (b) ensure alignment of interest by providing adequate risk sharing by the respective eligible counterpart and other prospective partners; (c) are economically and financially viable, with due regard to the possible support from, and co-financing by, private and public partners to the project, while taking into account the specific operating environment and capacities of countries identified as experiencing fragility or conflict, Least Developed Countries and heavily indebted poor countries where more concessional terms can be given; (d) are technically viable and are sustainable from an environmental and social point of view; and (e) maximise, where possible, the mobilisation of private sector capital; (ea) respect the principles of development effectiveness as set out in the Busan Partnership for Effective Development Cooperation and reaffirmed in Nairobi in December 2016, including, ownership, alignment, focus on results, transparency and mutual accountability, as well as the objective of untying aid; AG\1129764EN.docx 33/59 PE607.892v01-00 EN (eb) are designed so as to fulfil the criteria for ODA established by the Development Assistance Committee of the OECD, taking into account the specificities of private sector development; and (ec) are implemented in full respect of internationally agreed guidelines, principles and conventions including the UN Principles for Responsible Investment, UN Guiding Principles on Business and Human Rights, OECD Guidelines for Multinational Enterprises, and the UN Food and ***Agriculture*** Organisation’s Principles for Responsible Investment in ***Agriculture*** and Food Systems, and International Labour Organisation conventions, as well as international human rights law. 3. On a case by case basis operations may combine financing from different Union instruments to the extent that it is needed for the success of the investment project backed by the EFSD and as long as this does not lead to reduced financing for other developmental objectives. PE607.892v01-00 34/59 AG\1129764EN.docx EN 4. Taking due account of the advice provided by the ***strategic*** board, after consultation with the operational boards and after informing the European Parliament and the Council, the Commission shall define investment windows for specific regions or partner countries or for both, for specific sectors, for specific projects or for specific categories of final beneficiaries or for both to be funded by instruments referred to in Article 9 to be covered by the EFSD Guarantee up to a fixed amount. The information to the European Parliament and Council shall specify how the investment windows are aligned with the requirements set out in Articles 3 and 8 and their detailed funding priorities. The EIB should provide a written opinion on banking related matters to accompany each proposal for investment windows. All requests for financial support within investment windows shall be made to the Commission. The choice of investment windows shall be duly justified by an analysis of the market failure or sub-optimal investment situations. Such analysis shall be carried out by the Commission in cooperation with potentially eligible counterparts and stakeholders. AG\1129764EN.docx 35/59 PE607.892v01-00 EN Within the Africa Investment Platform, a significant share of the EFSD Guarantee shall be allocated to fragile and conflict-affected countries, landlocked countries and Least-Developed Countries. The Commission shall assess the operations supported by the EFSD guarantee against the eligibility criteria established in Article 8(1) and 8(2), where possible drawing on eligible counterparts’ existing result measurement systems. It shall publish the result of its assessment for each investment window on an annual basis. Article 9 Eligible instruments for the EFSD Guarantee 1. The EFSD Guarantee shall be used to cover the risks for the following instruments: (a) loans, including local currency loans; (b) guarantees; (c) counter-guarantees; (d) capital market instruments; (e) any other form of funding or credit enhancement, insurance, equity, quasi-equity participations. PE607.892v01-00 36/59 AG\1129764EN.docx EN 2. The instruments listed in paragraph 1 may be provided by eligible counterparts ▌ under an investment window or individual project administered by an eligible counterpart. They may be provided for the benefit of partner countries, including countries experiencing fragility or conflict or facing challenges in reconstruction and post-conflict recovery, and these partner countries’ institutions, including their public national and private local banks and financial institutions as well as private sector entities of these partner countries. In countries experiencing fragility or conflict, as well as other countries when justified, support may be provided to public sector investments that have relevant effects on private sector development. AG\1129764EN.docx 37/59 PE607.892v01-00 EN Article 10 Eligibility and selection of counterparts 1. The eligible counterparts for the purposes of the EFSD Guarantee shall be: (a) the European Investment Bank and the European Investment Fund; (b) public law bodies; (c) international organisations and their agencies; (d) bodies governed by private law with a public service mission to the extent that they provide adequate financial guarantees; (e) bodies governed by the private law of a Member State that provide adequate financial guarantees, by derogation from Article 58(1)(c)(vii) of Regulation (EU) No 966/2012; (f) bodies governed by the private law of a partner country that provide adequate financial guarantees, by derogation from Article 58(1)(c)(vii) of Regulation (EU) No 966/2012. PE607.892v01-00 38/59 AG\1129764EN.docx EN 2. Eligible counterparts shall comply with the rules and conditions provided for in Article 60 of Regulation (EU, Euratom) No 966/2012. For bodies governed by the private law of a Member State or a partner country, preference shall be given to those that provide disclosure of information related to Environment, Social and Corporate Governance criteria. The guarantee shall be implemented whenever possible under the lead of a European eligible counterpart in line with the criteria set out in this regulation. The Commission shall ensure an effective, efficient and fair use of resources available among eligible counterparts, while promoting cooperation between them. The Commission shall ensure fair treatment for all eligible counterparts and shall ensure that conflicts of interest are avoided throughout the stages of implementation of the EFSD. In order to ensure complementarity, the Commission may request any relevant information from eligible counterparts about their non-EFSD operations. 3. The Commission shall select the eligible counterparts pursuant to Article 61 of Regulation (EU, Euratom) No 966/2012. 3a. Eligible counterparts may be invited to an exchange of views by the European Parliament or the Council concerning financing and investment operations covered by this Regulation. AG\1129764EN.docx 39/59 PE607.892v01-00 EN Article 11 Coverage and terms of the EFSD Guarantee 1. The EFSD Guarantee shall not, at any time, exceed EUR 1 500 000 000 without prejudice to paragraph 2. 2. Member States and EFTA countries may contribute to the EFSD Guarantee Fund in the form of guarantees or cash. Subject to the opinion of the ***strategic*** board and Commission approval, other contributors may contribute, in the form of cash. The amount of the Guarantee exceeding the amount indicated in paragraph 1 shall be granted on behalf of the Union. Aggregate net payments from the general budget of the Union under the EFSD Guarantee shall not exceed EUR 1 500 000 000. Payments for guarantee calls shall be made, where necessary, by the contributing Member States or other contributors on pari passu basis with the Union, without prejudice to paragraph 4. A contribution agreement shall be concluded between the Commission, on behalf of the Union, and the contributor, which shall contain, in particular, provisions concerning the payment conditions. PE607.892v01-00 40/59 AG\1129764EN.docx EN 3. The EFSD Guarantee shall only become available when a contribution in cash of EUR 400 000 000 from the 11th European Development Fund (EDF)1 to the general budget of the Union has been confirmed. The Member States may contribute to the EFSD Guarantee in the form of guarantees or cash. The Commission shall inform the European Parliament and the Council without delay about the contributions confirmed. 4. The contributions made by the Member States in the form of a guarantee may only be called for payments of guarantee calls after the funding from the general budget of the Union increased by any other cash contributions has been used on payments of guarantee calls. At the request of the Member States in the ***strategic*** board, the contributions made by them may be earmarked for the initiation of projects in specific regions, countries, sectors or existing investment windows. Any contribution may be used to cover guarantee calls regardless of earmarking. 1 Internal Agreement between the Representatives of the Governments of the Member States of the European Union, meeting within the Council, on the financing of European Union aid under the multiannual financial framework for the period 2014 to 2020, in accordance with the ACP-EU Partnership Agreement and on the allocation of financial assistance for the Overseas Countries and Territories to which Part Four of the Treaty on the Functioning of the European Union applies, OJ L 210, 6.8.2013, p. 1. AG\1129764EN.docx 41/59 PE607.892v01-00 EN 5. At least EUR 400 000 000 of EFSD Guarantee coverage shall be allocated for investments in the partner countries eligible under the 11th EDF throughout the implementation period of the EFSD Guarantee, in line with the objectives of the Cotonou Partnership Agreement. 5a. At least EUR 100 000 000 of EFSD Guarantee coverage shall be allocated for investments in the partner countries from the Eastern and Southern Neighbourhood, in line with Regulation (EU) No 232/2014 of the European Parliament and of the Council. Article 12 Implementation of the EFSD guarantee agreements 1. The Commission on behalf of the Union shall conclude EFSD guarantee agreements with the eligible counterparts selected pursuant to Article 10 and paragraph 4, on the granting of the EFSD Guarantee, which shall be unconditional, irrevocable, at first demand, in favour of the selected eligible counterpart. 2. One or more guarantee agreements shall be concluded for each investment window between the Commission and the eligible counterpart or eligible counterparts selected. In order to address specific needs, the EFSD Guarantee may be granted for individual financing or investment operations. Agreements can be concluded with a consortium of two or more eligible counterparts. All guarantee agreements shall be made available to the European Parliament and the Council upon request, taking into account the protection of confidential and commercially sensitive information. PE607.892v01-00 42/59 AG\1129764EN.docx EN 3. The guarantee agreements shall contain, in particular, provisions concerning the following: (a) detailed rules on the provision of the EFSD Guarantee, including its arrangements on the coverage and its defined coverage of portfolios and of projects of specific types of instruments as well as a risk analysis of project and portfolio, including on sectoral, regional and national levels; (aa) the objectives and purpose of this Regulation, a needs assessment and an indication of the expected results, taking into account the promotion of corporate social responsibility and responsible business conduct, including, in particular through respect of the internationally agreed guidelines, principles and legal instruments referred to in Article 8(2)(ec); (b) the remuneration of the guarantee, which shall reflect the risk level; it shall be possible for the remuneration to be partly subsidised in order to give more concessional terms, in duly justified cases, in particular in the countries referred to in point (c) of Article 8(2); AG\1129764EN.docx 43/59 PE607.892v01-00 EN (c) requirements for the use of the EFSD Guarantee, including payment conditions, such as specific time frames, interest to be paid on due amounts, expenses and recovery costs and possibly necessary liquidity arrangements; (d) claims procedures, including but not limited to triggering events and waiting periods; and provisions and procedures regarding the recovery of claims; (e) provisions regarding the monitoring, reporting and evaluation obligations pursuant to Articles 15 and 16; (ea) clear and accessible complaints procedures for third parties that could be affected by the implementation of the EFSD Guarantee projects. 4. The Commission, when concluding guarantee agreements with eligible counterparts, shall take due account of: (-aa) the advice and guidance of the boards, in accordance with articles 4 and 5; (a) the objectives of the investment window; (b) the experience, operational, financial and risk management capacity of the counterpart; (c) the amount of own resources as well as private sector co-financing that the counterpart is ready to mobilise for the investment window. PE607.892v01-00 44/59 AG\1129764EN.docx EN 5. The approval of financing and investment operations shall be made by the eligible counterpart following its own rules and procedures and in compliance with the terms of the guarantee agreement. 6. The EFSD Guarantee may cover: (a) for debt instruments the principal and all interests and amounts due to the selected eligible counterpart, but not received by it in accordance with the terms of the financing operations after an event of default has occurred; (b) for equity investments the amounts invested and their associated financing costs; (c) for other financing and investment operations referred to in Article 8(2) the amounts used and their associated funding costs; (d) all relevant expenses and recovery costs related to an event of default, unless deducted from recovery proceeds. 7. The guarantee agreements shall lay down detailed rules on the cover, requirements, eligibility, eligible counterparts, and procedures. AG\1129764EN.docx 45/59 PE607.892v01-00 EN Article 13 The EFSD Guarantee Fund 1. The EFSD Guarantee Fund shall constitute a liquidity cushion from which the eligible counterparts shall be paid in the event of a call on the EFSD Guarantee pursuant to the relevant EFSD guarantee agreement. 2. The EFSD Guarantee Fund shall be endowed by: (a) contributions from the general budget of the Union and other sources; (b) voluntary contributions from Member States and other contributors; (c) returns on invested resources of EFSD Guarantee Fund ; (d) amounts recovered from defaulting debtors in accordance with the recovery provisions laid down in the guarantee agreements; (e) revenues and any other payments received by the Union in accordance with the guarantee agreements. PE607.892v01-00 46/59 AG\1129764EN.docx EN 3. Revenues of the EFSD Guarantee Fund as provided for in points (c) and (e) of paragraph 2 shall constitute internal assigned revenue in accordance with Article 21(4) of Regulation (EU, Euratom) No 966/2012. 4. The resources of the EFSD Guarantee Fund referred to in paragraph 2 shall be directly managed by the Commission and invested in accordance with the principle of sound financial management and shall follow appropriate prudential rules. The Commission shall submit to the European Parliament and the Council by 30 June 2019 an independent external evaluation of the advantages and disadvantages of entrusting the financial management of the assets of the guarantee fund for external action and of the European fund for sustainable development to the Commission, EIB, or a combination of the two, taking into account the relevant technical and institutional criteria used in comparing asset management services, including the technical infrastructure, comparison of costs for the services given, institutional set-up, reporting, performance, accountability and expertise of each institution and the other asset management mandates for the EU Budget. The evaluation shall where appropriate be accompanied with a legislative proposal. 5. Endowments to the EFSD Guarantee Fund shall be used to reach an appropriate level of provisioning to cover the total EFSD Guarantee obligations. The provisioning rate shall be at 50 % of the total EFSD Guarantee obligations covered by the general budget of the Union. 6. Following an assessment of the adequacy of the level of the EFSD Guarantee Fund in accordance with the report provided for under Article 15(3), the following payments shall be made: (a) without prejudice to paragraph 8 of this Article, any surplus shall be paid to the general budget of the Union; (b) any replenishment of the EFSD Guarantee Fund shall be paid in annual tranches during a maximum period of three years starting from year n+1. AG\1129764EN.docx 47/59 PE607.892v01-00 EN 7. From 1 January 2021, if, as a result of calls on the EFSD Guarantee, the level of resources in the Guarantee Fund falls below 50 % of the provisioning rate referred to in paragraph 5, the Commission shall submit a report on: (a) the cause of the shortfall, with detailed explanations; and (b) where deemed necessary, any exceptional measures that may be required to replenish the EFSD Guarantee Fund. 8. After a call on the EFSD Guarantee, endowments to the EFSD Guarantee Fund provided for in points (c), (d) and (e) of paragraph 2 exceeding the resources necessary to reach the provisioning rate at the level referred to in paragraph 5 or any surplus provided for in point (a) of paragraph 6 of this Article shall first be used within the limits of the maximum period provided for in Article 7(3) to restore the EFSD Guarantee up to its initial amount. Article 14 Funding of the EFSD Guarantee Fund from the general budget of the Union A contribution of EUR 350 000 000 shall be provided by the general budget of the Union. PE607.892v01-00 48/59 AG\1129764EN.docx EN CHAPTER IV REPORTING, ACCOUNTING AND EVALUATION Article 15 Reporting and accounting 1. The Commission shall submit an annual report to the European Parliament and to the Council on the financing and investment operation covered by the EFSD Guarantee. This report shall be made public. It shall include the following elements: (-aa) an assessment of the results contributing to the purpose and objectives set out in Article 3 and Article 8(1) and (2); (a) an assessment of the financing and investment operations in operation and covered by the EFSD Guarantee, sector, country and regional levels and their compliance with this Regulation including the risk measures and their impact on the financial and economic stability of the partners; (b) an assessment, on the basis of the indicators provided for in Article 8(4a), of the additionality and added value, the mobilisation of private sector resources, the estimated and actual outputs and the outcomes and impact of the financing and investment operations covered by the EFSD Guarantee on an aggregated basis, including the impact on decent job creation, the eradication of poverty and on the way in which the root causes of migration, including irregular migration are addressed; this assessment shall include a gender analysis of the operations covered based on evidence and gender-disaggregated data where possible; AG\1129764EN.docx 49/59 PE607.892v01-00 EN (c) an assessment of the compliance with the requirements concerning the use of the EFSD Guarantee and key performance indicators established for each proposal submitted; (d) an assessment of the leverage effect achieved by the operations covered by the EFSD Guarantee; (e) the financial amount transferred to beneficiaries and an assessment of financing and investment operations by each counterpart on an aggregated basis; (f) an assessment of the additionality and added value of financing and investment operations of the eligible counterparts, and of the aggregate risk associated with those operations; (g) detailed information on calls on the EFSD Guarantee, losses, returns, amounts recovered and any other payments received as well as overall risk exposure; PE607.892v01-00 50/59 AG\1129764EN.docx EN (h) the financial reports on financing and investment operations of the eligible counterparts covered by this Regulation audited by an independent external auditor; (ha) an assessment of the synergies and complementarity between operations covered by the EFSD Guarantee and the second and third pillars of the EIP based on existing reports for the relevant instruments, with particular regard to progress made on good governance, including in the fight against corruption and illicit financial flows, respect for human rights, the rule of law and gender-responsive policies, as well as the boosting of entrepreneurship, local business environment and local financial markets; (hb) an assessment of the compliance of EFSD Guarantee operations with the internationally agreed development effectiveness principles; (hc) an assessment of the remuneration of the guarantees and of the implementation of Article 20. AG\1129764EN.docx 51/59 PE607.892v01-00 EN 2. For the purposes of the Commission’s accounting, its reporting of the risks covered by the EFSD Guarantee and its management of the EFSD Guarantee Fund, the eligible counterparts with whom a guarantee agreement has been concluded shall provide the Commission and Court of Auditors annually with the financial reports on financing and investment operations covered by this Regulation audited by an independent external auditor, containing, among other, information on: (a) the risk assessment of financing and investment operations of the eligible counterparts including information on the Union liabilities measured in compliance with the accounting rules of the Union set by the accounting officer of the Commission based on the internationally accepted accounting standards for the public sector; (b) the outstanding financial obligation for the Union arising from the EFSD Guarantee provided towards the eligible counterparts and their financing and investment operations, broken down by individual operations. The Counterparts shall upon request provide to the Commission any additional information necessary to fulfil the Commission’s obligations in relation to this Regulation. PE607.892v01-00 52/59 AG\1129764EN.docx EN 3. By 31 March of each year, the Commission shall submit to the European Parliament, to the Council and to the Court of Auditors, in the context of the financial statements of the Commission, the required information on the situation of the EFSD Guarantee Fund. In addition, it shall, by 31 May of each year, submit to the European Parliament, to the Council and to the Court of Auditors an annual report on the management of the EFSD Guarantee Fund in the previous calendar year, including an assessment of the adequacy of the provisioning and the level of the Guarantee Fund and of the need for its replenishment. The annual report shall contain the presentation of the financial position of the EFSD Guarantee Fund at the end of the previous calendar year, the financial flows during the previous calendar year as well as the significant transactions and any relevant information on the financial accounts. The report shall also include information about the financial management, the performance, and the risk of the guarantee fund at the end of the previous calendar year. AG\1129764EN.docx 53/59 PE607.892v01-00 EN Article 16 Evaluation and review 1. By 31 December 2019, the Commission shall evaluate the initial functioning of the EFSD, its management and its effective contribution to the purpose and objectives of this Regulation. The Commission shall submit its evaluation report to the European Parliament and the Council, containing an independent external evaluation of the application of this Regulation, accompanied by a reasoned proposal to amend this Regulation, as appropriate, in particular with a view to extending the initial investment period referred to in Article 7(2). That evaluation report shall be accompanied by an opinion of the Court of Auditors. 2. By 31 December 2019 and every three years thereafter, the Commission shall evaluate the use and the functioning of the EFSD Guarantee Fund. The Commission shall submit its evaluation report to the European Parliament and the Council. That evaluation report shall be accompanied by an opinion of the Court of Auditors. PE607.892v01-00 54/59 AG\1129764EN.docx EN CHAPTER V GENERAL PROVISIONS Article 17 Transparency, communication, and public disclosure of information 1. In accordance with its transparency policies and Union rules on access to documents and information and data protection, the eligible counterparts shall proactively and systematically make publicly available on their websites information relating to all financing and investment operations covered by the EFSD Guarantee under this Regulation, relating in particular to the manner in which those operations contribute to the objectives and requirements of this Regulation. Where possible, such information shall be broken down at project level. Such information shall always take into account the protection of confidential and commercially sensitive information. 2. The Commission shall publish on its web-portal information on financing and investment operations and the essential elements of all guarantee agreements, including information on the legal identity of counterparts, expected development benefits and complaints procedures in accordance with point (ea) of Article 12(3), taking into account the protection of confidential and commercially sensitive information. AG\1129764EN.docx 55/59 PE607.892v01-00 EN 3. Eligible counterparts shall publicise the Union support in all information which they publish on financing and investment operations covered by the EFSD guarantee in accordance with this Regulation. 4. European Union delegations shall include information about funding opportunities provided by the EFSD in their communication targeted at civil society and the public at large. Article 17a Grievance and redress mechanism In view of possible grievances of third parties in partner countries, including communities and individuals affected by EFSD Guarantee supported projects, the Commission and European Union delegations shall publish on their websites direct references to the complaints mechanisms of the relevant counterparts which have concluded agreements with the Commission. The Commission shall also provide the possibility of directly receiving complaints related to the treatment of grievances by eligible counterparts. It shall take that information into account in view of future cooperation with those counterparts. PE607.892v01-00 56/59 AG\1129764EN.docx EN Article 18 Auditing by the Court of Auditors 1. The external audit of the activities undertaken in accordance with this Regulation shall be carried out by the Court of Auditors in accordance with Article 287 of the Treaty on the Functioning of the European Union (TFEU) and the activities are thus subject to the discharge procedure in accordance with Article 319 TFEU. 2. For the purpose of paragraph 1 of this Article, the Court of Auditors shall, at its request and in accordance with Article 287(3) TFEU, be granted access to any document or information necessary to carry out its auditing tasks. Article 19 Anti-fraud measures 1. The Commission or the eligible counterparts shall immediately notify the European Anti-Fraud Office (OLAF) when, at any stage of the preparation, implementation or closure of financing and investment operations covered by this Regulation, they have grounds for suspecting fraud, corruption, money laundering or any other illegal activity that may affect the financial interests of the Union. They shall provide it with all necessary information to enable a full and thorough investigation to be carried out. AG\1129764EN.docx 57/59 PE607.892v01-00 EN 2. OLAF may carry out investigations, including on-the-spot checks and inspections, in accordance with the provisions and procedures laid down in Regulation (EU, Euratom) No 883/2013 of the European Parliament and of the Council, Council Regulation (Euratom, EC) No 2185/96 and Council Regulation (EC, Euratom) No 2988/95 in order to protect the financial interests of the Union, with a view to establishing whether there has been fraud, corruption, money laundering or any other illegal activity affecting the financial interests of the Union in connection with any financing and investment operations covered by this Regulation. OLAF may transmit any information obtained in the course of its investigations to the competent authorities of the Member States concerned. Where such illegal activities are proven, the eligible counterparts shall undertake recovery efforts with respect to its financing and investment operations covered by this Regulation that are concerned by such activities, and shall also provide to the relevant authorities all information needed for investigation and possible prosecution. PE607.892v01-00 58/59 AG\1129764EN.docx EN Article 20 Excluded activities and non-cooperative jurisdictions 1. In their financing and investment operations, the eligible counterparts shall comply with applicable EU legislation and agreed international and EU standards and, therefore, shall not support projects under this Regulation that contribute to money laundering, terrorism financing, tax avoidance, tax fraud and tax evasion. In addition the eligible counterparts shall not enter into new or renewed operations with entities incorporated or established in jurisdictions listed under the relevant EU policy on non-cooperative jurisdictions, or that are identified as high risk third countries pursuant to article 9.2 of Directive (EU) 2015/849, or that do not effectively comply with EU or internationally agreed tax standards on transparency and exchange of information. The eligible counterparts may derogate from this principle only if the project is physically implemented in one of those jurisdictions, and does not present any indication that the relevant operation falls under any of the categories listed in paragraph 1. When concluding agreements with financial intermediaries, the eligible counterparts shall transpose the requirements referred to in this Article into the relevant agreements and shall request the financial intermediaries to report on their observance. AG\1129764EN.docx 59/59 PE607.892v01-00 EN 2. In its financing and investment operations, the eligible counterpart shall apply the principles and standards set out in Union law on the prevention of the use of the financial system for the purpose of money laundering and terrorist financing and in particular Regulation (EU) 2015/847 of the European Parliament and of the Council and Directive (EU) 2015/849 of the European Parliament and of the Council. The eligible counterparts shall make both direct funding and funding via intermediaries under this Regulation contingent upon the disclosure of beneficial ownership information in accordance with Directive (EU) 2015/849 (the EU Anti-Money Laundering Directive) and publish country-by-country reporting data in accordance with Article 89(1) of Directive 2013/36/EU of the European Parliament and of the Council. CHAPTER VI FINAL PROVISIONS Article 21 Entry into force This Regulation shall enter into force on the ▌day following that of its publication in the Official Journal of the European Union. This Regulation shall be binding in its entirety and directly applicable in all Member States. Done at Brussels, For the European Parliament For the Council The President The President

**Load-Date:** August 17, 2017

**End of Document**



[***Council of the European Union:Proposal for a Regulation of the European Parliament and of the Council on the European Fund for Sustainable Development (EFSD) and establishing the EFSD Guarantee and the EFSD Guarantee Fund - Outcome of the European Parliament's first reading (Strasbourg, 3 to 6 July 2017) ST 10935 2017 INIT***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5PGT-5K01-JDG9-Y0BK-00000-00&context=1516831)

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10935/17 SO/cc 1 DRI EN Council of the European Union Brussels, 13 July 2017 (OR. en) 10935/17 CODEC 1199 DEVGEN 158 ACP 76 RELEX 606 ECOFIN 617 CADREFIN 83 ASIM 86 MAMA 124 COEST 169 COAFR 198 PE 55 Interinstitutional File: 2016/0281 (COD) INFORMATION NOTE From: General Secretariat of the Council To: Permanent Representatives Committee/Council Subject: Proposal for a Regulation of the European Parliament and of the Council on the European Fund for Sustainable Development (EFSD) and establishing the EFSD Guarantee and the EFSD Guarantee Fund - Outcome of the European Parliament's first reading (Strasbourg, 3 to 6 July 2017) I. INTRODUCTION The three Co-Rapporteurs, Ms Eider GARDIAZABAL RUBIAL (S&D, ES), Mr Eduard KUKAN (EPP, SK) and Mr Doru-Claudian FRUNZULICĂ (S&D, RO) presented a report consisting of 105 amendments (amendments 1-105) to the proposed Regulation, which was adopted jointly by the Committee on Budgets, the Committee on Foreign Affairs and the Committee on Development. 10935/17 SO/cc 2 DRI EN In accordance with the provisions of Article 294 of the TFEU and the joint declaration on practical arrangements for the codecision procedure1, a number of informal contacts have taken place between the Council, the European Parliament and the Commission with a view to reaching an agreement on this dossier at first reading, thereby avoiding the need for second reading and conciliation.

In this context, one compromise amendment (amendment 106) was tabled. This amendment had been agreed during the informal contacts referred to above. II. VOTE When it voted on 6 July 2017, the plenary adopted the compromise amendment (amendment 106) to the proposal for a Regulation. The Commission proposal as thus amended and the legislative resolution constitute the European Parliament's position at first reading2, it reflects what had been previously agreed between the institutions.The Council should therefore be in a position to approve the position of the European Parliament, once the Legal/Linguistic Experts have examined the text. The legislative act would then be adopted in the wording which corresponds to the position of the Parliament at first reading. 1 OJ C 145, 30.6.2007, p. 5. 2 The text of the amendments adopted and the European Parliament's legislative resolution are set out in the Annex. The amendments are presented in the form of a consolidated text, where changes to the Commission's proposal are highlighted in bold and italics. The symbol ' ▌' indicates deleted text. 10935/17 SO/cc 3 ANNEX DRI EN ANNEX (06.07.2017) P8\_TA-PROV(2017)0311 European Fund for Sustainable Development (EFSD) and establishing the EFSD Guarantee and the EFSD Guarantee Fund \*\*\*I European Parliament legislative resolution of 6 July 2017 on the proposal for a regulation of the European Parliament and of the Council on the European Fund for Sustainable Development (EFSD) and establishing the EFSD Guarantee and the EFSD Guarantee Fund (COM(2016)0586 – C8-0377/2016 – 2016/0281(COD)) (Ordinary legislative procedure: first reading) The European Parliament, – having regard to the Commission proposal to Parliament and the Council (COM(2016)0586), – having regard to Article 294(2), Article 209(1) and Article 212(2) of the Treaty on the Functioning of the European Union, pursuant to which the Commission submitted the proposal to Parliament (C8-0377/2016), – having regard to Article 294(3) of the Treaty on the Functioning of the European Union, – having regard to the provisional agreement approved by the committees responsible under Rule 69f(4) of its Rules of Procedure and the undertaking given by the Council representative by letter of 28 June 2017 to approve Parliament’s position, in accordance with Article 294(4) of the Treaty on the Functioning of the European Union, – having regard to Rule 59 of its Rules of Procedure, – having regard to the joint deliberations of the Committee on Foreign Affairs, the Committee on Development and the Committee on Budgets under Rule 55 of its Rules of Procedure, – having regard to the report of the Committee on Foreign Affairs, the Committee on Development and the Committee on Budgets and the opinion of the Committee on Budgetary Control (A8-0170/2017), 1. Adopts its position at first reading hereinafter set out; 2. Calls on the Commission to refer the matter to Parliament again if it replaces, substantially amends or intends to substantially amend its proposal; 3. Instructs its President to forward its position to the Council, the Commission and the national parliaments. 10935/17 SO/cc 4 ANNEX DRI EN P8\_TC1-COD(2016)0281 Position of the European Parliament adopted at first reading on 6 July 2017 with a view to the adoption of Regulation (EU) 2017/… of the European Parliament and of the Council on the European Fund for Sustainable Development (EFSD) and establishing the EFSD Guarantee and the EFSD Guarantee Fund∗ THE EUROPEAN PARLIAMENT AND THE COUNCIL OF THE EUROPEAN UNION, Having regard to the Treaty on the Functioning of the European Union, and in particular Articles 209(1) and 212(2) thereof, Having regard to the proposal from the European Commission, After transmission of the draft legislative act to the national parliaments, Acting in accordance with the ordinary legislative procedure3, ∗ TEXT HAS NOT YET UNDERGONE LEGAL-LINGUISTIC FINALISATION. 3 Position of the European Parliament of 6 July 2017. 10935/17 SO/cc 5 ANNEX DRI EN Whereas: (1) The Union’s External Investment ***Plan*** (EIP) provides for the creation of the European Fund for Sustainable Development (EFSD) as its first pillar, alongside technical assistance (second pillar) and improving investment climate and overall policy environment in partner countries (third pillar). 10935/17 SO/cc 6 ANNEX DRI EN (2) The EFSD aims to support investments primarily in Africa and the Union’s Neighbourhood as a means to contribute to the achievement of the Sustainable Development Goals of the 2030 Agenda, in particular poverty eradication, as well as the commitments under the recently revised European Neighbourhood Policy, thus addressing specific socio-economic root causes of migration, including irregular migration, and contribute to the sustainable reintegration of migrants returning to their countries of origin, and strengthening transit and host communities. The EFSD, as part of the EIP, should also contribute to the implementation of the Paris Agreement on Climate Change (Paris Agreement). (3) Investments under the EFSD should complement and reinforce efforts carried out in the context of the Union’s migration policy with third countries, including, where appropriate, the implementation of the New Partnership Framework with Third Countries under the European Migration Agenda. 10935/17 SO/cc 7 ANNEX DRI EN (4) The EFSD should be guided by the objectives of Union external action set out in Article 21 of the Treaty on European Union (TEU) and of Union development cooperation policy set out in Article 208 TFEU. It should also allow ▌ investors and private companies, in particular micro, small and medium-sized enterprises, to contribute more effectively to sustainable development in partner countries in line with Union development and neighbourhood policies. The EFSD should maximise additionality, address market failures and sub-optimal investment situations, deliver innovative products and crowd in private sector funds. EFSD operations should be clearly distinct from, and complementary to, other support, including the European Investment Bank’s external lending mandate operations and Economic Resilience Initiative, and the ACP Investment Facility. They should also be complementary to the existing activities of other eligible financial institutions. (5) The EFSD should contribute to the implementation of the 2030 Agenda, which recognises international migration as a multi-dimensional reality of major relevance for the development of countries of origin, transit and destination, requiring coherent and comprehensive responses, while underlining the potential for migrants to contribute to inclusive growth and sustainable development. Investments will contribute towards addressing migratory pressures stemming from poverty, conflict, instability, underdevelopment, inequality, human rights violations, demographic growth, lack of employment and economic opportunities as well as from climate change. 10935/17 SO/cc 8 ANNEX DRI EN (6) The EFSD should be in line with the Union commitment under the Addis Ababa Action Agenda on Financing for Development and the internationally agreed development effectiveness principles. (7) The purpose of the EFSD is in line with the Union Global Strategy for Foreign and Security Policy which embeds challenges such as migration and resilience in the overall EU foreign policy, ensuring that Union external policy is fully coherent with the objectives of development policy and ensuring synergies with European development and Neighbourhood policies. Its purpose is also in line with the Charter of Fundamental Rights of the European Union and international human rights law, ensuring a human rights-based approach while addressing forced displacement and irregular migration. (8) The EFSD should foster decent job creation, economic opportunities and entrepreneurship, and green and inclusive growth with particular focus on gender equality and the empowerment of women and young people in line with the Union’s Gender Action ***Plan*** 2016-2020, while strengthening the rule of law, good governance, human rights and equitable access to and use of natural resources. 10935/17 SO/cc 9 ANNEX DRI EN (9) Involvement of the private sector in the Union’s cooperation with partner countries through the EFSD should yield measurable and additional development impact, without distorting the market and should be cost-effective, based on mutual accountability and risk and cost sharing. Such involvement should build on a commitment to internationally agreed guidelines and principles, including the Principles for Responsible Investment and the United Nations Guiding Principles on Business and Human Rights and the Organisation for Economic Cooperation and Development’s (OECD) Guidelines for Multinational Enterprises. (10) In order to fulfil the political commitments of the EU on climate action, renewable energy and resource efficiency, a minimum share of 28 % of the funding under the EFSD should be devoted to financing and investment operations relevant for these sectors. (11) Actions under this Regulation should be designed in such a way so as to: fulfil the criteria for Official Development Assistance (ODA) established by the Development Assistance Committee (DAC) of the OECD, taking into account the specificities of private sector development; reflect the needs of countries identified as experiencing fragility or conflict, LDCs and heavily indebted poor countries; provide appropriate support to investments in the Southern and Eastern Neighbourhood. 10935/17 SO/cc 10 ANNEX DRI EN (12) Technical assistance to partner countries should constitute the second pillar of the EIP. In this context, the Commission should step up assistance in order to help partner countries attract investment by better preparing and promoting projects, developing a higher number of bankable projects and making them known to the international investor community. A project web-portal, in the form of a publicly accessible and user-friendly database, should be established to provide relevant information for each project. (13) The improvement of the investment climate and overall policy environment in partner countries should constitute the third pillar of the EIP. In the context of the Union’s existing political relations with partner countries, the Commission and the High Representative of the Union for Foreign Affairs and Security Policy (High Representative) should maintain policy dialogues aimed at developing legal frameworks, policies and institutions that promote economic stability, sustainable investment and inclusive growth. Those policy dialogues should cover, inter alia, the fight against corruption, organised crime and illicit financial flows, good governance, the inclusion of local markets, the boosting of entrepreneurship as well as local business settings, the respect for human rights and the rule of law as well as gender-responsive policies. 10935/17 SO/cc 11 ANNEX DRI EN (14) The EFSD should be composed of regional investment platforms, which should be established on the basis of the working methods, procedures and structures of the existing external blending facilities of the Union and which should combine their blending operations and the EFSD Guarantee. The EFSD Guarantee should support financing and investment operations in partner countries in Africa and the Neighbourhood. (15) In the light of the findings of the Court of Auditors regarding the use of blending in the external relations of the Union, it is essential that blending be used where its added value can clearly be demonstrated. ▌ 10935/17 SO/cc 12 ANNEX DRI EN (16) A ***strategic*** board of the EFSD should be created to support the Commission in setting ***strategic*** guidance and overall investment goals as well as in ensuring an appropriate and diversified geographical and thematic coverage for investment windows. The ***strategic*** board should support overall coordination, complementarity and coherence between the regional investment platforms, between the three pillars of the EIP, between the EIP and the Union’s other efforts on migration and on the implementation of the 2030 Agenda, as well as with the relevant Union external financing instruments and trust funds as well as with the external lending mandate operations managed by the EIB, including the EIB resilience initiative and the ACP Investment Facility, without prejudice to the internal rules of governance of the EIB. (17) The ***strategic*** board should be composed of representatives of the Commission and of the High Representative, of all Member States and of the EIB. The European Parliament should have observer status. Contributors, eligible counterparts, partner countries, relevant regional organisations and other stakeholders may be given observer status, where appropriate. The ***strategic*** board should adopt its rules of procedure. The rules of procedure should define the framework for the involvement of observers, having regard to their respective status and roles. 10935/17 SO/cc 13 ANNEX DRI EN (18) The Commission and the EIB should conclude an agreement specifying the conditions of their cooperation in the management of the EFSD Guarantee and should present that agreement to the ***strategic*** board. (19) Each regional investment platform should have an operational board, which should draw on the experience of the operational boards of the existing blending facilities. The operational boards should provide support to the Commission in the implementation of this Regulation. They should support the Commission in defining and monitoring regional and sectorial investment goals, regional, sectorial and thematic investment windows, formulating opinions on the blending operations and discussing the use of the EFSD Guarantee in line with the investment windows to be defined. (20) An appropriate level of information to the European Parliament and the Council should be ensured in respect of the orientation of the use of the EFSD Guarantee through the establishment of investment windows. (21) The EFSD should operate as a ʻone-stop-shop’, receiving financing proposals from financial institutions and public or private investors and delivering a wide range of financial support to eligible investments. The EFSD Guarantee should be backed by the EFSD Guarantee Fund. 10935/17 SO/cc 14 ANNEX DRI EN (22) The EFSD should deploy innovative instruments to support investments and involve the private sector in particular micro-, small- and medium-sized enterprises. It should also allow European investors and private companies, including micro-, small- and medium-sized enterprises, to participate more effectively in efforts to achieve sustainable development in partner countries. Bottlenecks and obstacles to investments need to be addressed in this respect. (23) The EFSD Guarantee should privilege funding projects which have a high impact on job creation and whose cost-benefit ratio enhances the sustainability of investment. When supporting operations with the EFSD Guarantee, an in-depth ex ante assessment of environmental, financial and social aspects should be carried out. The EFSD Guarantee should not be used to replace government responsibility for providing essential public services. (24) European Union delegations in partner countries should include information about EFSD funding opportunities in their communication targeted at civil society and the general public and contribute to the coherence between the pillars of the EIP. 10935/17 SO/cc 15 ANNEX DRI EN (25) The EFSD Guarantee should be granted to eligible counterparts for financing and investment operations or guarantee instruments for an initial investment period up to 31 December 2020. (26) In order to provide for flexibility, increase the attractiveness for the private sector and maximise the impact of the investments it is appropriate to provide for a derogation from Article 58(1)(c)(vii) of Regulation (EU) No 966/2012 of the European Parliament and the Council4 by which the eligible counterparts who are bodies governed by private law could also be bodies which are not entrusted with the implementation of a public-private partnership and could also be bodies governed by the private law of a partner country. (27) The Commission should conclude guarantee agreements with the eligible counterparts setting out the specific provisions under which the EFSD Guarantee is granted to them. These guarantee agreements should provide the legal basis for adequate risk sharing, thus providing incentives for the eligible counterparts to provide financing, as well as the mechanisms and procedures for potential calls on the EFSD Guarantee. 4 Regulation (EU, Euratom) No 966/2012 of the European Parliament and the Council of 25 October 2012 on the financial rules applicable to the general budget of the Union and repealing Council Regulation (EC, Euratom) No 1605/2002 (OJ L 298, 26.10.2012, p. 1). 10935/17 SO/cc 16 ANNEX DRI EN (28) The Union should make available a guarantee of EUR 1 500 000 000 to establish the EFSD Guarantee. Member States and other contributors should be invited to contribute further to support the EFSD Guarantee Fund in the form of cash (Member States and other contributors) or guarantees (Member States) in order to increase the liquidity cushion and thus allow the increase of the total volume of EFSD Guarantee. ▌ Member States, public financial institutions and other contributors should be invited to provide additional funding to the EFSD Guarantee Fund under conditions that should be established in an agreement to be concluded between the Commission on behalf of the Union and ▌ the contributor. (29) The EFSD Guarantee Fund should be established as a liquidity cushion in the event of a call on the EFSD Guarantee. To reach a level that adequately reflects EU financial liabilities in relation to the EFSD Guarantee, the Union should make available EUR 750 000 000. (30) In order to increase the impact of the EFSD Guarantee in view of the needs in the regions concerned, Member States and EFTA countries should have the possibility of providing contributions in the form of a guarantee or cash. 10935/17 SO/cc 17 ANNEX DRI EN (31) As the funds of the EDF are to be used ▌, a minimum of EUR 400 000 000 of EFSD Guarantee coverage should be allocated for investments in partner countries eligible under the 11th European Development Fund (EDF) throughout the implementation period of the EFSD Guarantee. The EFSD Guarantee should only become available when a contribution of EUR 400 000 000 of 11th EDF funds ▌ to the EFSD Guarantee Fund has been confirmed. (32) As the funds of the European Neighbourhood Instrument, established by Regulation (EU) No 232/2014 of the European Parliament and of the Council, are to be used, a minimum of EUR 100 000 000 of the EFSD Guarantee coverage should be allocated for investments in the partner countries from the Eastern and Southern Neighbourhood throughout the implementation period of the EFSD Guarantee. 10935/17 SO/cc 18 ANNEX DRI EN (33) The Commission should report annually to the European Parliament and the Council on the financing and investment operations covered by the EFSD Guarantee, with a view to ensuring full accountability to the European citizens and scrutiny and control by the European Parliament and the Council. The report should be made public in order to allow relevant stakeholders, including civil society, to express their views. The Commission should also report annually to the European Parliament and the Council on the management of the EFSD Guarantee Fund so that accountability, transparency are ensured. The Commission should also inform the ACP-EU Council and the ACP-EU Joint Parliamentary Assembly as regards the use of the EDF funds. (34) In order to ensure the monitoring and accountability of the EFSD and of the EIP, the European Parliament or the Council may organise hearings as part of a dialogue with the Commission, the High Representative, the EIB and other eligible financial institutions as well as private sector and civil society organisations. 10935/17 SO/cc 19 ANNEX DRI EN (35) In order to take into account lessons learned and allow for further evolvement of the EFSD, the functioning of the EFSD and the use of the EFSD Guarantee Fund should be evaluated by the Commission and external evaluators and subjected to an annual consultation process with relevant stakeholders, including civil society organisations. The application of this Regulation should be evaluated independently in order to assess the level of conformity of the implementation with the legal basis, but also to establish the applicability and practicability of the Regulation in the achievement of its objectives. (36) In order to protect the financial interests of the Union, with a view to establishing whether there has been fraud, corruption, money laundering or any other illegal activity affecting the financial interests of the Union in connection with any financing and investment operations covered by this Regulation, the European Anti-Fraud Office (OLAF) is entitled to carry out investigations in accordance with Regulation (EU, Euratom) No 883/2013 of the European Parliament and of the Council5, Council Regulation (Euratom, EC) No 2185/966 and Council Regulation (EC, Euratom) No 2988/95.7 5 Regulation (EU, Euratom) No 883/2013 of the European Parliament and of the Council of 11 September 2013 concerning investigations conducted by the European Anti-Fraud Office (OLAF) and repealing Regulation (EC) No 1073/1999 of the European Parliament and of the Council and Council Regulation (Euratom) No 1074/1999 (OJ L 248, 18.9.2013, p. 1). 6 Council Regulation (Euratom, EC) No 2185/96 of 11 November 1996 concerning on-the-spot checks and inspections carried out by the Commission in order to protect the European Communities’ financial interests against fraud and other irregularities (OJ L 292, 15.11.1996, p. 2). 7 Council Regulation (EC, Euratom) No 2988/95 of 18 December 1995 on the protection of the European Communities financial interests (OJ L 312, 23.12.1995, p. 1). 10935/17 SO/cc 20 ANNEX DRI EN (37) Financing and investment operations supported by the EFSD should adhere to the relevant EU policy on non-cooperative jurisdictions for tax purposes which is laid down in the legal acts of the Union and Council Conclusions, notably those of 8 November 2016, in particular in their Annex, and any subsequent updates. ▌ HAVE ADOPTED THIS REGULATION: 10935/17 SO/cc 21 ANNEX DRI EN CHAPTER I INTRODUCTORY PROVISIONS Article 1 Subject matter 1. This Regulation establishes the European Fund for Sustainable Development (EFSD), the EFSD Guarantee and the EFSD Guarantee Fund. 2. For the purposes of paragraph 1, this Regulation provides for the Commission on behalf of the Union to conclude guarantee agreements with the eligible counterparts as defined in Article 10. Article 2 Definitions For the purposes of this Regulation, the following definitions apply: (1) ʻregional investment platforms’ means blending facilities in line with Article 4(1)(e) of Regulation (EU) No 236/2014 of the European Parliament and the Council8 and with Article 40 of Council Regulation (EU) 2015/3239 for the contribution from the 11th European Development Fund (EDF) combined with the granting of the EFSD Guarantee as set out in Article 6. 8 Regulation (EU) No 236/2014 of the European Parliament and the Council of 11 March 2014 laying down common rules and procedures for the implementation of the Union’s instruments for financing external action (OJ L 77, 15.03.2014, p. 95). 9 Council Regulation (EU) 2015/323 of 2 March 2015 on the financial regulation applicable to the 11th European Development Fund (OJ L 58, 03.03.2015, p. 17). 10935/17 SO/cc 22 ANNEX DRI EN (2) ʻinvestment window’ means a targeted area for support by the EFSD Guarantee to portfolios of investments in specific regions, countries or sectors and implemented via the regional investment platforms; (3) ʻcontributor’ means a Member State, an international financial institution or a public institution of a Member State, a public agency or other entities contributing in cash grants or in guarantees to the EFSD Guarantee Fund; (4) ʻpartner countries’ means countries that are signatories to the Partnership Agreement between the members of the African, Caribbean and Pacific Group of States of the one part, and the European Community and its member States, of the other part, signed in Cotonou on 23 June 2000 10, countries that are listed in Annex I to Regulation (EU) No 232/2014 of the European Parliament and of the Council11 as well as countries that are eligible for geographic cooperation under Regulation (EU) No 233/2014 of the European Parliament and of the Council 12. 10 OJ L 317, 15.12.2000 as last amended by OJ L 287, 4.11.2010 11 Regulation (EU) No 232/2014 of the European Parliament and of the Council of 11 March 2014 establishing a European Neighbourhood Instrument (OJ L 77, 15.3.2014, p. 27). 12 Regulation (EU) No 233/2014 of the European Parliament and of the Council of 11 March 2014 establishing a financing instrument for development cooperation for the period 2014-2020 (OJ L 77, 15.3.2014, p. 44). 10935/17 SO/cc 23 ANNEX DRI EN (5) ʻadditionality’ means the principle ensuring that the EFSD Guarantee support contributes to sustainable development by operations which could not have been carried out without the EFSD Guarantee, or which achieve positive results above and beyond what could have been achieved without it. Additionality also means crowding in private sector funding and addressing market failures or sub-optimal investment situations as well as improving the quality, sustainability, impact or scale of an investment. EFSD Guarantee operations shall not replace the support of a Member State, private funding or another Union or international financial ***intervention***, and shall avoid crowding out other public or private investments. Projects supported by the EFSD Guarantee typically have a higher risk profile than the portfolio of investments supported by the eligible counterparts under their normal investment policies without the EFSD Guarantee. 10935/17 SO/cc 24 ANNEX DRI EN CHAPTER II EUROPEAN FUND FOR SUSTAINABLE DEVELOPMENT Article 3 Purpose 1. The purpose of the EFSD as an integrated financial package, supplying financing capacity in the form of grants, guarantees and other financial instruments to eligible counterparts, shall be to support investments and increased access to financing, primarily in Africa and the European Neighbourhood, in order to foster sustainable and inclusive economic and social development and promote the socio-economic resilience of partner countries, including, where appropriate, in the context of the European Neighbourhood Policy and the New Partnership Framework with Third Countries under the European Agenda on Migration, with a particular focus on sustainable and inclusive growth, creation of decent jobs, youth and women, socio-economic sectors and micro, small and medium sized enterprises while maximising additionality, delivering innovative products and crowding in private sector funds. 10935/17 SO/cc 25 ANNEX DRI EN 2. The EFSD shall be guided by the objectives of Union external action set out in Article 21 of the Treaty on European Union (TEU) and of Union development cooperation policy set out in Article 208 TFEU and the internationally agreed development effectiveness principles. It shall contribute to the achievement of the Sustainable Development Goals of the 2030 Agenda, in particular poverty eradication and, where appropriate, contribute to the implementation of the European Neighbourhood Policy, thus addressing specific socio-economic root causes of migration and fostering sustainable reintegration of migrants returning to their countries of origin, and strengthening transit and host communities. 3. The EFSD shall contribute to the implementation of the Paris Agreement by also targeting investments to sectors that advance climate change mitigation and adaptation. 4. The EFSD shall be consistent with the objectives set out in the external financing instruments established by Regulations (EU) 2014/232, (EU) 2014/233, and EDF Regulation (EU) 2015/323 and with the priorities contained in the national or regional ***programmes*** and strategy papers, where available. 10935/17 SO/cc 26 ANNEX DRI EN Article 4 Structure of the EFSD 1. The EFSD shall be composed of regional investment platforms, established on the basis of the working methods, procedures and structures of the existing external blending facilities of the Union and which shall combine their blending operations and the EFSD Guarantee. 2. The management of the EFSD shall be ensured by the Commission. The Commission shall work in close cooperation with the EIB supported by other eligible counterparts as regards the operational management of the EFSD Guarantee. To that end, a technical assessment group on the Guarantee shall be established. 10935/17 SO/cc 27 ANNEX DRI EN Article 5 ***Strategic*** board of the EFSD 1. In the management of the EFSD the Commission shall be advised by a ***strategic*** board. 2. The ***strategic*** board shall advise the Commission on the ***strategic*** orientations and priorities of EFSD Guarantee investments and contribute to their alignment with the guiding principles and objectives of the Union external action, neighbourhood and development policy, as well as with the purpose of the EFSD as set out in Article 3. It shall also support the Commission in setting overall investment goals as regards the use of the EFSD Guarantee and monitor an appropriate and diversified geographical and thematic coverage for investment windows while giving special attention to countries identified as experiencing fragility or conflict, Least Developed Countries and heavily indebted poor countries. 10935/17 SO/cc 28 ANNEX DRI EN 3. The ***strategic*** board shall also support overall coordination, complementarity and coherence between the regional investment platforms, between the three pillars of the EIP, between the EIP and the Union’s other efforts on migration and on the implementation of the 2030 Agenda, as well as with the relevant Union external financing instruments and trust funds as well as with the external lending mandate operations managed by the EIB, including the EIB resilience initiative and the ACP Investment Facility, without prejudice to the internal rules of governance of the EIB. 4. The ***strategic*** board shall be composed of representatives of the Commission and of the High Representative, of all Member States and of the EIB. The European Parliament shall have observer status. Contributors, eligible counterparts, partner countries, relevant regional organisations and other stakeholders may be given observer status, where appropriate. The ***strategic*** board shall be co

nsulted prior to the inclusion of any new observer. The ***strategic*** board shall be co-chaired by the Commission and the High Representative. 10935/17 SO/cc 29 ANNEX DRI EN 5. The ***strategic*** board shall meet at least twice a year and, when possible, adopt opinions by consensus. Additional meetings may be organised at any time by the chair and upon request of one third of its members. In case consensus cannot be achieved, voting rights, taking due account of the source of financing, shall apply as agreed during the first meeting of the ***strategic*** board and laid down in its rules of procedure. The rules of procedure shall set out the framework regarding the role of observers. The minutes and agendas of the meetings of the ***strategic*** board shall be made public, following their adoption. 6. The Commission shall report annually to the ***strategic*** board about the progress made. The ***strategic*** board shall regularly organise a consultation of relevant stakeholders on the orientation and implementation of the EFSD. 7. During the implementation phase of the EFSD, the ***strategic*** board shall, as soon as possible, adopt and publish guidelines setting out how conformity of EFSD operations with the objectives and eligibility criteria set out in Article 8 is to be ensured. 8. In its ***strategic*** guidance, the ***strategic*** board shall take due account of relevant European Parliament resolutions and Council decisions and conclusions. 10935/17 SO/cc 30 ANNEX DRI EN Article 5a Regional operational boards Each regional investment platform shall have an operational board. Operational boards shall support the Commission at the implementation level in defining regional and sectoral investment goals and regional, sectoral and thematic investment windows and shall formulate opinions on blending operations and on the use of the EFSD Guarantee. CHAPTER III EFSD GUARANTEE AND EFSD GUARANTEE FUND Article 6 The EFSD Guarantee 1. The Union shall, after careful consideration of the viability of a project, provide an irrevocable and unconditional guarantee on first demand to the eligible counterpart for the financing and investment operations covered by this Regulation. 1a. The EFSD Guarantee shall support financing and investment operations in partner countries in Africa and the Neighbourhood. 2. The EFSD Guarantee shall be granted as a guarantee on first demand in respect of the instruments referred to in Article 9 and in compliance with the eligibility criteria referred to in Article 8. 10935/17 SO/cc 31 ANNEX DRI EN Article 7 Requirements for the use of the EFSD Guarantee 1. The granting of the EFSD Guarantee shall be subject to the conclusion of the respective EFSD guarantee agreement between the Commission on behalf of the Union and the eligible counterpart. 2. The ▌ investment period during which the EFSD guarantee agreements for supporting financing and investment operations can be concluded with the eligible counterparts shall last until 31 December 2020. 3. The maximum period allowed for eligible counterparts to conclude agreements with co-financing private sector partners, financial intermediaries or final beneficiaries shall be four years after the conclusion of the relevant guarantee agreement. 10935/17 SO/cc 32 ANNEX DRI EN Article 8 Eligibility criteria for the use of the EFSD Guarantee 1. The financing and investment operations eligible for support through the EFSD Guarantee in accordance with the purpose of the EFSD as provided for in Article 3 shall be consistent and aligned with Union policies, in particular development and neighbourhood policies of the Union, as well as with the partner countries’ strategies and policies. Such operations shall take into account other Union and international support to ensure complementarity with other initiatives and shall support the following objectives: (a) contribute to sustainable development in its economic, social and environmental dimensions, and to the implementation of the 2030 Agenda for Sustainable Development and, where appropriate, the European Neighbourhood Policy, with particular focus on the eradication of poverty, creation of decent jobs, economic opportunities, skills and entrepreneurship, promoting in particular gender equality and the empowerment of women and young people, while pursuing and strengthening the rule of law, good governance and human rights; 10935/17 SO/cc 33 ANNEX DRI EN (aa) contribute to the implementation of the Union’s migration policy, including, where appropriate, the New Partnership Framework with Third Countries; (ab) contribute, by promoting sustainable development, to addressing specific root causes of migration, including irregular migration, as well as foster resilience of transit and host communities, and contribute to the sustainable reintegration of migrants returning to their countries of origin, with due regard to the strengthening of the rule of law, good governance and human rights; (b) strengthen socio-economic sectors, in particular public and private infrastructure including renewable and sustainable energy, water and waste management, transport, information and communications technologies, as well as environment, sustainable use of natural resources, sustainable ***agriculture*** and blue growth, social infrastructure, health, human capital, in order to improve the socio-economic environment; (c) provide finance and support to private and cooperative sector development, with a particular focus on local companies and micro, small and medium-sized enterprises, while addressing market failures and limiting market distortions and encouraging the contribution of European companies to the EFSD objectives; 10935/17 SO/cc 34 ANNEX DRI EN (d) address bottlenecks to private investments by providing financial instruments, including first loss guarantees to portfolios guarantees to private sector projects such as loan guarantees for small and medium-sized enterprises and guarantees for specific risks for infrastructure projects and other risk capital; financial instruments provided may be denominated in the local currency of the partner country concerned; (e) leverage private sector financing, with a particular focus on micro-, small-, and medium-sized enterprises, by addressing bottlenecks and obstacles to investment; (ea) contribute to climate action and environmental protection and management, thus ***producing*** climate co-benefits, allocating at least 28 % of the financing to investments that contribute to climate action, renewable energy and resource efficiency. 2. The EFSD Guarantee shall support financing and investment operations which address market failures or sub-optimal investment situations and which: (a) provide additionality; (aa) ensure complementarity with other initiatives, making sure that EFSD guarantee operations are clearly distinct, in particular from the external lending mandate operations managed by the EIB; 10935/17 SO/cc 35 ANNEX DRI EN (b) ensure alignment of interest by providing adequate risk sharing by the respective eligible counterpart and other prospective partners; (c) are economically and financially viable, with due regard to the possible support from, and co-financing by, private and public partners to the project, while taking into account the specific operating environment and capacities of countries identified as experiencing fragility or conflict, Least Developed Countries and heavily indebted poor countries where more concessional terms can be given; (d) are technically viable and are sustainable from an environmental and social point of view; and (e) maximise, where possible, the mobilisation of private sector capital; (ea) respect the principles of development effectiveness as set out in the Busan Partnership for Effective Development Cooperation and reaffirmed in Nairobi in December 2016, including, ownership, alignment, focus on results, transparency and mutual accountability, as well as the objective of untying aid; 10935/17 SO/cc 36 ANNEX DRI EN (eb) are designed so as to fulfil the criteria for ODA established by the Development Assistance Committee of the OECD, taking into account the specificities of private sector development; and (ec) are implemented in full respect of internationally agreed guidelines, principles and conventions including the UN Principles for Responsible Investment, UN Guiding Principles on Business and Human Rights, OECD Guidelines for Multinational Enterprises, and the UN Food and ***Agriculture*** Organisation’s Principles for Responsible Investment in ***Agriculture*** and Food Systems, and International Labour Organisation conventions, as well as international human rights law. 3. On a case by case basis operations may combine financing from different Union instruments to the extent that it is needed for the success of the investment project backed by the EFSD and as long as this does not lead to reduced financing for other developmental objectives. 10935/17 SO/cc 37 ANNEX DRI EN 4. Taking due account of the advice provided by the ***strategic*** board, after consultation with the operational boards and after informing the European Parliament and the Council, the Commission shall define investment windows for specific regions or partner countries or for both, for specific sectors, for specific projects or for specific categories of final beneficiaries or for both to be funded by instruments referred to in Article 9 to be covered by the EFSD Guarantee up to a fixed amount. The information to the European Parliament and Council shall specify how the investment windows are aligned with the requirements set out in Articles 3 and 8 and their detailed funding priorities. The EIB should provide a written opinion on banking related matters to accompany each proposal for investment windows. All requests for financial support within investment windows shall be made to the Commission. The choice of investment windows shall be duly justified by an analysis of the market failure or sub-optimal investment situations. Such analysis shall be carried out by the Commission in cooperation with potentially eligible counterparts and stakeholders. 10935/17 SO/cc 38 ANNEX DRI EN Within the Africa Investment Platform, a significant share of the EFSD Guarantee shall be allocated to fragile and conflict-affected countries, landlocked countries and Least-Developed Countries. The Commission shall assess the operations supported by the EFSD guarantee against the eligibility criteria established in Article 8(1) and 8(2), where possible drawing on eligible counterparts’ existing result measurement systems. It shall publish the result of its assessment for each investment window on an annual basis. Article 9 Eligible instruments for the EFSD Guarantee 1. The EFSD Guarantee shall be used to cover the risks for the following instruments: (a) loans, including local currency loans; (b) guarantees; (c) counter-guarantees; (d) capital market instruments; (e) any other form of funding or credit enhancement, insurance, equity, quasi-equity participations. 10935/17 SO/cc 39 ANNEX DRI EN 2. The instruments listed in paragraph 1 may be provided by eligible counterparts ▌ under an investment window or individual project administered by an eligible counterpart. They may be provided for the benefit of partner countries, including countries experiencing fragility or conflict or facing challenges in reconstruction and post-conflict recovery, and these partner countries’ institutions, including their public national and private local banks and financial institutions as well as private sector entities of these partner countries. In countries experiencing fragility or conflict, as well as other countries when justified, support may be provided to public sector investments that have relevant effects on private sector development. 10935/17 SO/cc 40 ANNEX DRI EN Article 10 Eligibility and selection of counterparts 1. The eligible counterparts for the purposes of the EFSD Guarantee shall be: (a) the European Investment Bank and the European Investment Fund; (b) public law bodies; (c) international organisations and their agencies; (d) bodies governed by private law with a public service mission to the extent that they provide adequate financial guarantees; (e) bodies governed by the private law of a Member State that provide adequate financial guarantees, by derogation from Article 58(1)(c)(vii) of Regulation (EU) No 966/2012; (f) bodies governed by the private law of a partner country that provide adequate financial guarantees, by derogation from Article 58(1)(c)(vii) of Regulation (EU) No 966/2012. 10935/17 SO/cc 41 ANNEX DRI EN 2. Eligible counterparts shall comply with the rules and conditions provided for in Article 60 of Regulation (EU, Euratom) No 966/2012. For bodies governed by the private law of a Member State or a partner country, preference shall be given to those that provide disclosure of information related to Environment, Social and Corporate Governance criteria. The guarantee shall be implemented whenever possible under the lead of a European eligible counterpart in line with the criteria set out in this regulation. The Commission shall ensure an effective, efficient and fair use of resources available among eligible counterparts, while promoting cooperation between them. The Commission shall ensure fair treatment for all eligible counterparts and shall ensure that conflicts of interest are avoided throughout the stages of implementation of the EFSD. In order to ensure complementarity, the Commission may request any relevant information from eligible counterparts about their non-EFSD operations. 3. The Commission shall select the eligible counterparts pursuant to Article 61 of Regulation (EU, Euratom) No 966/2012. 3a. Eligible counterparts may be invited to an exchange of views by the European Parliament or the Council concerning financing and investment operations covered by this Regulation. 10935/17 SO/cc 42 ANNEX DRI EN Article 11 Coverage and terms of the EFSD Guarantee 1. The EFSD Guarantee shall not, at any time, exceed EUR 1 500 000 000 without prejudice to paragraph 2. 2. Member States and EFTA countries may contribute to the EFSD Guarantee Fund in the form of guarantees or cash. Subject to the opinion of the ***strategic*** board and Commission approval, other contributors may contribute, in the form of cash. The amount of the Guarantee exceeding the amount indicated in paragraph 1 shall be granted on behalf of the Union. Aggregate net payments from the general budget of the Union under the EFSD Guarantee shall not exceed EUR 1 500 000 000. Payments for guarantee calls shall be made, where necessary, by the contributing Member States or other contributors on pari passu basis with the Union, without prejudice to paragraph 4. A contribution agreement shall be concluded between the Commission, on behalf of the Union, and the contributor, which shall contain, in particular, provisions concerning the payment conditions. 10935/17 SO/cc 43 ANNEX DRI EN 3. The EFSD Guarantee shall only become available when a contribution in cash of EUR 400 000 000 from the 11th European Development Fund (EDF)13 to the general budget of the Union has been confirmed. The Member States may contribute to the EFSD Guarantee in the form of guarantees or cash. The Commission shall inform the European Parliament and the Council without delay about the contributions confirmed. 4. The contributions made by the Member States in the form of a guarantee may only be called for payments of guarantee calls after the funding from the general budget of the Union increased by any other cash contributions has been used on payments of guarantee calls. At the request of the Member States in the ***strategic*** board, the contributions made by them may be earmarked for the initiation of projects in specific regions, countries, sectors or existing investment windows. Any contribution may be used to cover guarantee calls regardless of earmarking. 13 Internal Agreement between the Representatives of the Governments of the Member States of the European Union, meeting within the Council, on the financing of European Union aid under the multiannual financial framework for the period 2014 to 2020, in accordance with the ACP-EU Partnership Agreement and on the allocation of financial assistance for the Overseas Countries and Territories to which Part Four of the Treaty on the Functioning of the European Union applies, OJ L 210, 6.8.2013, p. 1. 10935/17 SO/cc 44 ANNEX DRI EN 5. At least EUR 400 000 000 of EFSD Guarantee coverage shall be allocated for investments in the partner countries eligible under the 11th EDF throughout the implementation period of the EFSD Guarantee, in line with the objectives of the Cotonou Partnership Agreement. 5a. At least EUR 100 000 000 of EFSD Guarantee coverage shall be allocated for investments in the partner countries from the Eastern and Southern Neighbourhood, in line with Regulation (EU) No 232/2014 of the European Parliament and of the Council. Article 12 Implementation of the EFSD guarantee agreements 1. The Commission on behalf of the Union shall conclude EFSD guarantee agreements with the eligible counterparts selected pursuant to Article 10 and paragraph 4, on the granting of the EFSD Guarantee, which shall be unconditional, irrevocable, at first demand, in favour of the selected eligible counterpart. 2. One or more guarantee agreements shall be concluded for each investment window between the Commission and the eligible counterpart or eligible counterparts selected. In order to address specific needs, the EFSD Guarantee may be granted for individual financing or investment operations. Agreements can be concluded with a consortium of two or more eligible counterparts. All guarantee agreements shall be made available to the European Parliament and the Council upon request, taking into account the protection of confidential and commercially sensitive information. 10935/17 SO/cc 45 ANNEX DRI EN 3. The guarantee agreements shall contain, in particular, provisions concerning the following: (a) detailed rules on the provision of the EFSD Guarantee, including its arrangements on the coverage and its defined coverage of portfolios and of projects of specific types of instruments as well as a risk analysis of project and portfolio, including on sectoral, regional and national levels; (aa) the objectives and purpose of this Regulation, a needs assessment and an indication of the expected results, taking into account the promotion of corporate social responsibility and responsible business conduct, including, in particular through respect of the internationally agreed guidelines, principles and legal instruments referred to in Article 8(2)(ec); (b) the remuneration of the guarantee, which shall reflect the risk level; it shall be possible for the remuneration to be partly subsidised in order to give more concessional terms, in duly justified cases, in particular in the countries referred to in point (c) of Article 8(2); 10935/17 SO/cc 46 ANNEX DRI EN (c) requirements for the use of the EFSD Guarantee, including payment conditions, such as specific time frames, interest to be paid on due amounts, expenses and recovery costs and possibly necessary liquidity arrangements; (d) claims procedures, including but not limited to triggering events and waiting periods; and provisions and procedures regarding the recovery of claims; (e) provisions regarding the monitoring, reporting and evaluation obligations pursuant to Articles 15 and 16; (ea) clear and accessible complaints procedures for third parties that could be affected by the implementation of the EFSD Guarantee projects. 4. The Commission, when concluding guarantee agreements with eligible counterparts, shall take due account of: (-aa) the advice and guidance of the boards, in accordance with articles 4 and 5; (a) the objectives of the investment window; (b) the experience, operational, financial and risk management capacity of the counterpart; (c) the amount of own resources as well as private sector co-financing that the counterpart is ready to mobilise for the investment window. 10935/17 SO/cc 47 ANNEX DRI EN 5. The approval of financing and investment operations shall be made by the eligible counterpart following its own rules and procedures and in compliance with the terms of the guarantee agreement. 6. The EFSD Guarantee may cover: (a) for debt instruments the principal and all interests and amounts due to the selected eligible counterpart, but not received by it in accordance with the terms of the financing operations after an event of default has occurred; (b) for equity investments the amounts invested and their associated financing costs; (c) for other financing and investment operations referred to in Article 8(2) the amounts used and their associated funding costs; (d) all relevant expenses and recovery costs related to an event of default, unless deducted from recovery proceeds. 7. The guarantee agreements shall lay down detailed rules on the cover, requirements, eligibility, eligible counterparts, and procedures. 10935/17 SO/cc 48 ANNEX DRI EN Article 13 The EFSD Guarantee Fund 1. The EFSD Guarantee Fund shall constitute a liquidity cushion from which the eligible counterparts shall be paid in the event of a call on the EFSD Guarantee pursuant to the relevant EFSD guarantee agreement. 2. The EFSD Guarantee Fund shall be endowed by: (a) contributions from the general budget of the Union and other sources; (b) voluntary contributions from Member States and other contributors; (c) returns on invested resources of EFSD Guarantee Fund ; (d) amounts recovered from defaulting debtors in accordance with the recovery provisions laid down in the guarantee agreements; (e) revenues and any other payments received by the Union in accordance with the guarantee agreements. 10935/17 SO/cc 49 ANNEX DRI EN 3. Revenues of the EFSD Guarantee Fund as provided for in points (c) and (e) of paragraph 2 shall constitute internal assigned revenue in accordance with Article 21(4) of Regulation (EU, Euratom) No 966/2012. 4. The resources of the EFSD Guarantee Fund referred to in paragraph 2 shall be directly managed by the Commission and invested in accordance with the principle of sound financial management and shall follow appropriate prudential rules. The Commission shall submit to the European Parliament and the Council by 30 June 2019 an independent external evaluation of the advantages and disadvantages of entrusting the financial management of the assets of the guarantee fund for external action and of the European fund for sustainable development to the Commission, EIB, or a combination of the two, taking into account the relevant technical and institutional criteria used in comparing asset management services, including the technical infrastructure, comparison of costs for the services given, institutional set-up, reporting, performance, accountability and expertise of each institution and the other asset management mandates for the EU Budget. The evaluation shall where appropriate be accompanied with a legislative proposal. 5. Endowments to the EFSD Guarantee Fund shall be used to reach an appropriate level of provisioning to cover the total EFSD Guarantee obligations. The provisioning rate shall be at 50 % of the total EFSD Guarantee obligations covered by the general budget of the Union. 6. Following an assessment of the adequacy of the level of the EFSD Guarantee Fund in accordance with the report provided for under Article 15(3), the following payments shall be made: (a) without prejudice to paragraph 8 of this Article, any surplus shall be paid to the general budget of the Union; (b) any replenishment of the EFSD Guarantee Fund shall be paid in annual tranches during a maximum period of three years starting from year n+1. 10935/17 SO/cc 50 ANNEX DRI EN 7. From 1 January 2021, if, as a result of calls on the EFSD Guarantee, the level of resources in the Guarantee Fund falls below 50 % of the provisioning rate referred to in paragraph 5, the Commission shall submit a report on: (a) the cause of the shortfall, with detailed explanations; and (b) where deemed necessary, any exceptional measures that may be required to replenish the EFSD Guarantee Fund. 8. After a call on the EFSD Guarantee, endowments to the EFSD Guarantee Fund provided for in points (c), (d) and (e) of paragraph 2 exceeding the resources necessary to reach the provisioning rate at the level referred to in paragraph 5 or any surplus provided for in point (a) of paragraph 6 of this Article shall first be used within the limits of the maximum period provided for in Article 7(3) to restore the EFSD Guarantee up to its initial amount. Article 14 Funding of the EFSD Guarantee Fund from the general budget of the Union A contribution of EUR 350 000 000 shall be provided by the general budget of the Union. 10935/17 SO/cc 51 ANNEX DRI EN CHAPTER IV REPORTING, ACCOUNTING AND EVALUATION Article 15 Reporting and accounting 1. The Commission shall submit an annual report to the European Parliament and to the Council on the financing and investment operation covered by the EFSD Guarantee. This report shall be made public. It shall include the following elements: (-aa) an assessment of the results contributing to the purpose and objectives set out in Article 3 and Article 8(1) and (2); (a) an assessment of the financing and investment operations in operation and covered by the EFSD Guarantee, sector, country and regional levels and their compliance with this Regulation including the risk measures and their impact on the financial and economic stability of the partners; (b) an assessment, on the basis of the indicators provided for in Article 8(4a), of the additionality and added value, the mobilisation of private sector resources, the estimated and actual outputs and the outcomes and impact of the financing and investment operations covered by the EFSD Guarantee on an aggregated basis, including the impact on decent job creation, the eradication of poverty and on the way in which the root causes of migration, including irregular migration are addressed; this assessment shall include a gender analysis of the operations covered based on evidence and gender-disaggregated data where possible; 10935/17 SO/cc 52 ANNEX DRI EN (c) an assessment of the compliance with the requirements concerning the use of the EFSD Guarantee and key performance indicators established for each proposal submitted; (d) an assessment of the leverage effect achieved by the operations covered by the EFSD Guarantee; (e) the financial amount transferred to beneficiaries and an assessment of financing and investment operations by each counterpart on an aggregated basis; (f) an assessment of the additionality and added value of financing and investment operations of the eligible counterparts, and of the aggregate risk associated with those operations; (g) detailed information on calls on the EFSD Guarantee, losses, returns, amounts recovered and any other payments received as well as overall risk exposure; 10935/17 SO/cc 53 ANNEX DRI EN (h) the financial reports on financing and investment operations of the eligible counterparts covered by this Regulation audited by an independent external auditor; (ha) an assessment of the synergies and complementarity between operations covered by the EFSD Guarantee and the second and third pillars of the EIP based on existing reports for the relevant instruments, with particular regard to progress made on good governance, including in the fight against corruption and illicit financial flows, respect for human rights, the rule of law and gender-responsive policies, as well as the boosting of entrepreneurship, local business environment and local financial markets; (hb) an assessment of the compliance of EFSD Guarantee operations with the internationally agreed development effectiveness principles; (hc) an assessment of the remuneration of the guarantees and of the implementation of Article 20. 10935/17 SO/cc 54 ANNEX DRI EN 2. For the purposes of the Commission’s accounting, its reporting of the risks covered by the EFSD Guarantee and its management of the EFSD Guarantee Fund, the eligible counterparts with whom a guarantee agreement has been concluded shall provide the Commission and Court of Auditors annually with the financial reports on financing and investment operations covered by this Regulation audited by an independent external auditor, containing, among other, information on: (a) the risk assessment of financing and investment operations of the eligible counterparts including information on the Union liabilities measured in compliance with the accounting rules of the Union set by the accounting officer of the Commission based on the internationally accepted accounting standards for the public sector; (b) the outstanding financial obligation for the Union arising from the EFSD Guarantee provided towards the eligible counterparts and their financing and investment operations, broken down by individual operations. The Counterparts shall upon request provide to the Commission any additional information necessary to fulfil the Commission’s obligations in relation to this Regulation. 10935/17 SO/cc 55 ANNEX DRI EN 3. By 31 March of each year, the Commission shall submit to the European Parliament, to the Council and to the Court of Auditors, in the context of the financial statements of the Commission, the required information on the situation of the EFSD Guarantee Fund. In addition, it shall, by 31 May of each year, submit to the European Parliament, to the Council and to the Court of Auditors an annual report on the management of the EFSD Guarantee Fund in the previous calendar year, including an assessment of the adequacy of the provisioning and the level of the Guarantee Fund and of the need for its replenishment. The annual report shall contain the presentation of the financial position of the EFSD Guarantee Fund at the end of the previous calendar year, the financial flows during the previous calendar year as well as the significant transactions and any relevant information on the financial accounts. The report shall also include information about the financial management, the performance, and the risk of the guarantee fund at the end of the previous calendar year. 10935/17 SO/cc 56 ANNEX DRI EN Article 16 Evaluation and review 1. By 31 December 2019, the Commission shall evaluate the initial functioning of the EFSD, its management and its effective contribution to the purpose and objectives of this Regulation. The Commission shall submit its evaluation report to the European Parliament and the Council, containing an independent external evaluation of the application of this Regulation, accompanied by a reasoned proposal to amend this Regulation, as appropriate, in particular with a view to extending the initial investment period referred to in Article 7(2). That evaluation report shall be accompanied by an opinion of the Court of Auditors. 2. By 31 December 2019 and every three years thereafter, the Commission shall evaluate the use and the functioning of the EFSD Guarantee Fund. The Commission shall submit its evaluation report to the European Parliament and the Council. That evaluation report shall be accompanied by an opinion of the Court of Auditors. 10935/17 SO/cc 57 ANNEX DRI EN CHAPTER V GENERAL PROVISIONS Article 17 Transparency, communication, and public disclosure of information 1. In accordance with its transparency policies and Union rules on access to documents and information and data protection, the eligible counterparts shall proactively and systematically make publicly available on their websites information relating to all financing and investment operations covered by the EFSD Guarantee under this Regulation, relating in particular to the manner in which those operations contribute to the objectives and requirements of this Regulation. Where possible, such information shall be broken down at project level. Such information shall always take into account the protection of confidential and commercially sensitive information. 2. The Commission shall publish on its web-portal information on financing and investment operations and the essential elements of all guarantee agreements, including information on the legal identity of counterparts, expected development benefits and complaints procedures in accordance with point (ea) of Article 12(3), taking into account the protection of confidential and commercially sensitive information. 10935/17 SO/cc 58 ANNEX DRI EN 3. Eligible counterparts shall publicise the Union support in all information which they publish on financing and investment operations covered by the EFSD guarantee in accordance with this Regulation. 4. European Union delegations shall include information about funding opportunities provided by the EFSD in their communication targeted at civil society and the public at large. Article 17a Grievance and redress mechanism In view of possible grievances of third parties in partner countries, including communities and individuals affected by EFSD Guarantee supported projects, the Commission and European Union delegations shall publish on their websites direct references to the complaints mechanisms of the relevant counterparts which have concluded agreements with the Commission. The Commission shall also provide the possibility of directly receiving complaints related to the treatment of grievances by eligible counterparts. It shall take that information into account in view of future cooperation with those counterparts. 10935/17 SO/cc 59 ANNEX DRI EN Article 18 Auditing by the Court of Auditors 1. The external audit of the activities undertaken in accordance with this Regulation shall be carried out by the Court of Auditors in accordance with Article 287 of the Treaty on the Functioning of the European Union (TFEU) and the activities are thus subject to the discharge procedure in accordance with Article 319 TFEU. 2. For the purpose of paragraph 1 of this Article, the Court of Auditors shall, at its request and in accordance with Article 287(3) TFEU, be granted access to any document or information necessary to carry out its auditing tasks. Article 19 Anti-fraud measures 1. The Commission or the eligible counterparts shall immediately notify the European Anti-Fraud Office (OLAF) when, at any stage of the preparation, implementation or closure of financing and investment operations covered by this Regulation, they have grounds for suspecting fraud, corruption, money laundering or any other illegal activity that may affect the financial interests of the Union. They shall provide it with all necessary information to enable a full and thorough investigation to be carried out. 10935/17 SO/cc 60 ANNEX DRI EN 2. OLAF may carry out investigations, including on-the-spot checks and inspections, in accordance with the provisions and procedures laid down in Regulation (EU, Euratom) No 883/2013 of the European Parliament and of the Council, Council Regulation (Euratom, EC) No 2185/96 and Council Regulation (EC, Euratom) No 2988/95 in order to protect the financial interests of the Union, with a view to establishing whether there has been fraud, corruption, money laundering or any other illegal activity affecting the financial interests of the Union in connection with any financing and investment operations covered by this Regulation. OLAF may transmit any information obtained in the course of its investigations to the competent authorities of the Member States concerned. Where such illegal activities are proven, the eligible counterparts shall undertake recovery efforts with respect to its financing and investment operations covered by this Regulation that are concerned by such activities, and shall also provide to the relevant authorities all information needed for investigation and possible prosecution. 10935/17 SO/cc 61 ANNEX DRI EN Article 20 Excluded activities and non-cooperative jurisdictions 1. In their financing and investment operations, the eligible counterparts shall comply with applicable EU legislation and agreed international and EU standards and, therefore, shall not support projects under this Regulation that contribute to money laundering, terrorism financing, tax avoidance, tax fraud and tax evasion. In addition the eligible counterparts shall not enter into new or renewed operations with entities incorporated or established in jurisdictions listed under the relevant EU policy on non-cooperative jurisdictions, or that are identified as high risk third countries pursuant to article 9.2 of Directive (EU) 2015/849, or that do not effectively comply with EU or internationally agreed tax standards on transparency and exchange of information. The eligible counterparts may derogate from this principle only if the project is physically implemented in one of those jurisdictions, and does not present any indication that the relevant operation falls under any of the categories listed in paragraph 1. When concluding agreements with financial intermediaries, the eligible counterparts shall transpose the requirements referred to in this Article into the relevant agreements and shall request the financial intermediaries to report on their observance. 10935/17 SO/cc 62 ANNEX DRI EN 2. In its financing and investment operations, the eligible counterpart shall apply the principles and standards set out in Union law on the prevention of the use of the financial system for the purpose of money laundering and terrorist financing and in particular Regulation (EU) 2015/847 of the European Parliament and of the Council and Directive (EU) 2015/849 of the European Parliament and of the Council. The eligible counterparts shall make both direct funding and funding via intermediaries under this Regulation contingent upon the disclosure of beneficial ownership information in accordance with Directive (EU) 2015/849 (the EU Anti-Money Laundering Directive) and publish country-by-country reporting data in accordance with Article 89(1) of Directive 2013/36/EU of the European Parliament and of the Council. CHAPTER VI FINAL PROVISIONS Article 21 Entry into force This Regulation shall enter into force on the ▌day following that of its publication in the Official Journal of the European Union. This Regulation shall be binding in its entirety and directly applicable in all Member States. Done at For the European Parliament For the Council The President The President

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[***Contesting displacement and the struggle for survival: The case of subsistence fisher folk in Durban, South Africa***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:6BNK-C111-DY41-73W2-00000-00&context=1516831)

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**Body**

**ABSTRACT**

In keeping with the ‘neoliberal assault’, public spaces in many cities of the global North and increasingly in the South have been appropriated and privatized for the benefit of the consumption needs of the urban elite, while simultaneously excluding and expelling the poor, and depriving them of their livelihoods. This paper analyses the displacement and struggles of subsistence fisher folk during upgrading of the port entrance, and the regeneration of Durban's beachfront in preparation for the 2010 FIFA World Cup, and their exclusion from what was once public space which they had used for decades. Coastal zones provide opportunities for recreation and subsistence fishing, and Durban was no exception. As preparations for FIFA 2010 advanced, traditional public fishing zones along Durban's beachfront were declared private property, and subsistence fisher folk were denied access in order to make the area attractive for international tourists, with serious implications for their livelihoods. The reaction of the fisher folk to the various restrictions included protest marches; vigils at the prohibited sites; defying the authorities; as well as appeals to the Transnet National Port Authority, Durban Municipality and provincial and central governments to resolve the impasse. As a result of these various forms of public activism, and engagement with the authorities, the fisher folk were able to reclaim some of their lost space.

**FULL TEXT**

**Introduction**

Nyar (2007: 6) notes that the city of Durban, South Africa: is largely defined through its beautiful beachfront and all the resources and opportunities that the ocean offers the inhabitants of the city. The bounties of the Indian Ocean offer a variety of simple pleasures to Durbanites and our visitors: tossing blissfully in its warm waves, riding it with a surfboard, or dragging our feet through it on a beach stroll at sunset. But behind that blissful beachfront landscape lies a very different reality than most of us understand. There are some for whom the ocean's generosity is mediated through the stranglehold of corporate interests, turning the ocean into more than a site of recreation and leisure, but instead one of bitter contestation and exploitation.Cities have been celebrated as places of freedom and emancipation, as well as sites of oppression, exploitation and exclusion. In relating to the paper by Amore et al.

(in this special issue), conceptually, and keeping with the ‘neoliberal assault’, public spaces in many cities of the global North and increasingly in the South have been appropriated and privatized for the benefit of the consumption needs of the urban elite, while simultaneously excluding and expelling the poor, and depriving them of their livelihoods (Attoh, 2011; Hou, 2010a, 2010b; Iveson, 2007; Lees, 2004; Leitner et al., 2007; Smith and Low, 2006). This invariably raises questions about social justice and who has rights to the city, and who is excluded, and how such rights are realized (Blomley and Pratt, 2001; Marcuse, 2009; Mitchell, 2003), as Wise and Whittam (2015: 868) remark: ‘who is regeneration for?’

This paper analyses the displacement and struggles of subsistence fisher folk during the upgrading of the port and regeneration of Durban's beachfront in preparation for 2010 FIFA World Cup, and their exclusion from what was once public space, which they had used for decades. Many of the fisher folk on the Durban beachfront operated from the different piers on the beachfront (Figure 1). As preparations for FIFA 2010 advanced, traditional public fishing zones along Durban's beachfront were declared private property, subsistence fisher folk were denied access in order to make the area attractive for international tourists, with serious implications for their livelihoods. The no-fishing zones were only announced two weeks before the World Cup kicked off in June 2010. This paper will also add to the growing literature on the implications of the neoliberal strategies for subsistence fisher folk, and where, with a few exceptions (e.g. Veuthey and Gerber, 2011), the focus has been on the experience of the global north (e.g. Kevin, 2007; Poe et al., 2015). The other distinctive contribution of this paper is that it focuses on anglers operating from shorelines, rather than different forms of boat or spear fishing. Figure 1.Location of fishing spots and piers in Durban.

The next section presents and reviews critical research concerning notions of exclusion and displacement and leads this into issues pertinent to the historical context of South Africa and more specifically subsistence fishing in Durban. The method and approach to research is presented followed by an analysis of strategies that expelled fisher folk from Durban's harbour and beachfront. The concerns of the fisher folk are discussed before the paper focuses on protest and resistance as the fisher folk attempt to reclaim their lost space.

**Notions of exclusion and displacement**

In the process of defining and claiming rights, there are social and political struggles over the appropriation of urban spaces (Lefebvre, 1974). As Lefebvre (1996: 173) has argued: ‘The right to the city cannot be conceived of as a simple visiting right or as a return to traditional cities. It can only be formulated as a transformed and renewed right to urban life’. Consequently, ‘the right to the city manifests itself as a superior form of rights: rights to freedom, to individualisation and socialisation, to habitat and to inhabit’ (Lefebvre, 1996: 173). Therefore, the right to the city is determined by social struggles and contestations. In other words, the right to the city is ‘the product of specific and social contests, in specific places, at specific times’ (Mitchell, 2003: 42). However, it is important to heed Harvey's (2008: 38) warning: ‘Increasingly, we see the right to the city falling into the hands of private or quasi-private interests’. Hence, the ‘rights of private property and the profit rate trump all other notions of rights’ (Harvey, 2008: 23). Hence, for those without rights, this leads to a ‘process of displacement’ or ‘accumulation by dispossession’ (Harvey, 2008: 34).

In democratic South Africa, which is governed by a rights-based constitution, there have been several instances of dispossession and displacement (e.g. Huchzermeyer, 2011; Maharaj, 2010). Notwithstanding rhetorical references to the contrary, the South African government has adopted neoliberal development strategies, which in a city like Durban has focused on urban regeneration with mega-projects like the International Convention Centre and uShaka Marine World (Maharaj and Ramballi, 1998), and bidding for mega-sport events (Maharaj, 2015, 2016). In pursuing such strategies, the country's poor and historically disadvantaged were excluded, marginalized and displaced. Since 2007 subsistence fisher folk in Durban were aggrieved as their livelihoods were threatened by restrictions limiting their access to their fishing haunts, introduced initially by the Transnet National Port Authority (TNPA) and subsequently the municipality as the city ***planned*** for the 2010 FIFA World Cup (Thompson and Tapscott, 2010). This is illustrated in this paper with reference to the struggles of the subsistence fisher folk in Durban (also known as eThekwini).

**Historical context**

The South African coastline extends over 3000 km (Ryan and Swanepoel, 1996), but the fishing industry contributes less than 1% to the GDP (Indian Ocean Observatory Ports and Cities, 2015). Coastal zones provide opportunities for recreation and subsistence fishing, and the port city of Durban, located in the east coast on the Indian Ocean, was no exception. Durban is South Africa's third largest metropolitan area after Johannesburg and Cape Town. A port city with a population of 3.6 million people (eThekwini Municipality, 2015: 24), Durban has a subtropical climate which makes it a popular year-round tourist destination (Maharaj et al., 2006). However, and specific to the focus of this paper, fishing contributed less than 0.5% of the Durban Municipality's GDP (Indian Ocean Observatory Ports and Cities, 2015). In an attempt to make the beachfront attractive to international tourists during the FIFA World Cup, fishing was banned from the beachfront, adversely affecting the livelihoods of about 10,000 subsistence fisher folk (IRIN, 2013).

The majority of anglers in the Durban engage in subsistence fishing. The Marine Living Resources Act (MLRA), Act 18 of 1998, defined a subsistence fisher as a natural person who regularly catches fish for personal consumption or for the consumption of his or her dependants, including one who engages from time to time in the local sale or barter of excess catch, but does not include a person who engages on a substantial scale in the sale of fish on a commercial basis. (Republic of South Africa, 1998: 12)In Durban subsistence fishing was associated with the arrival of indentured labourers from India in 1860. According to Govender and Chetty (2014: 52–53) indigenous Zulus: did not have a fishing culture […] It was only natural for these Indians reared on the scent of the sea to replicate their way of life in Durban. Fishing villages sprout all along the beaches of South India from Madras in the east to Kerala in the west […] A little bit of south India grew thousands of miles across the Indian Ocean.After completing their period of indenture, many Indians settled around the Durban harbour in the 1870s, and engaged in fishing for their livelihood. In 1877, the Protector of Indian Immigrants reported: ‘All the fishing and nearly all the market gardening and hawking of fruit and vegetables are in the hands of Indians’ (Brain, 1985: 211).

There were conflicts between Indian and white (recreational) fisher folk over territorial control, and Europeans ‘sought monopoly of prime fishing grounds’ (Govender and Chetty, 2014: 86). In the 1880s, the colonial authorities introduced permits and licences to regulate and restrict the fishing activities of Indians to fixed zones. In a memorandum to the Colonial Secretary of Natal on 5 February 1894, a ‘resilient group of Indian fisher folk challenged the authorities’, contending that while ‘Europeans (were) allowed to fish with impunity […] the space allowed is entirely insufficient for our requirements and we feel that an attempt is being made to drive us from the trade we have carried on so long’ (Govender and Chetty, 2014: 82–83).

Given the hostility and prejudice of the colonial and apartheid governments, this group, like most black communities, was forced to move several times, putting their livelihoods at stake. In the early 1900s as the Durban harbour expanded, ‘fishing in the bay was banned and the local authorities herded the fisher folk into the beaches between Back Beach and Addington Beach’ (Govender and Chetty, 2014: 86). Scott (2013: 34) aptly summarizes the changing fortunes of this group: The early fishing business was initially conducted by the families who had licences from the Natal Fisheries Department under Ordnance 11 of 1916, which determined the types of fish that could be caught and the locations. These licenses were handed down through families. The Natal Indian Fishermen's Association was constituted to represent the fishers' rights. From the 1950s, there was a decline in fishing catches and increasing restrictions on the types of fish that could be caught. Reasons cited […] for this decline were pollution from industry; overfishing; and the emergence of a large-scale commercial fishing industry using motorised boats.These challenges persist to the present day. The fishing zones were public spaces, open to all, but as with the beaches, were segregated on a racial basis as per the edicts of apartheid. For example, segregation on the South Pier was described as follows: The end of South Pier remained reserved for white fishermen only. Whites tended to utilise the end of the pier, where access to the deeper waters was guaranteed and game fish such as (white) shark and barracuda were often caught. The non-white, mostly Indian fishermen on South Pier were forced to fish the shallower waters. As a result, species such as blacktail, stumpnose bream, and pompano were popular dishes in many family homes. (Van Grootheest, 2011: 18)This paper will illustrate that the beachfront and harbour zones, which have historically and traditionally been public spaces for the fisher folk, became the site of contestation between those dependent on these locations for their livelihoods and the authorities who were ***planning*** to urban and business elite, nationally and internationally. This study adopted a qualitative approach which is explained in the next section.

**Method**

In terms of methodology, this a qualitative study drawing on the histories, challenges and experiences of fisher folk in Durban, and the nature of resistance and contestation as they challenged the municipal and harbour authorities to reclaim their spaces and livelihoods. I have been an associate of the civic organization, the South Durban Community Environmental Alliance (SDCEA, a coalition of community and environmental organizations campaigning social justice and sustainable development, led by Desmond D'sa), which was responsible for the establishment of the KwaZulu-Natal Subsistence Fishermen's Forum (KZNSFF, led by Essop Mohammed). I therefore had access to the records, memoranda, media statements of SDCEA and KZNSFF and also attended some of their meetings. Views of the fisher folk were captured in video recordings and media interviews (Ngwenya, 2010). Press statements by the Durban municipality and Port authorities, and newspaper reports were also important sources of information, which captured the views of the different protagonists in the conflict. Official government policy documents, two unpublished dissertations (Dray, 2009; Van Grootheest, 2011) and an historical account of the roots of fishing in Durban (Govender and Chetty, 2014) provided useful background information.

In short, documentary material comprised the main source of data presented in this paper, and a qualitative content analysis was the methodology adopted. Qualitative content analysis was an appropriate ‘nonobtrusive’ research approach to analyse ‘a wide range of textual data’ (Stepchenkova et al., 2009: 455). As Bryman (2004: 542) has argued, qualitative content analysis of documents ‘emphasizes the role of the investigator in the construction of the meaning of and in texts’. Content analysis was used to identify ‘major themes, categories, and case examples’ relating to the struggles of the fisher folk (Bowen, 2009: 28).

The fisher folk in Durban could be grouped into four categories (Table 1). The ‘oldies’ largely depend on fishing for their livelihood, which is ‘their work, their culture, their hobby, and their life’. The ‘manne’ are successful in their occupations, identity with fishing as a hobby, which is ‘their right – and they'll fight for it’. The ‘outies’ are a younger group, mainly ‘social outcasts’, with a propensity to engage in vandalism and other forms of antisocial behaviour. The ‘respectables’ are family men who view fishing as part of their identity and heritage. They also believe that they have ‘a right to fish’ but are more ‘reasonable’ about it. There were great expectations that in the post-apartheid era, those engaged in subsistence fishing would have more opportunities to ply their craft. However, subsistence fishers were shocked when they were barred from fishing in the North and South piers in harbour in 2007, and also from the Durban beach piers. Table 1.Profiles of fishermen in Durban.

| **Profile** | **Description** |
| --- | --- |
| The Oldies | The oldest group has limited education, often earns only a state pension, has very traditional values, is generally law abiding and respectable, bad habits are not intentional but more out of economic necessity or because ‘that's the way I’ve always done it’. They are very family orientated with strong emotional and cultural attachments to fishing, the areas have memories and they have earned a place in their communities. Fishing relaxes them, brings them food, time with their family and peace of mind. They are proud of their skill and pleased to be able to use it to put food on the table. Fishing is ‘their work, their culture, their hobby, and their life’. Fishing is vital for their emotional well-being and physical survival and it would be very cruel to deprive them of it. |
| The Manne | This group is usually in their early 30s–mid-50s. They have made a relative success of themselves, maybe started their own business, own their own home, they have a wife and kids, some are well off, some are not at all so, but all want to appear like they have ‘made it’ in one way or another. They want to appear confident, manly, but fishing is about as dangerous an activity as they can cope with, however it reinforces their masculinity, and it is what their fathers did. In a group they will egg each other on to behave badly, drinking, breaking the rules, being one of the boys – alone they're quiet and retiring. Fishing is ‘their right – and they'll fight for it’. |
| The Outies | This group really are living on the edge. Some are criminals, some are addicts and some are just dirt poor almost all rely almost entirely on fishing, few odd jobs or a few illegal enterprises to survive. There's no tomorrow with this bunch, they have to live for today – take as many fish as possible because there may be no tomorrow – and they're right – they fish for survival. They may have little education, or they may have a degree and have just dropped through the cracks in the system somehow. |
| The Respectables | These are just ordinary family men who enjoy fishing. They were probably raised with a fishing rod in their hands and view it as an important part of who they are within their family and their community – it is part of their identity and heritage. Fishing reinforces the family bonds and when times are tough, it can bring in a bit of extra money. They generally try and obey the fishing regulations but don't always agree or understand them. If this tradition is threatened, they'll defend it – they don't like change much, they too feel they have ‘a right to fish’ but are more reasonable about it and for different reasons. |

Source: Adapted from Burger (2015: 48–49).

**Expulsion: Harbour and beaches**

Between 2009 and 2012, fishing was banned in the harbour, and most of the piers on the beach. The harbour ban was enforced by the TNPA, and fishing was prohibited on the beach piers by the Durban Municipality as the city prepared for the 2010 FIFA World Cup. The TNPA gave three reasons for the banning of fishing in the harbour: first there was increasing international pressure after the 9/11 attacks to follow American anti-terrorist strategies in terms of which harbours were classified as ‘key ***strategic*** points’. In this regard the International Ship and Port Facility Security Code as well as the National Ports Act (12 of 2005) was being implemented (South African Maritime Safety Authority, 2008). Second, in order to deepen and widen the entrance to the harbour major a R2 billion construction project was about to commence. This was necessary for ‘safety of navigation and to cater for future needs. The project is scheduled for completion in 2010’ (Tolsi, 2007: 14). The third reason for banning, and what further frames the notion of exclusion in the paper, was a huge private yacht marina and hotel development had been approved next to Vetch's Pier (De Boer, 2007a; Tolsi, 2007). Responding to criticisms from the fisher folk, Acting Port Manager, Ricky Bhikraj, replied that the TNPA ‘actions merely required fisher folkmen to find other fishing grounds’ beyond the port (De Boer, 2007b). A subsequent statement from TNPA spokesperson, Jyothi Naidoo, emphasized that ‘no alternate arrangements’ will be made for fishing in the harbour (De Boer, 2007b).

The TNPA spokesperson, Jyothi Naidoo, further contended that restrictions were implemented for the protection of the fisher folk, and in accordance with health and safety regulations. Premdev (2007: 1) adds the construction work at the harbour entrance: requires substantial upgrading of the south breakwater, which includes raising the deck and complete re-armoring of the structure. The project will result in the demolition of the existing north breakwater and construction of a new north breakwater, other demolition, excavation; dredging and construction work on the South Pier. In terms of the Occupational Health and Safety Act, the TNPA cannot allow the public access to a construction site for various safety reasons.The harbour improvements were necessary to ensure that Durban retained its globally competitive advantage as Africa's busiest port, and was ‘part of the overall ***programme*** of upgrading the city for the 2010 Soccer World Cup’ (Dray, 2009: 48).

Similarly, the Durban beachfront upgrade strategy was also a FIFA 2010 project. Fisher folk were excluded from the beachfront during the upgrade operations, as well as the duration of the 2010 FIFA World Cup, and expected to return to their favourite haunts after the event. This shows the power of the mega-event transcends the importance of the local community of fisher folk whose economic dependence lies on having access to the beachfront. However, Durban City Manager, Mike Sutcliffe argued that the ban was ‘never only for the World Cup’ (Madlala, 2011: 3). The City Manager contended that lack of hygiene and vandalism were some of the reasons for enforcing the ban from the beachfront piers: The majority of fishermen were willing to co-operate and it is just a small bunch of people who believe that confrontation is the only way to solve things. It has been an impossible task to keep the piers clean with bait and fish's blood splattered all over the place. In some instances, lights were broken so people could not see what was going on the pier. (Madlala, 2011: 3).While there was an expectation that anglers could return to these sites, respectively, after the FIFA World Cup, there was also concern that this mega-sporting event was being used as an excuse by the authorities to expel the poor from the city (Maharaj, 2017; Maharaj and Harilal, 2015). Another good example refers to attempts to destroy the century-old Warwick Market to make way for a mall (Maharaj, 2010). Essop Mohamed contended that this was part of a ‘wider strategy not to show World Cup tourists the impoverished side of Durban: street children, street traders and fishermen’ (Saib, 2010a). The next section analyses the concerns of the fisher folk.

**Concerns of the fisher folk**

This section articulates on the main concerns facing the fisher folk in Durban. The main concerns outlined in the following subsections were their loss of livelihoods; the fact that the authorities were pandering the rich; conflict with surfers who directed prejudices towards the fisher folk; and to find an alternative place for subsistence fishing, the anglers were dicing with danger and death trying to fish on unsafe piers.

**Loss of livelihoods**

Earlier studies have found that around 3.6 million South Africans rely on the coast for subsistence, survival and livelihoods (Pheko, 2007), and this continues to be the case today. In Durban, many fisher folk viewed their livelihood as part of their historical heritage, passed on from one generation to another, this includes: ‘the skills and local knowledge about the tides, wind, seasons and different bait types is something that develops over many years’ (Dray, 2009: 109).

Desmond D’sa emphasized that in Durban fishing was an important livelihood strategy for poor anglers: ‘Through fishing we are able to provide food for our families and sell the surplus to pay for our children's school fees, water electricity bills’ (Langa, 2007: 5). Mr Ram Sewsunker, from the KZNSFF, stressed that many generations had an inextricable livelihood connection with fishing, with no other income earning opportunities. Therefore, he contended: ‘Our struggle to fish will continue and we will not stop until we get our rights back’ (Madlala, 2011: 3). Anton Marrie, grandson of the late fishing legend Mariemuthoo Padavathan, emphasized the livelihood implications of denying fisher folk access to the harbour and piers: There are thousands of unemployed people in this city; and fishing provides a source of income for some. The municipality is stopping these people from making an honest living. In my family, the tradition of fishing has been passed down for a century. It is sad to see this tradition end. While the municipality ***plans*** to develop the area to boost the city's economy, it seems to be more focused on business and has lost sight of its social responsibility. By taking away the livelihood of the fishermen the rich will get richer while the poor get poorer. (Premdev, 2007: 1)In addition, 69-year-old pensioner Essop Ahmed reminisced about his personal connections to South Pier, and its value for the poor: I‘ve been fishing there since 1953, and before that my father fished there. My sons fist there and I want my grandchildren to fish there. It's over a hundred years old, a national heritage site with so much history, so many stories of dead fisherman, and they want to shut us out! We're fighting to keep it open for the poor guys from Chatsworth, Merebank, and all around who live off the fish they catch. Where are they going to find jobs and feed their families? (Tolsi, 2007: 14)Several fisher folk stated that the restrictions were intended to force them to ‘resort to activities such as crime [and] drugs’ (Ngwenya, 2010: 7). Fifty-seven-year-old fisher, Max Magnussen, also referred to criminalization of honest living: ‘They [the authorities] have treated us like criminals; some of us have become criminals. We’ve got criminal records for catching fish and yet the commercial people have all the rights, they can catch tons of fish’ (Ngwenya, 2010: 9). Bob, who lived in Phoenix to the north of the city, was fishing for over 30 years to supplement his income. The restriction on the piers was devastating as he did not receive a social grant, and he did not want handouts: Fishing supplemented my income and I was able to bringing home an extra R400 a month – enough to pay our bills. I am an old man now and it's too late for me to learn another skill [and] closing a pier doesn't seem like much, but it has had a devastating impact on our lives. Some days we have to go to bed hungry. And we are not the only family suffering. At least one person in every home in our community fishes for a living. (Bowman, 2011: 12)Further to the points mentioned above, several fishermen complained bitterly about harassment, lack of recognition and the failure of government authorities to consult them, and this was aptly captured by Max Magnussen: ‘There's no recognition of subsistence fishermen […] There's nobody that we can really talk to and consult with. Government has treated us shoddily’ (Ngwenya, 2010: 8).

Another fisherman alluded to preparations for the 2010 FIFA World Cup and who will benefit: ‘We are poor people, we're not going to be making any money out of these stadiums being built or anything like that. We just want to be left alone, catch our fish’ (Ngwenya, 2010: 9). Essop Mohammed from the KZNSFF contended more explicitly that the beachfront was being converted into a ‘playground for the rich’ (Bowman, 2011: 12).

**Pandering to the rich**

The Durban Municipality acknowledged that the city faced serious poverty challenges as illustrated by ‘High rates of unemployment and low economic growth; Low levels of skills development and literacy; Limited access to basic household and community services’ (eThekwini Municipality, 2015: 12). In January 2014, SDCEA wrote to the Ministry of ***Agriculture***, Forestry and Fisheries and the Ministry of Water Affairs, expressing outrage that the ‘South African government had granted 10 foreign vessels permission to harvest in our waters [while] today the fishermen are fighting a constant battle whereby they are chased from fishing spots [on the beach front]. Many of these fishermen are unemployed and rely on the fish for food’ (SDCEA, 2014: 1). The authorities were accused of ‘double-standards’ as the poor fisher folk were denied access in order to attract wealthy tourists, property investors and international fishing companies (De Boer, 2007b). Furthermore, ‘recreational boat users of the Durban Bay were not affected by the ‘no trespassing signs placed by the port authorities’ (Sanpath, 2007: 5).

The TNPA had argued that public access to the South Pier will be reassessed, after the construction work had been completed, but that this will be influenced by security and other factors. However, Desmond D'sa was sceptical that the poor will have access to South Pier in the future, as the authorities appear to indulge the affluent: With the recent tendency to use the National Key Points Act, it will be closed forever. We looked at the proposals and 98% of the (construction) work will happen of North Pier. Why are they closing South Pier down? Is the Council looking to privatise that side of the harbour for luxury apartments and hotels, like they did on the Point? (Tolsi, 2007: 14)Essop Mohamed stressed the contradictions of denying poor anglers access, while wealthy boat owners could fish in the harbour with immunity. He highlighted the livelihood implications for the poor: The other piers are already overcrowded and are difficult to reach by impoverished fishermen who have transport problems. Most of them are unemployed and this barring will have a huge impact on them. We are always told of the security factors, but we are not terrorists. Just people trying to make an honest living. (De Boer, 2007a: 6)KZNSFF (2013: 2) argued that given the high levels of unemployment and crime, it was a shame poor people were harassed for using public facilities to survive: ‘Fishing for food cannot be trumped by privileges such as swimming, surfing or walking’.

**Conflict with surfers**

Durban beaches are very popular for surfing, but there is a long history of conflict and competition between surfers and fisher folk for territorial control of prime beach spots. Conflicts accounted between the fisher folk and the surfers (and beachgoers) build on the above subsection because many of the people using the beach in their leisure time are more affluent. Some struggles that emerged were the fisher folk were accused of littering, antisocial and unhygienic conduct, and threatening surfers with violence (Carnie, 2010; Smith, 2000).

In terms of municipal by-laws (9.1-3), fishing was prohibited in any area in which ‘bathing, board-sailing or surf-riding is permitted’ (City of Durban, 2010: 6).The fisher folk countered that the surfers also engaged in illegal actions like jumping off the pier which was forbidden according to by-law 13.2 of the City of Durban (2010: 8): No person shall on or from any pier or groyne enter the water, (a) whether by jumping, diving or otherwise, (b) have in his possession any surfcraft, kneelboard, bodyboard or similar device or thing or any bicycle, other vehicle or any skateboard or rollerskates.A fisherman agreed that surfers could get hurt if they came too close to the piers where the anglers where operating: ‘They have the whole ocean to use. Why do they come so close to the pier?’ (Bowman, 2011: 12). An interesting compromise was proposed by the KZNSFF (2013: 3): ‘As the KZN Subsistence Fisher folks we insist, as a compromise, that all the beachfront piers must be opened after 6pm in the evening as a starting point’.

There was also an implicit racial undertone as the majority of surfers were white, and most of the fisher folk were Indian. Philip Mostert, a Pinetown surfer, was more pragmatic, arguing that ‘everyone has a right to be on the beach – including the fishermen’, and that the surfers and the anglers had not made any attempt to understand each other (Carnie, 2010: 3).

**Dicing with danger and death**

As the ban on fishing on the piers on the beach and harbour were enforced by metro police, private security personnel were also hired by the Durban Municipality. With increased enforcement, fisher folk had to look for alternate fishing points, which were often dangerous. Some of these alternate piers were unsafe, and ‘were not built to accommodate spring tides, heavy swells and massive waves which pose a serious danger’ (Waterworth, 2016: 2). At the Blue Lagoon Pier, for example, anglers fished off the rocks that were very dangerous: ‘The rocks are a safety hazard. They are unstable and dangerous. One wrong move and you could slip and hurt yourself badly’ (Saib, 2010b: 13).

A very dangerous spot was the Virginia Pier located to the north of Durban, where five fisher folk died towards the end of 2016. Essop Mohammed, of the KZNSFF, was concerned that this pier did not have railings and was very unsafe. The railings were destroyed by heavy rains three months earlier and were not replaced by the municipality. Desmond D'sa said that the municipality must take responsibility for the loss of lives (Comins and Mlambo, 2016). The city's head of communications, Tozi Mthethwa, said the city was worried about the drownings and explained interim safety measures: We have installed a lockable gate that will prohibit people from accessing the pier. We are also finalising the necessary supply chain management processes for the installation of new railings. We urge residents to stop removing the barricade tape and we prohibit people from fishing at night until the new rails have been installed. (Magubane, 2016: 1)In order to prevent further injuries and deaths, KZNSFF also called for the piers on the beachfront, which were closed for fishing before the 2010 FIFA World Cup, to be opened for fishermen. eThekwini Municipality spokesperson, Tozi Mthethwa repeated the concern to protect tourists, swimmers and surfers: We have explained that the city's designated fishing posts were chosen because of their ideal location away from residents and tourists. Fishing apparatus would cause a danger to the lives and well-being of those swimming, walking or surfing in the area. The fishermen were also warned against the failure to keep their fishing spots, namely the pier, hygienic at all times. (Waterworth, 2016: 2)The municipality's designated fishing spots (Snake Park, Battery Beach, Country Club and Blue Lagoon) were opened after the World Cup was over. However, Essop Mohamed argued that these were not ‘real piers’: Blue Lagoon Pier is an extension of the parking lot and Country Club is too short. It just breaks the surf. Battery Beach Pier is incomplete and Snake Park Pier is an extended storm drain. A pier stretches into the sea. None of the fishing piers does that. (Saib, 2010b: 13)The City Manager, Mike Sutcliffe, maintained that these piers would be upgraded in the future, depending on the availability of funding: The first phase of the redevelopment was up to the stadium. We are going through a process to upgrade the area from the stadium to Blue Lagoon providing better facilities. This will happen over the next few years, subject to the availability of funds. (Saib, 2010b: 2)Neoliberal regeneration projects like the Durban beachfront upgrade and harbour expansions, resulted in the renewal and reconfiguration of urban spaces, often ‘deleting or commodifying their historical and cultural significance and stimulating dispossession and forced displacement of entire communities’ (Bombiella-Medina, 2016: 13). The main concerns of the fisher folk were loss of livelihoods and displacement from their historical fishing locations, which were ‘contingent and contextual, overlapping and entwined’ (Hern, 2016: 35). In order to justify and rationalize the dispossession of the fisher folk, the municipal and harbour authorities presented spurious arguments about security threats, and clashes with other beach users, especially surfers.

The fisher folk did not passively accept the neoliberal assault on their rights to livelihoods, and historical access to their places in the beachfront and harbour. As place-based activists, they defended their historical and territorial rights to livelihoods, and mobilized various forms of resistance and protest actions that is the theme of the final section of the paper.

**Protest, resistance and defiance**

The reaction of the fisher folk to the various restrictions included protest marches; vigils at the prohibited sites; defying the authorities; as well as appeals to the TNPA, Durban Municipality and provincial and central governments. Fisher folk wanted to resolve the impasse, as well as seek legal advice. The major public protest actions were co-ordinated by the SDCEA and KZNSFF (summarized longitudinally in Table 2). The purpose of these campaigns was to open traditional fishing spots in the harbour to anglers, open beachfront piers and demand that that fishermen are consulted on matters relating to policies and any fees (KZNSFF, 2011). Table 2.Summary of major public protest actions and outcomes 2007–2016.

| **Date** | **Protest actions** | **Outcomes** |
| --- | --- | --- |
| **2007** |  |  |
| 29 May | Protest against the closure of the South Pier – march to TNPA offices. | Memorandum hand to TNPA forcing it to resume engagement with fishermen. |
| 15 June | Night Vigil on the South Pier | Eve of 1976 Soweto Uprising – continued publicize consequences of pier closures. |
| 26 June | Protest at the SANPAD poverty conference – Elangeni Hotel | Highlighted exclusion of fishermen at this international poverty conference opened by the deputy Mayor who was party to this decision. |
| 26 September | Protest against the TNPA outside the ICC – Transnet Conference | Raised the issue of Transnet's double standards – denying subsistence fisher folks whilst allowing spear and boat fishing in the Durban Harbour. |
| **2010** |  |  |
| 24 March | Fishermen protest at Durban Harbour | Forced open the fishing pier at the BAT Centre. |
| 16 June | Fishermen march against the Soccer World Cup with other civics and NGOs | Raised awareness about the banning of fishing on the Durban Beachfront. Snake Park, Blue Lagoon, Battery Beach and Country Club subsequently opened. |
| **2011** |  |  |
| 21 March | North Pier protest | Fighting for the subsistence fisher folks whilst spear and boat were allowed. Meeting was arranged with the Point Developer [Ranatong – Malaysian] who said that he was not responsible for closing the North pier. |
| 27 April | Defiance campaign - occupation of Bay of Plenty Pier | Police intervene and forces them to leave. |
| 29 September | Bluff protest against police harassment | Forced the police to stop their harassment and fining of subsistence fisher folks. |
| **2012** |  |  |
| 21 October | Invasion of South Pier | Police and security guards force fishermen to leave. |
| **2013** |  |  |
| 19 May | Public Meeting Clairwood | Processed 3000 permit applications for Harbour fishing. |
| **2014** |  |  |
| 1 February | Protest to open Grunters Gully | Grunters Gully in Harbour is eventually opened for fishing. |
| **2015** |  |  |
| 17 October | Fishing competition North Beach | Security guards and police stop the event. |
| 7 November | Protest March to City Hall | Fishermen protest against monthly permits and prefer annual renewals, and the banning of fishing from beach and harbour piers. Memorandum handed to City official. |
| **2016** |  |  |
| 21 March | Public rally at Denis Hurley Centre | Public hearings on livelihoods documenting discrimination against subsistence fisher folks. |
| 27 April | March against Transnet | Transnet reneging on their commitment to open up the North Pier. |
| 17 May | Protest against Illegal fishing Trawlers | Chinese trawlers illegal fishing and raping SA's marine coastline. |

Source: Based on information from SDCEA, KZNSFF, Media Reports.

One of the earliest protests was a night vigil on 15 June 2007, the eve of the June 1976 Soweto Uprising. As the protests and resistance from the fisher folk increased, the authorities also escalated attempts to banish them from the restricted zones. On 23 September 2007, private security guards from the National Parks Authority warned fisher folk on the South Pier that they were ‘violating a court order’. The anglers complained to the police about the harassment from the security guards. When the police intervened, the mysterious ‘court order’ allegedly barring the anglers from the area could not be ***produced***, and they were allowed to continue fishing (Sanpath, 2007).

Those who engaged in protest action were subjected to being locked out, arrested, their fishing equipment and catchers being taken away by the port security, South African Police Service and Metro. This action by the security forces in Durban was supported on the instruction of the port authorities and the eThekwini Municipality. (KZNSFF, 2013)Hence, fisher folk expressed increased feelings of persecution, harassment, victimization and exclusion (Burger, 2015).

The protests helped to increase public awareness about the challenges facing the fisher folk. The South African Media press-clipping database revealed significant increase in media reports about the challenges facing subsistence fisher folk in Durban (Sabinet, 2017). Between 2000 and 2005 there were five articles about fisher folk in Durban. However, between 2006 and 2010 there were 26 reports, and between 2011 and 2016 there were 30 articles in regional and national newspapers. This increase in media reports coincided with the protest actions summarized in Table 2.

As SDCEA and the KZNSFF continued with their public campaigns to protect the livelihoods of subsistence fisher folk, they were invited to make a submission to the Portfolio Committee on ***Agriculture***, Forestry and Fisheries detailing the status of how the fishing sector was transforming in June 2011. This was an important breakthrough and a form of recognition from government that the KZNSFF was a stakeholder. Mr Ebrahim Yusuf represented the KZNSFF as a member of the national task team. In his submission to the Portfolio Committee on ***Agriculture***, Forestry and Fisheries, Mr Ebrahim Yusuf emphasized the following issues: foremost, apartheid discrimination against anglers, which continues in the democratic era; and second, the livelihoods of subsistence fishers were jeopardized in Durban's beaches and harbours because of access restrictions (Portfolio Committee, 2012: 13). In addition to protests, the fisher folk also used a legal route to appeal to the Ports Regulator (based on National Ports Act, Act Number 12 of 2005), whose many functions included ‘promotion of equity of access to ports facilities and services’ (Ports Regulator, 2017). The fisher folk appealed the Ports Regulator to be considered as active users of the port on which they depended for food and survival.

More specifically, they also drew attention to the following four rights which are guaranteed in South Africa's Constitution, these included: ‘rights to food and shelter’ (section 27), ‘right to freedom of movement’ (section 21), ‘the right to equality’ (section 9) and ‘right to life’ (section 11). In its submission to the Ports Regulator, the TNPA acknowledged that the ‘Bay provides a resource to subsistence and recreational fisher folk’ (Ports Regulator, 2012: 11). The Ports Regulator ruled that the fisher folk were port users but did not specify which area or zone. The TNPA interpreted the ruling as restricted access to South Pier, which could only be accessed with permits. KZNSFF facilitated permit applications but believed that the entire harbour was open. However, the North Pier area and its surroundings remained off-limits, because these areas were designated for tourism development which reiterates the semblances of power at play in this case. For instance, the areas off-limits to fisher folk were done so based on ***plans*** for ‘a world-class cruise ship terminal that would dovetail with ***planned*** development around the Durban Point Waterfront and tourist attractions such as uShaka Marine World’ (Dawood, 2015: 1). This point helps frame how the interplays of scale and place-centred impacts concerning Durban's economy, going forward, are based exclusively on leisure and tourism developments (and perhaps to also promote more formal employment in this sector of the economy). Fisher folk are an integral part of Durban's local beachfront economy, and this subsistence economy is engrained in the community of fisher folk who have played a role in the city's local economy, and who also carry on this long history of fishing along Durban's beachfront.

**Conclusion**

In Durban, under the guise of expanding the port entrance and preparing for the 2010 FIFA World Cup, piers in the harbour and beachfront (which were public spaces) were appropriated by stealth for the benefit of the urban elite and tourists. This paper analysed the struggles and contestations of subsistence fisher folk in Durban over access and rights to their livelihood spaces in the city (Mitchell, 2003), who were forced to move to dangerous zones, with deadly consequences. The fisher folk accused the Durban Municipality of excluding the poor whose presence on the beachfront was an embarrassment as the authorities pandered to the elite and focused on solely developing and growing the tourist market associated with mega-sport events. As Jenkins (2015: 356) has argued, ‘small-scale exchanges of cash for subsistence-caught fish conflict with a neoliberal emphasis on markets, profit maximization, and private property’. Following Harvey (2008), the subsistence fisher folk were subjected to dispossession and displacement, so that the local state and harbour authorities could promote accumulation.

Many were fishing in these spaces for decades, as this was their sole source of income, and territorial detachment was tantamount to livelihood destruction. Their geographical spatial specificity was vital for their survival. The fishing spots served as ‘collective expressions […] as well as depositories of personal memories’ for many anglers, as well as a form of ‘insurgent public space’ (Hou, 2010b: 2). Led by the SDCEA and KZNSFF, fisher folk tried to engage the authorities and resorted to public protests and operating by stealth on the beachfront in defiance.

While this contestation in Durban was challenging, it did provide possibilities. As Smith and Low (2006: 16) have argued, the neoliberal appropriation of public space is neither unassailable nor inexorable, ‘and however much public space is now under clampdown, it is not closed [or] spontaneous and organised political response always carries within it the capability of remaking and retaking public space and public sphere’. To conclude, as the fisher folk faced the threat of losing their livelihoods, for many their only source of survival, an inevitable conflict ensued between them and the authorities. The fisher folk were important stakeholders in any beachfront or harbour development. By engaging in ‘place-based’ activism, as well as resisting and challenging their displacement and loss of livelihoods, the fisher folk united as a community in an attempt to reclaim some of their lost space along Durban's beachfront.

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[***Kesko's financial statements release for the period 1 Jan. 2017 to 31 Dec. 2017: Kesko's net sales grew and profitability improved***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5RJC-WXB1-JD6G-P3KC-00000-00&context=1516831)

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**Section:** PÖRSSITIEDOTE

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**Body**

FINANCIAL PERFORMANCE IN BRIEF:

· The Group's net sales in January-December totalled (EURO)10,676 million ((EURO)10,180 million), an increase of 4.9%, or 1.8% in comparable terms

· Comparable operating profit was (EURO)296.7 million ((EURO)272.9 million)

· Operating profit was (EURO)324.6 million ((EURO)146.8 million)

· Comparable return on capital employed was 12.2% (11.9%)

· Comparable profit before tax was (EURO)300.1 million ((EURO)271.4 million)

· Comparable earnings per share were (EURO)2.28 ((EURO)2.01)

· The Board's proposal for dividend is (EURO)2.20 per share

· In comparable terms, the net sales for the next 12 months are expected to exceed the level of the previous 12 months. Due to divestments and restructuring, Kesko Group's net sales for the next 12 months are expected to fall below the level of the previous 12 months. The comparable operating profit for the next 12-month period is expected to exceed the level of the preceding 12 months. However, investments in store openings and redesigns, in the expansion of logistics operations, and in digital services will burden profitability during the period.

KEY PERFORMANCE INDICATORS

+-------------------------------+----------+----------+----------+----------+

| |1-12/2017 |1-12/2016 |10-12/2017|10-12/2016|

+-------------------------------+----------+----------+----------+----------+

|Net sales, (EURO) million | 10,676| 10,180| 2,618| 2,765|

+-------------------------------+----------+----------+----------+----------+

|Operating profit, comparable, (EURO)| 296.7| 272.9| 81.0| 63.3|

|  million | | | | |

+-------------------------------+----------+----------+----------+----------+

|Operating profit, (EURO) million | 324.6| 146.8| 56.9| -40.3|

+-------------------------------+----------+----------+----------+----------+

|Profit before tax, comparable, | 300.1| 271.4| 82.0| 60.2|

|(EURO)   million | | | | |

+-------------------------------+----------+----------+----------+----------+

|Profit before tax, (EURO) million | 327.6| 145.2| 57.6| -43.5|

+-------------------------------+----------+----------+----------+----------+

|Earnings per share, (EURO), diluted | 2.59| 0.99| 0.43| -0.40|

+-------------------------------+----------+----------+----------+----------+

|Earnings per share, comparable,| 2.28| 2.01| 0.65| 0.42|

|(EURO),   basic | | | | |

+-------------------------------+----------+----------+----------+----------+

|Cash flow from operating | 3.03| 1.71| 1.16| 1.09|

|activities   per share, (EURO) | | | | |

+-------------------------------+----------+----------+----------+----------+

|Capital expenditure, (EURO) million | 349.8| 743.1| 117.1| 105.4|

+-------------------------------+----------+----------+----------+----------+

|Return on capital employed,   | 12.2| 11.9| 12.2| 11.9|

|comparable, %, rolling 12 | | | | |

|months | | | | |

+-------------------------------+----------+----------+----------+----------+

|Return on equity, comparable, | 10.9| 9.8| 10.9| 9.8|

|%,   rolling 12 months | | | | |

+-------------------------------+----------+----------+----------+----------+

| |31.12.2017|31.12.2016| | |

+-------------------------------+----------+----------+----------+----------+

|Equity ratio, % | 50.4| 48.6| | |

+-------------------------------+----------+----------+----------+----------+

|Equity per share, (EURO) | 21.45| 20.44| | |

+-------------------------------+----------+----------+----------+----------+

PRESIDENT AND CEO MIKKO HELANDER:

In 2017, we continued on the path of profitable growth by focusing on our three core businesses: the grocery trade, the building and technical trade and the car trade. The integration of our 2016 acquisitions - Suomen Lähikauppa, Onninen and AutoCarrera - has proceeded well, while at the same time, we have divested several businesses in the speciality goods trade, in accordance with our strategy. Our net sales grew in all divisions and profitability improved compared to the year before.

In the grocery trade, 2017 was a year of strong and successful transformation, resulting in increased market share, sales and profitability. We implemented our strategy by redesigning all of our chains, with the objective of offering the most customer-oriented and inspiring food stores in Finland. The expansion of our store network and store redesigns proceeded according to ***plans***. Customer satisfaction and customer flows are growing in all K-food store chains. The successful integration of Suomen Lähikauppa has meant that synergy benefits have materialised sooner than anticipated. We are also particularly happy with the good performance of K-Citymarket and Kespro, and the strong openings of new stores.

In the building and technical trade, we have managed to improve profitability significantly in recent years. The positive trend continued also in 2017, and our comparable net sales and profit improved compared to the year before. Growth was particularly strong in the B2B trade, boosted by the good performance of Onninen and K-Rauta in Finland. Improving our profitability further and raising it to the level of the best European operators is one of our main goals for upcoming years, which is why we are changing our ways of operating at country level in an effort to be even more customer-oriented. At the same time, we are increasingly focusing on ensuring that we obtain synergy benefits.

In the car trade, our market share was strong and both sales and profit grew. The acquired Porsche business has been performing very well as part of Kesko. During the year, we focused heavily on the development of new services, such as the Caara business. Order books strengthened in the final quarter and rose 20% above the level of the previous year.

Towards the end of the year, we made some notable changes to the company's senior management. Jorma Rauhala, who had successfully been heading the grocery trade division, was appointed President of the building and technical trade division and deputy to the President and CEO. Ari Akseli, who was previously in charge of commerce in the grocery trade division, was appointed as President of the division. I am convinced that under their leadership we can further strengthen our profitable sales growth.

As a sign of our long-term commitment to corporate responsibility, in September 2017, Kesko was included in the Dow Jones Sustainability Indices, the DJSI World and the DJSI Europe. Furthermore, in January 2018, Kesko was ranked as the most sustainable trading sector company in the world on the Global 100 list.

Kesko's financial position is strong and it enables good dividend capacity and active business transformation. Increasing our sales by focusing on customer satisfaction and quality will continue to be at the core of our strategy also going forward. We will continue the customer-oriented transformation of K Group: the results for 2017 show that we are on the right path.

FINANCIAL PERFORMANCE

Net sales and profit for January-December 2017

The Group's net sales for January-December 2017 were (EURO)10,676 million, which is an increase of 4.9% on the corresponding period of the previous year ((EURO)10,180 million). Net sales development was affected by both the acquisitions made in 2016 as well as the divestments made in the first half of 2017. In comparable terms, net sales grew by 1.8% in local currencies, excluding the impact of acquisitions and divestments. The Group's net sales increased by 3.2% in Finland and by 1.9% in comparable terms. In other countries, net sales grew by 11.3%, or 1.2% in comparable terms. International operations accounted for 21.5% (20.3%) of the Group's net sales.

The 0.9% growth in the net sales for the grocery trade was affected by the acquisition of Suomen Lähikauppa on 12 April 2016 and the changes to Suomen Lähikauppa's store site network, as well as by the divestment of Russian business operations on 30 November 2016. In comparable terms, net sales increased by 2.4%. The comparable change has been calculated by including in the net sales those stores acquired from Suomen Lähikauppa which have been in the store network during both this reporting period as well as the comparison period.

In the building and technical trade, net sales grew by 9.4%. In comparable terms, net sales increased by 1.1% in local currencies. In the calculation of the comparable change, Onninen's net sales have been included for the period between 1 June and 31 December for both the reporting period and the comparison period, while the net sales for the K-maatalous ***agricultural*** business, divested on 1 June 2017, and the Asko and Sotka furniture trade, divested on 30 June 2017, have been excluded from both the reporting period and the comparison period. Net sales for the building and technical trade excluding the speciality goods trade increased by 23.4%, or 3.1% in comparable terms. Net sales for the speciality goods trade decreased by 33.8% due to divestments.

In the car trade, net sales grew by 7.1%, or 1.0% in comparable terms. In the calculation of the comparable change, AutoCarrera's net sales for December have been included in the net sales for both the reporting period and the comparison period.

During the financial year 2017, Kesko Group divested the K-maatalous ***agricultural*** business on 1 June 2017, and on 30 June 2017, the Asko and Sotka furniture trade, the Yamarin boat business and the Yamaha representation.

+-------------+----------+-------+-----------+-----------------+---------+

|1-12/2017  |Net sales,|Change,|Change, |Operating profit,|Change, (EURO)|

| |(EURO) million |%  |comparable,|comparable, (EURO) |million  |

| | | |%  |million  | |

+-------------+----------+-------+-----------+-----------------+---------+

|Grocery trade| 5,282| +0.9| +2.4| 203.4| +27.4|

+-------------+----------+-------+-----------+-----------------+---------+

|Building and | 3,823| +23.4| +3.1| 79.5| +7.0|

|technical | | | | | |

|trade, | | | | | |

|excl. | | | | | |

|speciality | | | | | |

|goods trade | | | | | |

+-------------+----------+-------+-----------+-----------------+---------+

|Speciality | 663| -33.8| -11.5| 16.2| -9.3|

|goods trade | | | | | |

+-------------+----------+-------+-----------+-----------------+---------+

|Building and | 4,486| +9.4| +1.1| 95.8| -2.2|

|technical | | | | | |

|trade, | | | | | |

|total   | | | | | |

+-------------+----------+-------+-----------+-----------------+---------+

|Car trade | 909| +7.1| +1.0| 33.1| +3.6|

+-------------+----------+-------+-----------+-----------------+---------+

|Common | -1| -68.5| -3.4| -35.6| -5.1|

|functions and| | | | | |

|eliminations | | | | | |

+-------------+----------+-------+-----------+-----------------+---------+

|Total | 10,676| +4.9| +1.8| 296.7| +23.8|

+-------------+----------+-------+-----------+-----------------+---------+

The Group's comparable operating profit for January-December was (EURO)296.7 million ((EURO)272.9 million). Profitability improved significantly in the grocery trade due to increased sales, successful chain redesigns, realised synergy benefits, and the divestment of the loss-making Russian business operations in 2016. In the building and technical trade excluding the speciality goods trade, operating profit increased in the building and home improvement trade in Finland and Norway and Onninen, while the operating result for Sweden and for Kesko Senukai decreased compared to the previous year. Operating profit for the speciality goods trade decreased due to divestments and the decrease in the operating profits of the leisure trade and the machinery trade. Profitability in the car trade improved thanks to growth in sales and the acquisition of AutoCarrera's Porsche business.

Operating profit totalled (EURO)324.6 million ((EURO)146.8 million). Items affecting comparability totalled (EURO)27.9 million ((EURO)-126.2 million). The most significant items affecting comparability were the (EURO)49.7 million gain on the divestment of properties in the Baltics, the (EURO)21.4 million expenses related to the conversion of the Suomen Lähikauppa chains and the transfer of the stores to retailers, the gain on the divestment of the K-maatalous ***agricultural*** business of (EURO)12.3 million, the gain on the divestment of the Asko and Sotka furniture trade amounting to (EURO)19.0 million, and the (EURO)14.5 million impairment of goodwill in the Russian building and home improvement business.

+----------------------------------------+---------+---------+

|Items affecting comparability, (EURO) million|1-12/2017|1-12/2016|

+----------------------------------------+---------+---------+

|Operating profit, comparable | 296.7| 272.9|

+----------------------------------------+---------+---------+

|Items affecting comparability | | |

+----------------------------------------+---------+---------+

|+gains on disposal | +83.4| +4.2|

+----------------------------------------+---------+---------+

|-losses on disposal | -1.8| -71.0|

+----------------------------------------+---------+---------+

|-impairment charges | -15.0| -30.0|

+----------------------------------------+---------+---------+

|+/-structural arrangements | -38.7| -29.4|

+----------------------------------------+---------+---------+

|Items affecting comparability,   total | +27.9| -126.2|

+----------------------------------------+---------+---------+

|Operating profit | 324.6| 146.8|

+----------------------------------------+---------+---------+

The Group's comparable profit before tax for January-December was (EURO)300.1 million ((EURO)271.4 million). The Group's profit before tax for January-December was (EURO)327.6 million ((EURO)145.2 million). The Group's earnings per share were (EURO)2.59 ((EURO)0.99). The comparable earnings per share were (EURO)2.28 ((EURO)2.01). The Group's equity per share was (EURO)21.45 ((EURO)20.44).

K Group's (Kesko and K-chain stores) retail and B2B sales (VAT 0%) for January-December amounted to (EURO)12,754 million, representing a growth of 1.5% compared to the previous year (pro forma). The K-Plussa customer loyalty ***programme*** added 73,146 new households between January and December 2017. At the end of December, there were 2.3 million K-Plussa households and 3.6 million K-Plussa cardholders.

Net sales and profit for October-December 2017

The Group's net sales for October-December 2017 were (EURO)2,618 million, which is 5.3% less than in the corresponding period of the previous year ((EURO)2,765 million). The decrease was related to the divestments made during the previous year and during the second quarter of 2017. In comparable terms, excluding acquisitions and divestments in local currencies, net sales growth totalled 2.6%. In Finland, the Group's net sales decreased by 5.9%, but grew by 2.3% in comparable terms. In other countries, net sales decreased by 3.0%, but grew by 3.7% in comparable terms. International operations accounted for 20.9% (20.4%) of the Group's net sales.

In the grocery trade, net sales decreased by 1.6%, affected by the transfer of Suomen Lähikauppa stores to retailers and store closures, as well as by the divestment of the Russian business operations on 30 November 2016. In comparable terms, net sales for the grocery trade grew by 4.5%. The comparable change has been calculated by including in the net sales those stores acquired from Suomen Lähikauppa which have been in the store network during both this reporting period as well as the comparison period.

In the building and technical trade, net sales decreased by 10.8%. In comparable terms, net sales increased by 2.2% in local currencies. The comparable change has been calculated excluding the impact of the K-maatalous ***agricultural*** business sold on 1 June 2017 and that of the Asko and Sotka furniture trade, sold on 30 June 2017. Net sales for the building and technical trade excluding the speciality goods trade increased by 2.5%, or 3.8% in comparable terms. Net sales for the speciality goods trade decreased by 64.2% due to divestments.

In the car trade, net sales decreased by 1.4%, or 5.3% in comparable terms. In the calculation of the comparable change, AutoCarrera's net sales for December have been included in the net sales for both the reporting period and the comparison period.

+-------------+----------+-------+-----------+-----------------+---------+

|10-12/2017  |Net sales,|Change,|Change, |Operating profit,|Change, (EURO)|

| |(EURO) million |%  |comparable,|comparable, (EURO) |million  |

| | | |%  |million  | |

+-------------+----------+-------+-----------+-----------------+---------+

|Grocery trade| 1,399| -1.6| +4.5| 67.0| +15.1|

+-------------+----------+-------+-----------+-----------------+---------+

|Building and | 921| +2.5| +3.8| 14.3| +1.8|

|technical | | | | | |

|trade, | | | | | |

|excl. | | | | | |

|speciality | | | | | |

|goods trade | | | | | |

+-------------+----------+-------+-----------+-----------------+---------+

|Speciality | 80| -64.2| -13.3| 0.3| -1.7|

|goods trade | | | | | |

+-------------+----------+-------+-----------+-----------------+---------+

|Building and | 1,000| -10.8| +2.2| 14.6| +0.1|

|technical | | | | | |

|trade, | | | | | |

|total   | | | | | |

+-------------+----------+-------+-----------+-----------------+---------+

|Car trade | 218| -1.4| -5.3| 6.7| -0.8|

+-------------+----------+-------+-----------+-----------------+---------+

|Common | 1| -13.0| -65.2| -7.4| +3.2|

|functions and| | | | | |

|eliminations | | | | | |

+-------------+----------+-------+-----------+-----------------+---------+

|Total | 2,618| -5.3| +2.6| 81.0| +17.6|

+-------------+----------+-------+-----------+-----------------+---------+

The Group's comparable operating profit for October-December was (EURO)81.0 million ((EURO)63.3 million). Profitability in the grocery trade improved significantly due to sales growth and realised synergy benefits. The divestment of the loss-making Russian business operations in 2016 also had a positive impact on the profit development. In the building and technical trade excluding speciality goods trade, operating profit increased in the building and home improvement trade in Finland and Onninen, while the operating result for Sweden and for Kesko Senukai weakened compared to the previous year. In the speciality goods trade, operating profit decreased on account of divestments. In the car trade, profitability was at a good level.

Operating profit totalled (EURO)56.9 million ((EURO)-40.3 million). Items affecting comparability totalled (EURO)-24.0 million ((EURO)-103.6 million). The most significant items affecting comparability were the goodwill impairment of (EURO)14.5 million in the Russian building and home improvement business and structural arrangements of (EURO)10.1 million.

+----------------------------------------+----------+----------+

|Items affecting comparability, (EURO) million|10-12/2017|10-12/2016|

+----------------------------------------+----------+----------+

|Operating profit, comparable | 81.0| 63.3|

+----------------------------------------+----------+----------+

|Items affecting comparability | | |

+----------------------------------------+----------+----------+

|+gains on disposal | +0.6| -0.8|

+----------------------------------------+----------+----------+

|-losses on disposal | -0.1| -70.6|

+----------------------------------------+----------+----------+

|-impairment charges | -14.5| -18.9|

+----------------------------------------+----------+----------+

|+/-structural arrangements | -10.1| -13.3|

+----------------------------------------+----------+----------+

|Items affecting comparability,   total | -24.0| -103.6|

+----------------------------------------+----------+----------+

|Operating profit | 56.9| -40.3|

+----------------------------------------+----------+----------+

The Group's comparable profit before tax was (EURO)82.0 million ((EURO)60.2 million). The Group's profit before tax for October-December was (EURO)57.6 million ((EURO)-43.5 million). The Group's earnings per share were (EURO)0.43 ((EURO)-0.40). The comparable earnings per share were (EURO)0.65 ((EURO)0.42).

K Group's (Kesko and K-chain stores) retail and B2B sales (VAT 0%) for October-December were (EURO)3,223 million, which is a growth of 1.4% compared to the previous year (pro forma).

Finance

Cash flow from operating activities for January-December was (EURO)301.7 million ((EURO)170.2 million). Cash flow was strengthened by improved profitability. Cash flow from investing activities amounted to (EURO)-88.3 million ((EURO)-501.1 million), which includes divestments of (EURO)199.6 million.

At the end of the period, liquid assets totalled (EURO)398 million ((EURO)391 million). Interest-bearing liabilities were (EURO)534 million ((EURO)515 million) and interest-bearing net debt was (EURO)136 million ((EURO)123 million) at the end of December. The equity ratio was 50.4% (48.6%) at the end of the period.

The Group's comparable net finance income for January-December was (EURO)1.8 million (net finance costs (EURO)1.0 million). The Group's net finance income for January-December was (EURO)1.5 million (net finance costs (EURO)1.0 million). The financial items include dividend income and interest income on cooperative capital of (EURO)4.5 million, of which (EURO)2.3 million is interest income on cooperative capital from Suomen Luotto-osuuskunta. Items affecting comparability totalled (EURO)-0.4 million.

The cash flow from operating activities for October-December was (EURO)115.8 million ((EURO)107.8 million). The cash flow from investing activities was (EURO)-99.2 million ((EURO)75.5 million).

The Group's comparable net finance costs for October-December were (EURO)0.5 million. The Group's net finance costs for October-December were (EURO)0.9 million ((EURO)4.3 million).

Taxes

The Group's taxes for January-December were (EURO)58.8 million ((EURO)31.4 million). The effective tax rate was 17.9% (21.6%). The Group's effective tax rate was lowered by tax-exempt gains on the sale of properties and subsidiaries. The Group's taxes for October-December totalled (EURO)12.9 million. Taxes for the comparison year were (EURO)6.4 million positive due to tax deductible losses on disposal. The effective tax rate was 22.4% (14.7%). The tax rate rose due to non-tax deductible costs affecting comparability.

Capital expenditure

In January-December, the Group's capital expenditure totalled (EURO)349.8 million ((EURO)743.1 million), or 3.3% (7.3%) of net sales. Capital expenditure in store sites was (EURO)255.7 million ((EURO)216.7 million), in IT (EURO)32.9 million ((EURO)29.3 million) and other capital expenditure was (EURO)61.2 million ((EURO)35.5 million). The comparison period includes acquisitions amounting to (EURO)461.6 million.

The Group's capital expenditure in October-December totalled (EURO)117.1 million ((EURO)105.4 million), or 4.5% (3.8%) of net sales. Capital expenditure in store sites was (EURO)86.2 million ((EURO)58.1 million), in IT (EURO)11.3 million ((EURO)9.5 million) and other capital expenditure was (EURO)19.6 million ((EURO)7.3 million). Capital expenditure includes real estate purchases of (EURO)46.5 million from Kesko Pension Fund, related to the decision made by the Pension Fund in December to return surplus assets to its shareholders. The surplus amount to be paid to Kesko Group companies is estimated at (EURO)58 million, and the Pension Fund is estimated to pay the return in March 2018 after having received approval from the Finnish Financial Supervisory Authority. Capital expenditure for the comparison period includes acquisitions amounting to (EURO)30.6 million.

Personnel

In January-December, the average number of personnel in Kesko Group was 22,077 (22,475) converted into full-time employees.

At the end of December 2017, the number of personnel was 24,983 (27,657), of whom 12,327 (14,845) worked in Finland and 12,656 (12,812) outside Finland.

SEGMENTS

Seasonal nature of operations

The Group's operating activities are affected by seasonal fluctuations. The net sales and the operating profits of the reportable segments are not earned evenly throughout the year. Instead, they vary by quarter depending on the characteristics of each segment. In terms of the level of operating profit, the second and third quarter are the strongest, whereas the impact of the first quarter on the full year profit is the smallest. The acquisitions of Suomen Lähikauppa and Onninen have increased the seasonal fluctuations between quarters. The operating profit levels of Onninen and Suomen Lähikauppa are lowest in the first quarter.

Grocery trade

+--------------------+---------+---------+----------+----------+

| |1-12/2017|1-12/2016|10-12/2017|10-12/2016|

+--------------------+---------+---------+----------+----------+

|Net sales, (EURO) million| 5,282| 5,236| 1,399| 1,422|

+--------------------+---------+---------+----------+----------+

|Operating profit, | 203.4| 175.9| 67.0| 51.9|

|comparable, (EURO)   | | | | |

|million   | | | | |

+--------------------+---------+---------+----------+----------+

|Operating margin, | 3.9| 3.4| 4.8| 3.7|

|comparable, % | | | | |

+--------------------+---------+---------+----------+----------+

|Capital expenditure,| 224.4| 238.1| 81.5| 49.7|

|(EURO) million | | | | |

+--------------------+---------+---------+----------+----------+

+--------------------------+---------+---------+----------+---------+

|Net sales, (EURO) million |1-12/2017|Change, %|10-12/2017|Change, %|

+--------------------------+---------+---------+----------+---------+

|Sales to K-food stores | 3,331| +5.4| 911| +10.4|

+--------------------------+---------+---------+----------+---------+

|K-Citymarket, non-food | 585| +2.1| 188| +4.4|

+--------------------------+---------+---------+----------+---------+

|K-Market, own retail trade| 479| -16.7| 71| -62.3|

+--------------------------+---------+---------+----------+---------+

|Kespro | 815| +4.1| 212| +7.6|

+--------------------------+---------+---------+----------+---------+

|Others | 72| -49.5| 18| -43.2|

+--------------------------+---------+---------+----------+---------+

|Total | 5,282| +0.9| 1,399| -1.6|

+--------------------------+---------+---------+----------+---------+

January-December 2017

Net sales for the grocery trade in January-December amounted to (EURO)5,282 million ((EURO)5,236 million), an increase of 0.9%. Net sales development was affected by the acquisition of Suomen Lähikauppa on 12 April 2016 and changes in its store site network, as well as the divestment of the Russian business operations on 30 November 2016. In comparable terms, net sales for the grocery trade grew by 2.4%. The comparable change has been calculated by including in the net sales those stores acquired from Suomen Lähikauppa which have been in the store network during both this reporting period as well as the comparison period, and by deducting the net sales of the divested business in Russia.

K Group's grocery sales grew by 2.4% (incl. VAT) if the impact of the acquisition of Suomen Lähikauppa is excluded. K Group's grocery trade sales pro forma growth was 0.5% (incl. VAT), which was affected by the Suomen Lähikauppa store site network being smaller than the previous year. In the Finnish grocery market, retail prices are estimated to have remained at the level of the previous year (incl. VAT, Kesko's own estimate based on the Consumer Price Index of Statistics Finland) and the total market (incl. VAT) is estimated to have increased by approximately 1.7% in January-December (Kesko's own estimate).

The acquisition of Suomen Lähikauppa was completed in April 2016 and the conversion of Siwa and Valintatalo stores into K-Markets began in May of that year. By the end of May 2017, all Siwa and Valintatalo stores that continued operating (at 409 store locations) had been converted into K-stores (408 K-Markets and 1 K-Supermarket). Of these, 243 stores had been transferred to retailers by the end of December. The transfer of the stores to retailers will be completed by the end of the first half of 2018.

The comparable operating profit for the grocery trade in January-December amounted to (EURO)203.4 million ((EURO)175.9 million), an increase of (EURO)27.4 million. Profitability improved significantly in the grocery trade due to sales growth, successful chain redesigns, realised synergy benefits, and the divestment of the loss-making Russian business operations in 2016. Kespro's sales grew and profitability improved. The effect of Suomen Lähikauppa on the comparable operating profit for January-December was (EURO)+4.0 million ((EURO)-3.2 million in April-December 2016). The loss of the Russian business operations divested in November 2016 was (EURO)17.1 million in the comparison period.

The grocery trade's operating profit was (EURO)181.3 million ((EURO)93.0 million). Items affecting comparability amounted to (EURO)-22.1 million ((EURO)-82.9 million), and they were mainly related to the restructuring of Suomen Lähikauppa, (EURO)-21.4 million. The most significant items affecting comparability in the comparison period were the (EURO)69.2 million loss on the disposal of the Russian grocery trade, and the (EURO)11.4 million costs related to the restructuring of Suomen Lähikauppa.

Capital expenditure for the grocery trade in January-December was (EURO)224.4 million ((EURO)238.1 million), of which (EURO)213.1 million ((EURO)159.6 million) was in store sites. The comparison period includes acquisitions amounting to (EURO)54.3 million.

October-December 2017

Net sales for the grocery trade in October-December amounted to (EURO)1,399 million ((EURO)1,422 million), a decrease of 1.6%. The development was affected by the transfer of the acquired Suomen Lähikauppa stores to retailers and store closures, as well as the divestment of the Russian business operations on 30 November 2016. In comparable terms, net sales for the grocery trade grew by 4.5%.

K Group's grocery trade sales grew by 3.1% (incl. VAT) if the acquisition of Suomen Lähikauppa is excluded. K Group's grocery trade sales pro forma growth was 1.1% (incl. VAT), impacted by the reductions in Suomen Lähikauppa's store site network compared to the year before. In the Finnish grocery market, retail prices are estimated to have changed by approximately +0.5% compared to the previous year. The total market (incl. VAT) is estimated to have grown by approximately 2.0% in October-December (Kesko's own estimate).

The comparable operating profit for the grocery trade in October-December amounted to (EURO)67.0 million ((EURO)51.9 million), an increase of (EURO)15.1 million. Profitability improved significantly due to sales growth, successful chain redesigns and realised synergy benefits. K-Citymarket in particular showed strong sales development with improved profitability. The divestment of the loss-making Russian business operations in 2016 also had a positive impact on the profit development. Kespro's sales grew and profitability improved. The effect of Suomen Lähikauppa on the comparable operating profit for October-December was (EURO)3.7 million ((EURO)-4.1 million), while the Russian business operations divested in November 2016 recorded a loss of (EURO)3.8 million in the comparison period.

Operating profit for the grocery trade totalled (EURO)65.4 million ((EURO)-26.1 million). Items affecting comparability totalled (EURO)-1.7 million ((EURO)-78.0 million). The most significant items affecting comparability in the comparison period were the (EURO)69.2 million loss on the disposal of the Russian grocery trade and the (EURO)6.1 million in costs related to the restructuring of Suomen Lähikauppa.

Capital expenditure for the grocery trade in October-December was (EURO)81.5 million ((EURO)49.7 million), of which (EURO)79.7 million ((EURO)44.0 million) was in store sites.

In October-December, the Easton K-Citymarket and shopping centre were opened in Helsinki. Seven K-Supermarkets and four new K-Markets were also opened. Redesigns and extensions were made in a total of 39 stores.

The most significant store sites under construction are K-Supermarkets in Tampere, Turku, three locations in Helsinki (Kalasatama, Laajasalo and Pasila), Lapua, Kerava and Kauniainen. In Oulu, one K-Market will be expanded and turned into a K-Supermarket.

In addition, an expansion to the grocery trade's central warehouse in Hakkila, Vantaa is under construction.

+-----------------------+----+----+

|Store numbers at 31.12.|2017|2016|

+-----------------------+----+----+

|K-Citymarket | 81| 80|

+-----------------------+----+----+

|K-Supermarket | 235| 228|

+-----------------------+----+----+

|K-Market\*\* | 813| 978|

+-----------------------+----+----+

|Neste K | 71| 70|

+-----------------------+----+----+

|Others\* | 85| 95|

+-----------------------+----+----+

\* Incl. online stores

\*\* The total number of Suomen Lähikauppa's stores was 400 (563)

In addition, several K-food stores offer e-commerce services to their customers.

Building and technical trade

+---------------------------+---------+---------+----------+----------+

| |1-12/2017|1-12/2016|10-12/2017|10-12/2016|

+---------------------------+---------+---------+----------+----------+

|Net sales, (EURO) million | 4,486| 4,100| 1,000| 1,121|

+---------------------------+---------+---------+----------+----------+

|Building and technical | 3,823| 3,099| 921| 899|

|tradeexcl. speciality goods| | | | |

|trade | | | | |

+---------------------------+---------+---------+----------+----------+

|Speciality goods trade | 663| 1,002| 80| 222|

+---------------------------+---------+---------+----------+----------+

|Operating profit, | 95.8| 97.9| 14.6| 14.4|

|comparable, (EURO) million | | | | |

+---------------------------+---------+---------+----------+----------+

|Building and technical | 79.5| 72.5| 14.3| 12.4|

|tradeexcl. speciality goods| | | | |

|trade | | | | |

+---------------------------+---------+---------+----------+----------+

|Speciality goods trade | 16.2| 25.5| 0.3| 2.0|

+---------------------------+---------+---------+----------+----------+

|Operating margin, | 2.1| 2.4| 1.5| 1.3|

|comparable, % | | | | |

+---------------------------+---------+---------+----------+----------+

|Building and technical | 2.1| 2.3| 1.5| 1.4|

|tradeexcl. speciality goods| | | | |

|trade | | | | |

+---------------------------+---------+---------+----------+----------+

|Speciality goods trade | 2.4| 2.5| 0.4| 0.9|

+---------------------------+---------+---------+----------+----------+

|Capital expenditure, (EURO) | 80.0| 451.7| 22.3| 23.7|

|million | | | | |

+---------------------------+---------+---------+----------+----------+

+-------------------------------+---------+---------+----------+---------+

|Net sales, (EURO) million |1-12/2017|Change, %|10-12/2017|Change, %|

+-------------------------------+---------+---------+----------+---------+

|Building and home improvement  | 870| +5.4| 188| +6.8|

|trade, Finland | | | | |

+-------------------------------+---------+---------+----------+---------+

|K-Rauta, Sweden | 200| -7.7| 41| -7.2|

+-------------------------------+---------+---------+----------+---------+

|Byggmakker, Norway | 397| -1.2| 84| -5.8|

+-------------------------------+---------+---------+----------+---------+

|K-Rauta, Russia | 184| +6.0| 44| -3.7|

+-------------------------------+---------+---------+----------+---------+

|Kesko Senukai, the Baltics | 510| +5.0| 137| +7.6|

+-------------------------------+---------+---------+----------+---------+

|OMA, Belarus | 120| +18.4| 29| +9.2|

+-------------------------------+---------+---------+----------+---------+

|Onninen | 1,571| +73.0| 407| +2.8|

+-------------------------------+---------+---------+----------+---------+

|Building and technical | 3,823| +23.4| 921| +2.5|

|tradeexcl. speciality goods | | | | |

|trade, total | | | | |

+-------------------------------+---------+---------+----------+---------+

|Machinery trade | 229| -16.3| 25| -39.8|

+-------------------------------+---------+---------+----------+---------+

|Leisure trade, Finland | 196| -0.2| 55| +8.1|

+-------------------------------+---------+---------+----------+---------+

|Others | 238| -55.2| 0| -100.0|

+-------------------------------+---------+---------+----------+---------+

|Speciality goods trade, total | 663| -33.8| 80| -64.2|

+-------------------------------+---------+---------+----------+---------+

|Total | 4,486| +9.4| 1,000| -10.8|

+-------------------------------+---------+---------+----------+---------+

January-December 2017

Net sales for the building and technical trade in January-December were (EURO)4,486 million ((EURO)4,100 million), up by 9.4%. In comparable terms, net sales increased by 1.1% in local currencies. In the calculation of the comparable change, Onninen's net sales have been included for the period between 1 June and 31 December for both the reporting period and the comparison period, while the net sales for the K-maatalous ***agricultural*** business, divested on 1 June 2017, and the Asko and Sotka furniture trade, divested on 30 June 2017, have been excluded from both the reporting period and the comparison period.

In Finland, net sales for the building and technical trade in January-December were (EURO)2,190 million ((EURO)2,142 million), up by 2.3%. In comparable terms, net sales in Finland increased by 1.0%. Net sales from foreign operations amounted to (EURO)2,296 million ((EURO)1,959 million) in January-December, an increase of 17.2%. Net sales from foreign operations were up by 1.2% in comparable terms. Foreign operations accounted for 51.2% (47.8%) of the net sales for the building and technical trade. Net sales for the building and technical trade excluding the speciality goods trade were (EURO)3,823 million ((EURO)3,099 million) in January-December, an increase of 23.4%. In comparable terms, net sales grew by 3.1%.

Net sales for the building and home improvement trade were (EURO)2,276 million ((EURO)2,196 million) in January-December, an increase of 3.7%. In local currencies, net sales grew by 2.9%. Net sales in local currency decreased in Norway by 0.8%, in Sweden by 6.1% and in Russia by 5.8%. In Sweden, the decrease in net sales was impacted by closures of K-Rauta stores due to the termination of lease agreements. In Belarus, net sales grew in local currency by 17.4%. Net sales for the building and home improvement trade grew in the B2B segment. Onninen's net sales for January-December amounted to (EURO)1,571 million ((EURO)908 million in June-December 2016). In comparable terms, Onninen's net sales grew by 4.5%.

The market share of K Group's building and technical trade is estimated to have strengthened in Finland. K Group's sales of building and home improvement products in Finland increased by 4.1% and the total market (VAT 0%) is estimated to have grown by about 1.1% (Kesko's own estimate).

Net sales for the speciality goods trade amounted to (EURO)663 million ((EURO)1,002 million) in January-December, a decrease of 33.8%. The decrease was affected by the divestments carried out. Net sales for the machinery trade in January-December amounted to (EURO)229 million ((EURO)274 million), a decrease of 16.3% from the previous year. Net sales for the machinery trade in Finland were (EURO)96 million, down by 33.5%. Net sales from foreign operations totalled (EURO)133 million, up by 3.0%. Net sales for the leisure trade in Finland were (EURO)196 million ((EURO)197 million), down by 0.2%. Net sales for the Asko and Sotka furniture trade, K-maatalous ***agricultural*** business, Yamarin boat business and Yamaha representation, all divested in June, totalled (EURO)279 million in the first half of the year ((EURO)595 million in January-December 2016).

The comparable operating profit for the building and technical trade in January-December totalled (EURO)95.8 million ((EURO)97.9 million), down by (EURO)2.2 million on the year before. The comparable operating profit for the building and technical trade excluding the speciality goods trade was (EURO)79.5 million ((EURO)72.5 million), an increase of (EURO)7.0 million. Profitability was boosted by Onninen's good profit performance. Onninen's comparable operating profit for January-December was (EURO)32.7 million ((EURO)18.2 million in June-December 2016). Profitability also improved in the building and home improvement trade in Finland and Norway. Profitability was weakened by losses in the Swedish operations and by Kesko Senukai's lower operating profit compared to the previous year, which was partly due to the renewal and expansion of the store site network in the Baltic countries and Belarus. The comparable operating profit for the speciality goods trade was (EURO)16.2 million ((EURO)25.5 million), down by (EURO)9.3 million. The comparable operating profit for the K-maatalous ***agricultural*** business and the Asko and Sotka furniture trade, all divested in June, was (EURO)6.8 million for the first half of the year ((EURO)15.0 million in January-December 2016).

Operating profit for the building and technical trade was (EURO)154.7 million ((EURO)60.8 million). Items affecting comparability totalled (EURO)58.9 million ((EURO)-37.2 million). The most significant items affecting comparability were the (EURO)49.7 million gain on the divestment of properties in the Baltics, the gain on the divestment of the K-maatalous ***agricultural*** business of (EURO)12.3 million, the gain on the divestment of the Asko and Sotka furniture trade amounting to (EURO)19.0 million, and the (EURO)14.5 million impairment of goodwill in the Russian building and home improvement business. The most significant items affecting comparability in 2016 were the (EURO)15.0 million in impairment charges related to the change of the functional currency of the Russian properties and the (EURO)5.8 million in asset transfer taxes related to acquisitions.

In January-December, capital expenditure for the building and technical trade totalled (EURO)80.0 million ((EURO)451.7 million), of which (EURO)41.4 million ((EURO)55.8 million) was in store sites. The comparison period included (EURO)380.1 million in acquisitions.

October-December 2017

Net sales for the building and technical trade in October-December were (EURO)1,000 million ((EURO)1,121 million), a decrease of 10.8%. In comparable terms, net sales grew by 2.2%. The comparable change has been calculated excluding the impact of the K-maatalous ***agricultural*** business sold on 1 June 2017 and that of the Asko and Sotka furniture trade, sold on 30 June 2017.

In Finland, net sales for the building and technical trade in October-December were (EURO)453 million ((EURO)579 million), a decrease of 21.8%. In comparable terms, net sales increased by 0.4% in Finland. Net sales from foreign operations amounted to (EURO)548 million ((EURO)542 million) in October-December, an increase of 1.0%. Net sales from foreign operations were up by 3.7% in comparable terms. A total of 54.7% (48.3%) of the net sales for the building and technical trade came from foreign operations.

Net sales for the building and technical trade excluding the speciality goods trade were (EURO)921 million ((EURO)899 million) in October-December, an increase of 2.5%. In comparable terms, net sales in local currencies, excluding acquisitions and divestments, increased by 3.8%. Net sales for the building and home improvement trade were (EURO)520 million ((EURO)506 million) in October-December, an increase of 2.9%. In comparable terms, net sales grew by 4.9%. In respective local currencies, net sales decreased in Sweden by 7.3% and in Russia by 2.8% and grew in Norway by 1.2% and in Belarus by 22.2%. In Sweden, the decrease in net sales was impacted by closures of

K-Rauta stores due to the termination of lease agreements. Onninen's net sales for October-December were (EURO)407 million ((EURO)396 million), an increase of 2.8%. In comparable terms, Onninen's net sales grew by 3.3%.

K Group's sales of building and home improvement products in Finland increased by 5.9% and the total market (VAT 0%) is estimated to have grown by approximately 2.7% (Kesko's own estimate).

Net sales for the speciality goods trade amounted to (EURO)80 million ((EURO)222 million) in October-December, a decrease of 64.2%. The decrease was affected by the divestments carried out. Net sales for the machinery trade in October-December amounted to (EURO)25 million ((EURO)41 million), a decrease of 39.8% from the previous year. Net sales for the machinery trade in Finland were (EURO)7 million ((EURO)25 million), down by 72.4%. Net sales for the machinery trade's foreign operations totalled (EURO)18 million ((EURO)16 million), up by 9.7%. Net sales for the leisure trade in Finland were (EURO)55 million ((EURO)51 million), an increase of 8.1%. Net sales for the Asko and Sotka furniture trade, K-maatalous ***agricultural*** business, Yamarin boat business and Yamaha representation, all divested in June, totalled (EURO)143 million in October-December 2016.

The comparable operating profit for the building and technical trade in October-December was (EURO)14.6 million ((EURO)14.4 million), up by (EURO)0.1 million compared to the previous year. The comparable operating profit for the building and technical trade excluding the speciality goods trade was (EURO)14.3 million ((EURO)12.4 million), an increase of (EURO)1.8 million. Profitability improved thanks to the increase in the operating profit for Onninen. Onninen's comparable operating profit for October-December was (EURO)10.6 million ((EURO)7.2 million). Profitability also improved in the building and home improvement trade in Finland. Profitability was weakened by losses in the Swedish operations and by Kesko Senukai's lower operating profit compared to the previous year, which was partly due to the renewal and expansion of the store site network in the Baltic countries and Belarus. The comparable operating profit for the speciality goods trade was (EURO)0.3 million ((EURO)2.0 million). The K-maatalous ***agricultural*** business and the Asko and Sotka furniture trade, divested in June, accounted for (EURO)3.4 million of the comparable operating profit for the comparison period.

Operating profit for the building and technical trade was (EURO)-1.7 million ((EURO)-11.7 million). Items affecting comparability amounted to (EURO)-16.3 million ((EURO)-26.1 million), with the most significant item being the goodwill impairment of (EURO)14.5 million in the Russian building and home improvement business.

Capital expenditure for the building and technical trade totalled (EURO)22.3 million ((EURO)23.7 million) in October-December, of which (EURO)6.3 million ((EURO)13.8 million) was in store sites.

In October-December, one Onninen Express was opened next to a K-Rauta in Loimaa, Finland. In addition, one K-Senukai store was opened in Latvia, one building and home improvement store in Belarus, one Intersport store in Kokkola and one The Athlete's Foot store in Turku.

The most important store sites under construction are a K-Rauta in Lapua, Finland, a K-Rauta and Onninen co-location in Karlstad, Sweden, two K-Senukai stores in Lithuania, and one building and home improvement store in Belarus. Onninen's most significant store sites under construction are five Onninen Express stores in Finland.

+-------------------------------------------+----+----+

|Store numbers at 31.12. |2017|2016|

+-------------------------------------------+----+----+

|Building and technical trade | | |

+-------------------------------------------+----+----+

|K-Rauta, Finland\* | 136| 139|

+-------------------------------------------+----+----+

|K-maatalous | -| 78|

+-------------------------------------------+----+----+

|K-Rauta, Sweden | 17| 20|

+-------------------------------------------+----+----+

|Byggmakker, Norway | 82| 80|

+-------------------------------------------+----+----+

|K-Rauta and K-Senukai, Estonia | 8| 8|

+-------------------------------------------+----+----+

|K-Senukai, Latvia | 9| 8|

+-------------------------------------------+----+----+

|K-Senukai, Lithuania | 22| 22|

+-------------------------------------------+----+----+

|K-Rauta, Russia | 14| 13|

+-------------------------------------------+----+----+

|OMA, Belarus | 17| 16|

+-------------------------------------------+----+----+

|Onninen | 146| 144|

+-------------------------------------------+----+----+

|Speciality goods trade | | |

+-------------------------------------------+----+----+

|Intersport, Finland\*\* | 56| 58|

+-------------------------------------------+----+----+

|Budget Sport\*\* | 11| 11|

+-------------------------------------------+----+----+

|The Athlete's Foot\*\* | 7| 3|

+-------------------------------------------+----+----+

|Kookenkä\*\* | 37| 38|

+-------------------------------------------+----+----+

|Asko and Sotka, Finland and the   Baltics\*\*| -| 100|

+-------------------------------------------+----+----+

\* The K-Rauta and Rautia stores were combined to form the K-Rauta chain, launched with a new brand image in Finland in March 2017

\*\* Including online stores

In addition, the building and home improvement stores offer e-commerce services to their customers.

One Onninen store in Finland and Onninen store in Sweden operate in the same store premises with K-Rauta.

Car trade

+--------------------+---------+---------+----------+----------+

| |1-12/2017|1-12/2016|10-12/2017|10-12/2016|

+--------------------+---------+---------+----------+----------+

|Net sales, (EURO) million| 909| 849| 218| 221|

+--------------------+---------+---------+----------+----------+

|Operating profit, | 33.1| 29.5| 6.7| 7.5|

|comparable, (EURO)   | | | | |

|million   | | | | |

+--------------------+---------+---------+----------+----------+

|Operating margin, | 3.6| 3.5| 3.1| 3.4|

|comparable, % | | | | |

+--------------------+---------+---------+----------+----------+

|Capital expenditure,| 17.4| 41.4| 3.3| 30.2|

|(EURO) million | | | | |

+--------------------+---------+---------+----------+----------+

+--------------------+---------+---------+----------+---------+

|Net sales, (EURO) million|1-12/2017|Change, %|10-12/2017|Change, %|

+--------------------+---------+---------+----------+---------+

|VV-Auto | 855| +1.2| 206| -4.9|

+--------------------+---------+---------+----------+---------+

|AutoCarrera | 55| -| 12| -|

+--------------------+---------+---------+----------+---------+

|Total | 909| +7.1| 218| -1.4|

+--------------------+---------+---------+----------+---------+

January-December 2017

Net sales for the car trade in January-December were (EURO)909 million ((EURO)849 million), an increase of 7.1%. The comparable net sales growth was +1.0%. In the calculation of the comparable change, AutoCarrera's net sales for December have been included in the net sales for both the reporting period and the comparison period. The combined market performance of first time registered passenger cars and vans in January-December was +1.0% (+10.2%). The combined market share for cars and vans imported by the car trade was 18.6% (18.9%) in January-December. Market share for the comparison period included first time registrations of Porsche for the whole of 2016.

In the car trade, profitability continued to improve thanks to good sales performance and the acquisition of AutoCarrera's Porsche business. The comparable operating profit for January-December amounted to (EURO)33.1 million ((EURO)29.5 million), an increase of (EURO)3.6 million. AutoCarrera's comparable operating profit was (EURO)3.0 million. Operating profit for the car trade in January-December was (EURO)33.1 million ((EURO)28.9 million).

Capital expenditure for the car trade in January-December totalled (EURO)17.4 million ((EURO)41.4 million). The comparison period includes (EURO)27.1 million of acquisitions.

October-December 2017

Net sales for the car trade in October-December were (EURO)218 million ((EURO)221 million), a decrease of 1.4%. In comparable terms, net sales declined by 5.3%. In the calculation of the comparable change, AutoCarrera's net sales for December have been included in the net sales for both the reporting period and the comparison period. The combined market share for cars and vans imported by the car trade was 18.5% (20.9%) in October-December. Market share for the comparison period includes first time registrations of Porsche for October-December 2016.

The comparable operating profit for the car trade in October-December amounted to (EURO)6.7 million ((EURO)7.5 million), a decrease of (EURO)0.8 million. AutoCarrera's comparable operating profit was (EURO)0.5 million. Operating profit for October-December was (EURO)6.7 million ((EURO)7.0 million).

Capital expenditure for the car trade in October-December totalled (EURO)3.3 million ((EURO)30.2 million).

+-----------------------+----+----+

|Store numbers at 31.12.|2017|2016|

+-----------------------+----+----+

|VV-Auto, retail trade | 13| 10|

+-----------------------+----+----+

|AutoCarrera | 3| 3|

+-----------------------+----+----+

Acquisitions, divestments and other changes in Group composition in 2017

Kesko has carried out several significant acquisitions and divestments in 2016 and 2017.

+------------+--------+----------+--------+-------------------+------------+

|Acquired |Net |Comparable|Net   |Comparable   |  Transactio|

|businesses |sales, |operating |sales, |operating profit, (EURO)|n price, |

| |  (EURO) |profit, (EURO) |  (EURO) |million |  (EURO) million |

| |million |million |million |  1-12/2016 | |

| |  1 |  1 |  1 | | |

| |-12/2017|-12/2017 |-12/2016| | |

| | | | | | |

| | | | | | |

+------------+--------+----------+--------+-------------------+------------+

|Suomen   | 644| 4| 580| -3| 54|

|Lähikauppa, | | | | | |

|4/2016 | | | | | |

+------------+--------+----------+--------+-------------------+------------+

|Onninen, | 1,571| 33| 908| 18| 364|

|6/2016 | | | | | |

+------------+--------+----------+--------+-------------------+------------+

|AutoCarrera,| 55| 3| 4| 0| 27|

|  12/2016 | | | | | |

+------------+--------+----------+--------+-------------------+------------+

|Total | 2,270| 40| 1,492| 15| 445|

+------------+--------+----------+--------+-------------------+------------+

+-------------+--------+-----------+--------+-------------------+------------+

|Divested |Net |Comparable |Net   |Comparable   |  Transactio|

|businesses |sales, |operating |sales, |operating profit, (EURO)|n price, |

| |  (EURO) |profit, |  (EURO) |million |  (EURO) million |

| |million |  (EURO) million|million |  1-12/2016 | |

| |  1 |  1-12/2017|  1 | | |

| |-12/2017| |-12/2016| | |

| | | | | | |

+-------------+--------+-----------+--------+-------------------+------------+

|K-ruoka | -| -| 105| -17| 178|

|Russia,   | | | | | |

|11/2016 | | | | | |

+-------------+--------+-----------+--------+-------------------+------------+

|K-maatalous, | 149| 4| 334| 5| 39|

|  6/2017 | | | | | |

+-------------+--------+-----------+--------+-------------------+------------+

|Indoor Group,| 89| 3| 187| 10| 67|

|6/2017 | | | | | |

+-------------+--------+-----------+--------+-------------------+------------+

|Yamaha and   | 41| -| 61| -| -|

|Yamarin | | | | | |

|6/2017 | | | | | |

+-------------+--------+-----------+--------+-------------------+------------+

|Total | 279| 7| 687| -2| 284|

+-------------+--------+-----------+--------+-------------------+------------+

Kesko Corporation sold its K-maatalous ***agricultural*** business to Swedish Lantmännen ek för. The debt free price of the sale, structured as a share transaction, was (EURO)38.5 million. (Press release 1 June 2017)

Kesko Corporation sold Indoor Group, which is responsible for the Asko and Sotka furniture trade, to a company owned by Sievi Capital Oyj, three franchising entrepreneurs from the Sotka chain and Etera Mutual Pension Insurance Company. The debt free price of the sale, structured as a share transaction, was (EURO)67 million. (Press releases on 20 June 2017 and 30 June 2017)

Konekesko Ltd, a Kesko Corporation subsidiary, sold its Yamarin boat business to Inhan Tehtaat Oy Ab, a subsidiary owned by Yamaha Motor Europe N.V. At the same time, the transfer of the representation of Yamaha's recreational machinery in Finland from Konekesko Ltd to Yamaha Motor Europe N.V. was also completed. (Press release 30 June 2017)

In March, Kesko and Oriola announced their intention to establish a new chain of health, beauty and wellbeing stores across Finland. Finland's Competition and Consumer Authority approved the establishment of the joint venture on 26 June 2017 and the establishment of the company was finalised at the end of June. Both parties own 50% of the new company. (Press release 30 June 2017)

Kesko sold seven store sites used by Kesko Senukai in Estonia and Latvia to the property investment company UAB Baltic Retail Properties. At the same time, Kesko acquired a 10% shareholding in the property investment company. (Press release 24 May 2017)

Kesko Food Ltd, K-citymarket Oy and Kespro Ltd, subsidiaries wholly-owned by Kesko Corporation, merged into Kesko Corporation on 28 February 2017.

Kesko Corporation's subsidiary Konekesko Ltd sold 45% of its Baltic subsidiaries' shares to Danish Agro a.m.b.a.'s group company DAVA Agravis Machinery Holding A/S. In the same context, an agreement was made on options to expand DAVA Agravis' ownership to include the whole share capital of the Baltic machinery trade companies and Danish Agro group's ownership to include Konekesko's ***agricultural*** machinery business in Finland. (Stock exchange release on 10 February 2017)

Shares, securities market and Board authorisations

At the end of December 2017, the total number of Kesko Corporation shares was 100,019,752, of which 31,737,007, or 31.7%, were A shares and 68,282,745, or 68.3%, were B shares. At 31 December 2017, Kesko Corporation held 563,137 own B shares as treasury shares. These treasury shares accounted for 0.82% of the number of B shares, 0.56% of the total number of shares, and 0.15% of votes attached to all shares of the Company. The total number of votes attached to all shares was 385,652,815. Each A share carries ten (10) votes and each B share one (1) vote. The Company cannot vote with own shares held by it as treasury shares and no dividend is paid on them. At the end of December 2017, Kesko Corporation's share capital was (EURO)197,282,584.

The price of a Kesko A share quoted on Nasdaq Helsinki was (EURO)43.85 at the end of 2016, and (EURO)44.10 at the end of December 2017, representing an increase of 0.6%. Correspondingly, the price of a B share was (EURO)47.48 at the end of 2016, and (EURO)45.25 at the end of December 2017, representing a decrease of 4.7%. Between January and December, the highest A share price was (EURO)45.99 and the lowest was (EURO)40.11. The highest B share price was (EURO)48.59 and the lowest was (EURO)41.51. In January-December, the Nasdaq Helsinki All-Share index (OMX Helsinki) was up by 6.4% and the weighted OMX Helsinki Cap index by 7.3%. The Retail Sector Index was down by 7.1%.

At the end of December 2017, the market capitalisation of the A shares was (EURO)1,399.6 million, while that of the B shares was (EURO)3,064.3 million, excluding the shares held by the parent company as treasury shares. The combined market capitalisation of the A and B shares was (EURO)4,463.9 million, a decrease of (EURO)134.4 million from the end of 2016.

In January-December 2017, a total of 1.3 million A shares were traded on Nasdaq Helsinki, a decrease of 27.0%. The exchange value of the A shares was (EURO)55.1 million. The number of B shares traded was 48.7 million, a decrease of 5.6%. The exchange value of the B shares was (EURO)2,168.7 million. Nasdaq Helsinki accounted for some 42% of the trading of Kesko's A and B shares in January-December 2017. Kesko shares were also traded on multilateral trading facilities, the most significant of which was the Cboe CXE (source: Fidessa).

The Board holds a valid authorisation to decide on the transfer of a maximum of 1,000,000 own B shares held by the Company as treasury shares (the 2016 share issue authorisation). On 1 February 2017, the Board decided to grant own B shares held by the Company as treasury shares to persons included in the target group of the 2016 performance period, based on this share issue authorisation and the fulfilment of the performance criteria of the 2016 performance period of Kesko's three-year share-based compensation ***plan***. This transfer of a total of 192,822 own B shares was announced in a stock exchange release on 15 March 2017. Based on the 2014-2016 share-based compensation ***plan*** decided by the Board, a total maximum of 600,000 own B shares held by the Company as treasury shares could be granted within a period of three years based on the fulfilment of the performance criteria. The Board decided on the performance criteria and the target group separately for each performance period. In January-December, a total of 9,850 shares granted based on the fulfilment of the performance criteria of the share-based compensation ***plan*** 2014-2016 were returned to the Company in accordance with the terms and conditions of the share-based compensation ***plan***. The returns during the reporting period were communicated in stock exchange releases on 12 May, 18 September and 28 December 2017. The share-based compensation ***plan*** 2014-2016 was announced in a stock exchange release on 4 February 2014.

On 1 February 2017, Kesko Corporation's Board of Directors made a decision to establish a new share-based long-term incentive scheme for Kesko's top management and key persons selected separately. The scheme consists of a performance share ***plan*** (PSP) as the main structure, and of a restricted share pool (RSP), which is a complementary share ***plan*** for special situations. Besides the PSP, the Board made a decision to establish a share-based bridge ***plan*** to cover the transitional phase during which Kesko transfers from a one-year performance period to a longer performance period in its long-term incentive scheme structure. If the performance criteria set for the PSP 2017-2020 ***plan*** are achieved in full, the maximum number of series B shares to be paid based on the ***plan*** is 340,000 shares. If all the performance criteria set for the Bridge ***Plan*** are achieved in full, the maximum number of series B shares to be paid based on the Bridge ***Plan*** is 340,000 shares. The total maximum amount of share awards payable under the RSP 2017-2019 is 20,000. The new share-based incentive scheme was announced in a stock exchange release on 2 February 2017.

Kesko's Board of Directors holds a valid authorisation decided by the Annual General Meeting held on 4 April 2016 to transfer of a total maximum of 1,000,000 own B shares held by the Company as treasury shares (the 2016 share issue authorisation). Based on the authorisation, own B shares held by the Company as treasury shares can be issued for subscription by shareholders in a directed issue in proportion to their existing holdings of the Company shares, regardless of whether they own A or B shares. Shares can also be issued in a directed issue, departing from the shareholder's pre-emptive right, for a weighty financial reason of the Company, such as using the shares to develop the Company's capital structure, to finance possible acquisitions, capital expenditure or other arrangements within the scope of the Company's business operations, and to implement the Company's commitment and incentive scheme. Own B shares held by the Company as treasury shares can be transferred either against or without payment. A share issue can only be without payment if the Company, taking into account the best interests of all of its shareholders, has a particularly weighty financial reason for it. The authorisation also includes the Board's authority to make decisions concerning any other matters related to the share issues. The amount possibly paid for the Company's own shares is recorded in the reserve of unrestricted equity. The authorisation is valid until 30 June 2020.

Kesko's Board of Directors also held a valid authorisation decided by the Annual General Meeting of 4 April 2016 to acquire a maximum of 1,000,000 own B shares of the Company (the 2016 authorisation to acquire own shares). B shares are acquired with the Company's distributable unrestricted equity, not in proportion to the shareholdings of shareholders, at the market price quoted in public trading organised by Nasdaq Helsinki Ltd ("the exchange") at the date of acquisition. The shares will be acquired and paid for in accordance with the rules of the exchange. The acquisition of own shares reduces the amount of the Company's distributable unrestricted equity. B shares are acquired for use in the development of the Company's capital structure, to finance possible acquisitions, capital expenditure and/or other arrangements within the scope of the Company's business operations, and to implement the Company's commitment and incentive scheme. The Board makes decisions concerning any other issues related to the acquisition of own B shares. The authorisation was valid until 30 September 2017.

In addition, Kesko's Board of Directors holds a share issue authorisation, decided by the Annual General Meeting of 13 April 2015, to issue a maximum of 20,000,000 new B shares (the 2015 share issue authorisation). The shares can be issued against payment to be subscribed by shareholders in a directed issue in proportion to their existing holdings of the Company shares regardless of whether they hold A or B shares, or, departing from the shareholder's pre-emptive right, in a directed issue, if there is a weighty financial reason for the Company, such as using the shares to develop the Company's capital structure and financing possible acquisitions, capital expenditure or other arrangements within the scope of the Company's business operations. The amount paid for the shares is recognised in the reserve of invested non-restricted equity. The authorisation also includes the Board's authority to decide on the share subscription price, the right to issue shares for non-cash consideration and the right to make decisions on other matters concerning share issues. The authorisation is valid until 30 June 2018.

At the end of December 2017, the number of shareholders was 42,322, which is 2,918 more than at the end of 2016. At the end of December, foreign ownership of all shares was 31.3%. Foreign ownership of B shares at the end of December was 44.7%.

Flagging notifications

According to a notification received by Kesko Corporation, the combined voting rights in respect of shares in Kesko held by K-Retailers' Association, its Branch Clubs and the Foundation for Vocational Training in the Retail Trade rose to 15% on 3 February 2017 and exceeded 15% on 6 February 2017. (Stock exchange release on 7 February 2017)

Key events during the reporting period

The court of arbitration dismissed Voimaosakeyhtiö SF's action against Kestra Kiinteistöpalvelut Oy concerning the further financing of the Fennovoima nuclear power plant project. (Stock exchange release on 10 January 2017)

Kesko Corporation's Board of Directors decided to establish a new share-based long-term incentive scheme for Kesko's top management and key persons selected separately. In addition, the Board of Directors decided to grant a total of 192,822 own B shares held by the Company as treasury shares, based on the fulfilment of the performance criteria of the 2016 performance period of Kesko's share-based compensation ***plan*** 2014-2016, to 130 Kesko management employees and other specified key persons. (Stock exchange release on 2 February 2017)

Kesko Corporation's subsidiary Konekesko Ltd sold 45% of its Baltic subsidiaries' shares to Danish Agro a.m.b.a.'s group company DAVA Agravis Machinery Holding A/S. In the same context, an agreement was made on options to expand DAVA Agravis' ownership to include the whole share capital of the Baltic machinery trade companies and Danish Agro group's ownership to include Konekesko's ***agricultural*** machinery business in Finland. (Stock exchange release on 10 February 2017)

Kesko Corporation and Oriola Corporation will build a completely new kind of store chain in Finland, specialising in overall wellbeing. The companies signed an agreement to establish a joint venture. Finland's Competition and Consumer Authority approved the establishment of the joint venture on 26 June 2017 and the establishment of the company was finalised. Each party owns 50% of the new company. The chain is called Hehku and the first stores were opened at the end of January 2018, alongside the launch of the hehku.fi online store. The objective for the first phase is to create a chain of 100 stores and the online store. The ***plan*** is, if legislation is amended, to expand the business to include the sales of pharmaceuticals. (Stock exchange release 13 March 2017, press release 30 June 2017, press release 15 November 2017, press release 24 January 2018)

The trading symbols of Kesko Corporation shares changed as of 15 March 2017. The new symbols are KESKOA (share series A) and KESKOB (share series B). (Stock exchange release on 13 March 2017)

Kesko Corporation sold its K-maatalous ***agricultural*** business to Swedish Lantmännen ek för. The debt free price of the sale, structured as a share transaction, was (EURO)38.5 million. Kesko Corporation recorded a profit of (EURO)12.2 million on the disposal. On 26 May 2017, the Finnish Competition and Consumer Authority (FCCA) announced that it approves the disposal, and it was completed on 1 June 2017. The approval was not subject to any conditions. (Stock exchange release on 11 April 2017, press release on 1 June 2017)

Kesko Corporation sold Indoor Group, which is responsible for the Asko and Sotka furniture trade, to a company owned by Sievi Capital Oyj, three franchising entrepreneurs from the Sotka chain and Etera Mutual Pension Insurance Company. The debt free price of the sale, structured as a share transaction, was (EURO)67 million, and the sale was completed on 30 June 2017. Kesko Corporation recorded a profit of (EURO)19.0 million on the divestment. (Press releases on 20 June 2017 and 30 June 2017)

Kesko was added to the Dow Jones Sustainability Indices, the DJSI World and the DJSI Europe. Kesko's scores rose especially in the areas of environmental responsibility and social responsibility. (Press release 13 September 2017)

Mika Majoinen, 53, Master of Laws, was appointed Kesko's Group General Counsel as of 1 January 2018. He also became a member of Kesko's Group Management Board. Kesko's previous Group General Counsel, EVP Anne Leppälä-Nilsson, retired on 31 December 2017, in accordance with her contract. (Stock exchange release on 21 September 2017)

K Group entered into cooperation with Alibaba to open a food online store in China. The aim of the cooperation between K Group and Alibaba is to export Finnish food brands to the growing market in China. At the same time, Kesko will learn from a global pioneer in e-commerce. (Press release 29 September 2017)

Lauri Peltola, EVP, Marketing and Corporate Affairs and member of Group Management Board, left Kesko Corporation. Lauri Peltola's membership in the Group Management Board ended on 31 October 2017. (Stock exchange release on 29 September 2017)

Karoliina Partanen, M.Soc.Sci., was appointed Senior Vice President, Communications and Identity, and Eeva Salmenpohja, M.Soc.Sci., was appointed Vice President, Public Affairs, under the President and CEO as of 1 November 2017. (Press release 24 October 2017)

Jorma Rauhala, 52, M.Sc. (Econ.), was appointed President of the building and technical trade division and deputy to Kesko's President and CEO Mikko Helander. Ari Akseli, 45, M.Sc. (Econ.), was appointed President of the grocery trade division and a member of the Group Management Board. Terho Kalliokoski, the previous President of the building and technical trade division and a member of the Group Management Board, left Kesko. The changes became effective on 15 November 2017. (Stock exchange release on 15 November 2017)

Resolutions of the 2017 Annual General Meeting and decisions of the Board's organisational meeting

Kesko Corporation's Annual General Meeting held on 3 April 2017 adopted the financial statements and the consolidated financial statements for 2016 and discharged the Board members and the Managing Director from liability. The General Meeting also resolved to distribute (EURO)2.00 per share as dividends, or a total of (EURO)198,932,930.00. The dividend pay date was 12 April 2017.

The General Meeting resolved to leave the number of Board members unchanged at seven. The Annual General Meeting held on 13 April 2015 elected seven (7) Board members for terms of office in accordance with the Articles of Association expiring at the close of the Annual General Meeting to be held in 2018. Those Board members are retailer Esa Kiiskinen, Master of Science in Economics Tomi Korpisaari, retailer, eMBA Toni Pokela, eMBA Mikael Aro, Master of Science in Economics Matti Kyytsönen, Master of Science in Economics Anu Nissinen and Master of Laws Kaarina Ståhlberg. Korpisaari and Ståhlberg resigned from the membership of the Company's Board of Directors as of 1 March 2016. The General Meeting held on 4 April 2016 replaced Korpisaari and Ståhlberg by retailer, trade technician Matti Naumanen and Managing Director, Master of Science in Economics Jannica Fagerholm until the close of the Annual General Meeting to be held in 2018.

The General Meeting elected the firm of auditors PricewaterhouseCoopers Oy as the Company's Auditor, with Mikko Nieminen, APA, as the Auditor with principal responsibility.

In addition, the General Meeting approved the Board's proposal for its authorisation to decide on donations in a total maximum of (EURO)300,000 for charitable or corresponding purposes until the Annual General Meeting to be held in 2018, and to decide on the donation recipients, purposes of use and other terms of the donations.

After the Annual General Meeting, Kesko Corporation's Board of Directors held an organisational meeting in which it elected M.Sc. (Econ.) Jannica Fagerholm as the Chair of the Audit Committee, eMBA Mikael Aro as its Deputy Chair, and M.Sc. (Econ.) Matti Kyytsönen as its member. Business College Graduate Esa Kiiskinen (Ch.), eMBA Mikael Aro (Dep. Ch.) and M.Sc. (Econ.) Anu Nissinen were elected to the Board's Remuneration Committee.

The resolutions of the Annual General Meeting and the decisions of the Board's organisational meeting were announced in more detail in stock exchange releases on 3 April 2017.

Sustainability

In January 2017, Kesko was ranked 25th on the Global 100 Most Sustainable Corporations in the World list and, at the same time, as the most sustainable trading sector company in the world. In January 2018, Kesko ranked 31st on the list and maintained its ranking as the most sustainable trading sector company in the world.

Kesko was the first Finnish company to set up science-based targets to reduce the emissions resulting from its facilities, transportation use and supply chains. To achieve these ambitious emission reduction targets, Kesko will increase its use of renewable energy while also improving its energy efficiency.

In 2008, K Group committed to the Energy Efficiency Agreement for the commerce sector and committed to improving its annual energy efficiency by 65 GWh by the end of 2016. As a result of determined actions, K Group has exceeded expectations and improved its energy efficiency by 67 GWh. In the new agreement for the period 2017-2025, K Group undertakes, by means of various energy saving measures, to reduce its energy consumption annually by 7.5% or approximately 79 GWh.

K Group is committed to the EU's aim to keep the annual consumption of plastic bags below 40 bags per inhabitant. Actions to achieve this target include charging a price for plastic bags and providing alternative shopping bags.

Since the beginning of 2017, all electricity purchased by Kesko in Finland has been renewable. The renewable electricity has a Guarantee of Origin and is ***produced*** with Finnish bioenergy.

The Pirkka ESSI circular economy bags were introduced in K-food stores' shopping bag selections in January 2017. ESSI bags are the first bags in Finland manufactured using plastic packaging recycled by households.

In September, Kesko was added to the Dow Jones Sustainability Indices the DJSI World and the DJSI Europe. Kesko's scores rose especially in the areas of environmental responsibility and social responsibility.

In August, K Group and the WWF began a multi-year collaboration to save Finland's endangered migratory fish populations. They will jointly map different parts of Finland to find obstacles in migratory fish spawning grounds, and in a spirit of cooperation with landowners, local K-retailers and volunteers, make the spawning grounds once again accessible for fish. During autumn 2017, nine such obstacles were removed from rivers and streams around Finland and 40 new spawning grounds were created for fish.

Kesko received the A- score in CDP's Climate questionnaire.

K-food stores collected nearly 450,000 euros for the Finnish Cancer Foundation's 2017 Pink Ribbon (Roosa nauha) campaign. The sum will go towards the development of more effective breast cancer treatments in Finland.

K Group participated in the Ham Trick (Kinkkutemppu) campaign, in which customers could donate excess fat from roasted Christmas hams to collection points at K-food stores, to be made into renewable diesel.

Risk management

Risk management in Kesko Group is guided by the risk management policy approved by Kesko's Board of Directors. The policy defines the goals and principles, organisation, responsibilities and practices of risk management in Kesko Group. In the management of financial risks, the Group's treasury policy, confirmed by Kesko's Board of Directors, is observed. The managements of the business operations and the common functions are responsible for the execution of risk management. Kesko Group applies a business-oriented and comprehensive approach to risk assessment and management. This means that key risks are systematically identified, assessed, managed, monitored and reported as part of business operations at the Group, division and function levels in all operating countries.

Kesko Group's risks are considered by the Kesko Board's Audit Committee in connection with the quarterly interim reports, the half year financial report and the financial statements. The Audit Committee Chair reports on risk management to the Board as part of the Audit Committee report. The most significant risks and uncertainties are reported to the market by the Board in the Report by the Board of Directors and any material changes in them in the interim reports and the half year financial report.

The following describes the risks and uncertainties assessed as significant.

Significant risks and uncertainties

Continued intense price competition in the Finnish grocery trade

Competition in the food trade has intensified in recent years and stores have lowered their prices in order to increase market shares. Continued intense price competition could weaken profitability for Kesko's grocery trade and retailers.

Integration and synergies in the building and technical trade

The integration of business operations and the creation of uniform operating models still involve risks that can make the achievement of the operational and financial objectives and targets set for the arrangement more difficult.

Business interruptions and information system failures

The trading sector is characterised by increasingly complicated and long supply chains and a higher dependency on information systems, data communications and external service providers. Disruptions can be caused by hardware failures, software errors or external cyber threats. Extended malfunctions in information systems, payment transfers, or in other parts of the supply chain, can cause significant losses in sales and weaken customer satisfaction.

Compliance with laws and agreements

Changes in legislation and authority regulations could necessitate significant changes and result in additional costs. Compliance with laws and agreements is an important part of Kesko's corporate responsibility. Non-compliance can result in fines, claims for damages and other financial losses, and a loss of confidence and reputation. The implementation of the new EU general data protection regulation will require changes in the procedures for personal data processing and in information systems. The changes will result in significant costs and require development resources to ensure compliance.

Data breach or critical information falling into the wrong hands

Crimes are increasingly committed through data networks and crime has become more international and professional. A failure, especially if it affects the security of payment transactions and personal information, can cause losses, claims for damages and reputational harm.

Product safety and supply chain sustainability

A failure in product safety control or in the quality assurance of the supply chain can result in financial losses, the loss of customer confidence and reputation or, in the worst case, a health hazard to customers.

Strong change in the trading sector caused by digitalisation

As retail undergoes a major transformation, the achievement of business objectives requires an active approach and strong expertise in the development of digital services and online stores that are attractive to customers, and the use of a multichannel approach with supporting customer communications. Challenges in developing online food stores include the cost efficiency of logistical operating models and the suitability of existing store sites for online sales of food.

Employee competencies and working capacity

The implementation of strategies and the achievement of objectives require competent and motivated personnel. There is a risk that the trading sector does not attract the most competent people. The acquisitions carried out as well as other significant business and development projects, coupled with an increased need for special competencies increase the key-person risk and the dependency on individual expertise.

Store sites and properties

With a view to business growth and profitability, good store sites are a key competitive factor. The acquisition of store sites can be delayed by town ***planning*** and permit procedures and the availability and pricing of sites. Considerable amounts of capital or lease liabilities are tied up in properties for years. When the market situation changes, the business is rearranged, the significance of e-commerce grows, or a chain concept proves inefficient there is a risk that a store site or a property becomes unprofitable and operations are discontinued while long-term liabilities remain.

Responsible operating practices and reputation management

Various aspects of corporate responsibility, such as ensuring responsibility in the purchasing chain of products, fair and equal treatment of employees, the prevention of corruption, and environmental protection, are increasingly important to customers. Any failures in corporate responsibility would result in negative publicity for Kesko and could cause operational and financial damages. Challenges in Kesko's corporate responsibility work include communicating responsibility principles to suppliers, retailers and customers, and ensuring responsibility in the supply chain of products.

Climate change

Climate change presents physical and regulatory risks and risks affecting reputational factors. Climate change will increase the risk of extreme weather phenomena, which may cause damage or business interruptions that cannot be prevented or covered with insurances. Droughts, desertification and rising sea levels may impact ***agricultural*** production and the availability of raw materials and products. Possible emission limitations and taxes may affect the energy markets.

Reporting to market

Kesko's objective is to ***produce*** and publish reliable and timely information. If any information published by Kesko proved to be incorrect, or communications failed to meet regulations in other respects, it could result in losing investor and other stakeholder confidence and in possible sanctions. Significant business arrangements, tight disclosure schedules and the dependency on information systems create challenges for the accuracy of financial information.

Risks of damage

Accidents, natural phenomena and epidemics can cause significant damages to people, property or business. In addition, risks of damage may cause business interruptions that cannot be prevented. There is also the risk that insurance policies do not cover all unexpected accidents and damages, or covering them with insurance is not profitable.

Outlook

Estimates for the outlook of Kesko Group's net sales and comparable operating profit are given for the 12-month period following the reporting period (1/2018-12/2018) in comparison with the 12 months preceding the end of the reporting period (1/2017-12/2017).

The general economic situation and the expected trend in consumer demand vary in Kesko's different operating countries. In Finland, the trading sector is expected to grow. In the Finnish grocery trade, intense competition is expected to continue, although, as purchasing power increases, the importance of quality will be emphasised more than previously. In the building and technical trade, growth in B2B sales is expected to continue stronger than the growth in consumer sales. The market is expected to grow in the Nordic and Baltic countries, but at a somewhat slower rate. The trend in the Russian market is expected to remain modest.

In comparable terms, the net sales for the next 12 months are expected to exceed the level of the previous 12 months. Due to divestments and restructuring, Kesko Group's net sales for the next 12 months are expected to fall below the level of the previous 12 months. That development results from the divestments of the K-maatalous ***agricultural*** business, the Asko and Sotka furniture trade, the Yamarin boat business and Kesko's Yamaha representation as well as store closures and the transfer of Suomen Lähikauppa stores to retailers.

The comparable operating profit for the next 12-month period is expected to exceed the level of the preceding 12 months. However, investments in store openings and redesigns, in the expansion of logistics operations, and in digital services will burden profitability during the period.

Proposal for profit distribution

The parent company's distributable profits are (EURO)1,309,954,752.95, of which the profit for the financial year is (EURO)495,055,157.31.

The Board of Directors proposes to the Annual General Meeting to be held on 11 April 2018 that a dividend of (EURO)2.20 per share be paid on shares held outside the Company at the date of dividend distribution. No dividend is paid on own shares held as treasury shares by the Company at the record date for the payment of dividend.

As at the date of the proposal for the distribution of profit, 31 January 2018, 99,456,615 shares were held outside the Company, and the corresponding total amount of dividends is (EURO)218,804,553.00.

Annual General Meeting

The Board of Directors has decided to convene the Annual General Meeting at Messukeskus in Helsinki on 11 April 2018 at 13.00 (EET). Kesko Corporation will publish a notice of the General Meeting at a later date.

Annual Report 2017 and Corporate Governance Statement

Kesko will publish the Annual Report for 2017 in week 10 on its website at [*www.kesko.fi*](http://www.kesko.fi). The report will contain a ***strategic*** review, Report by the Board of Directors and the financial statements for 2017, sustainability reporting indicators (GRI), Kesko's Corporate Governance Statement and Remuneration Statement.

Helsinki, 31 January 2018

Kesko Corporation

Board of Directors

The information in the financial statements release is unaudited.

Further information is available from Jukka Erlund, Executive Vice President, Chief Financial Officer, telephone +358 105 322 113, Kia Aejmelaeus, Vice President, Investor Relations, telephone +358 53 22533, and Eva Kaukinen, Vice President, Group Controller, telephone +358 105 322 338. A Finnish-language webcast of the results briefing can be viewed at 11.00 (EET) at   [*www.kesko.fi*](http://www.kesko.fi). An English-language audio conference on the results will be held today at 14.00 (EET). The audio conference login is available on Kesko's website at   [*www.kesko.fi*](http://www.kesko.fi).

Kesko Corporation's interim report for January-March 2018 will be published on 25 April 2018. In addition, Kesko Group's sales figures are published each month. News releases and other Company information are available on Kesko's website at   [*www.kesko.fi*](http://www.kesko.fi).

KESKO CORPORATION

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**Body**

Zagreb, 09 November 2017 (Hina) - SDP MPs bash PM over AgrokorZAGREB, Nov8(Hina) - Already at the start of Question Time in parliament on Wednesday, Social Democrats bashed Prime Minister Andrej Plenkovic over the heavily indebted Agrokor corporation, with SDPleader Davor Bernardic saying that the "1990s business started by cronies is now being finished by new cronies" and his party colleague Sinisa Hajdas Doncic asking Plenkovic if he was an illusionist or prime minister, to which Plenkovic said that they had turned into Agrokor founder Ivica Todoric's spokesmen.Bernardic asked Plenkovic who would be held responsible after Agrokor companies were sold for next to nothing, to which Plenkovic said that not even after seven months did the SDP seem to be familiar with some of the mainelements of the law on emergency administration in systemically important companies.Bernardic: Plenkovic wrote law for Todoric"Six months ago,Ivica Todoric activated Lex Agrokor, a law you made for him, and six months later he is in London, watching us. You have long avoided to say who wrote Lex Agrokor. Then your adviser Vladimir Seks did it on your behalf, saying that it was you who authored that ambitious and grandiose law, and explained how he helped you secure the parliamentary majority by twisting (former HNS party leader Ivan) Vrdoljak's arm," said Bernardic.Similar methods were probably employed to pressure (former SDP MP Tomislav) Saucha and "people who keep this parliamentary majority together", said Bernardic, adding that an amendment to Article 39 of the Law on Emergency Administration in Systemically Important Companies made it possible for a vulture fund to enter Agrokor's ownership structure.Plenkovic answered by saying that his government was responsible for and cared about social goals at large,"unlike those who approach the topic in a petty political way."Plenkovic: Bernardic has become Todoric's spokesman"You have said that the government passed the law for the sake of Ivica Todoric, I have difficulty understanding what you want to say considering what has been going on... That you have in the meantime become Mr Todoric's spokesman, promoting his claims and using harsh words like high treason, says a lot more about you and your party," Plenkovic replied to Bernardic."All that you have been saying is aimed at covering up the fact that you are not supported either bysmall suppliers, whose claims have been settled, or the business community or big and medium suppliers because a portion of their old claims havebeen settled as well," said Plenkovic.Bernardic: Lex Agrokor willserve purpose until cronies leave"The law will serve its purpose until the cronies leave.

You have burdened Agrokor with an additional debt of one billion euros and that is the gist of the matter," Bernardic said.He recalled that the monthly salary of the government-appointed emergency administrator for Agrokor, Ante Ramljak, amounted to three annual wages of workers receiving theminimum wage."You hastened to put together Lex Agrokor overnight without consultation with the Opposition because you knew what you were doing - murky business. The affair that was started by cronies in the 1990s is now being finished by new cronies," said Bernardic.SDP MP Sinisa Hajdas Doncic criticised Plenkovic over economic indicators and INA."Less than a year ago you pompously announced that Croatia would restore the full ownership of INA, then you said that you would do it through an initial public offering, by using shares of the HEP power supplier... Then you took a wrong turn and through state interventionism put Agrokor into a state of medically induced coma," said Hajdas Doncic, reminding Plenkovic of his promise that Croatia would do better in competitiveness rankings.Plenkovic: SDP promoting worst of theses to Croatia's detriment"During the term of this government, Croatia has exited the Excessive Deficit Procedureand that wasowing to the government's active and good macroeconomic and fiscal policy. The budget deficit will be even better than last year, public debt is decreasing twice as fast as in other countries... We are also trying not to lose sight of social solidarity. Last year we increased the minimum wage more than your government did in three years of its term," Plenkovic said.Speaking of INA, he said that the Environmental Protection and Energy Ministry had prepared a proposal to select consultants to help in the process of buying Hungarian oil company MOL's stake in INA or finding a ***strategic*** partner."As for your allusion about state interventionism in Agrokor... You used a similar term in your motion for a vote of no confidence in the government... and we will respond to it at tomorrow's session. The document... seems to promote the worst of theses that are very much to the detriment of Croatia's interests," Plenkovic told Hajdas Doncic, who said that he was not satisfied with his "lukewarm" answers.Plenkovic rejects opposition criticisms over handling of Agrokor crisisZAGREB, Nov 8 (Hina) - Prime Minister Andrej Plenkovic said on Wednesday that the government was conducting a responsible policy towards the heavily indebted Agrokor food and retail conglomerate, adding that opposition leaders were not up to the required level of political responsibility in present circumstances.Speaking to reporters after Question Time in Parliament, Plenkovic again dismissed the opposition claims that the law on the emergency administration of systemic companies was designed for Agrokor's founder Ivica Todoric. "I can't see the logic behind such statements," Plenkovic said, adding that opposition lawmakers "have lost the plot"."(SDP leader) Mr Bernardic seems a bit distracted to me in what he is saying, but that's his responsibility," Plenkovic said, adding that by adopting that law the government had prevented the collapse of the most important conglomerate in the country and all its affiliates and suppliers."The fact that the collapse never occurred leaves the impression in the public and among stakeholders that there was never any problem anyway and it wasn't so dramatic," he added.He recalled that at the time the emergency administration was appointed Agrokor had 6 kuna in its account and suppliers had stopped delivering their goods.Plenkovic said that the government's policy before and during the escalation of the Agrokor crisis was responsible and different from statements made by opposition leaders. "I firmly believe they are simply not up to the level of political responsibility required by the circumstances in which the country has found itself. Their statements and initiatives only contribute to the negative image of the country in the world."The PM said that the government would continue its agenda, confident that it would achieve good results in the restructuring of Agrokor and ultimately in achieving a settlement. "I expect a detailed discussion on this matter on Friday," he said.On Friday, Parliament is expected to vote on the opposition motion for no confidence in the government for its handling of the Agrokor crisis.Responding to questions from reporters, Plenkovic said that the Ministry of Regional Development and EU Funds would issue a statement after Minister Gabrijela Zalac was accused that she had intended to award a HRK 10 million project to an acquaintance of hers through a direct deal before the procedure was suspended.Asked to comment on the minister's behaviour in this case, Plenkovic said that Minister Zalac would explain what that was about.Media say that theState Commission for Supervision of Public Procurement Procedures has upheld an appeal by the King ICT company and quashed the decision by Minister Zalac to award, without opening a public procurement tender, a HRK 10 million project to the Razvojna Platforma and Micro Projekt, whose executive and management board memberMladen Simunac has been an acquaintance of Zalac for years."As far as I know, if theState Commission for Supervision of Public Procurement Procedures made the decision, it means that no reimbursements were made. Sometimes procedures are conducted based on an open call and sometimes directly through negotiations, depending on what is offered. We should see the details, and I believe the minister and the ministry will provide an explanation of what this is about," Plenkovic said.Zalac dismissed the media reports, saying that negotiations in this casewere carried out "strictly in accordance with the public procurement law after a market analysis found that this was the best solution," Zalac told a press conference.Petrov asks PM if gov't will protect Sisak Refinery unionist SekulicZAGREB, Nov8(Hina) - Bridge Party leader Bozo Petrov asked Prime Minister Andrej Plenkovic during Question Time in Parliament on Wednesday if the government would protect unionistPredrag Sekulic who was fired from the Sisak Refinery, and Plenkovic responded that the relevant minister would examine all the facts of this case."The Croatian public should be aware of your position and the position of other government representatives, as well as of members of the INA Management Board about the Sisak Refinery and whether it is the same as that of the Hungarian members of the Management Board and the Hungarian government. Today, the championof the strugglefor the survival of the Sisak Refinery, unionist Predrag Sekulic, is being fired for his union activities and efforts to have the Refinery continue its work. What do you ***plan*** to do to protect this man?" Petrov asked Plenkovic.Plenkovic responded that the government's position on the Sisak Refinery has not changed since the time that Bridge was part of the ruling majority. "We want the Sisak Refinery to work and ***produce*** for as long as possible," Plenkovic said, adding that Environment and Energy Minister Tomislav Coric would look into the case in detail.Lawmaker asks about ratification of Istanbul ConventionAnka Mrak Taritas of the Glas party wanted to know about the government's ***plan*** for the ratificationof the Istanbul Convention."Will the bill ratifying the Istanbul Convention be sent to parliament by the end of the year, as previously announced," Mrak Taritas wondered.Plenkovic said the Istanbul Convention was aimed at preventing and fighting violence against women and domestic violence.Criticising the left parties' ostensible concerns for the ratification, the PMstressed that the Convention was signed when Mrak Taritas was in the SDP-led government, adding that that government had plenty of time to ratify the Convention, but it did not."We are all on the same side," Plenkovic said. "We want to step up the frameworkof mechanisms in Croatia, including international legal instruments which will enable the ratification."PM says supplying gas to Brod refinery should resolve air pollution problemZAGREB, Nov8 (Hina) - The protocol regulating cooperation in supplying the Bosanski Brod Refinery with natural gas, signed by the Croatian Environment Protection and Energy Ministry and the Republika Srpska Energy and Mining Ministry, is an important step in efforts tosolvethe air pollution problem in Slavonski Brod, Prime Minister Andrej Plenkovic and Environment and Energy Minister Tomislav Coric said in Parliament on Wednesday."I believe that the very purpose of the agreement is positive, the Bosanski Brod Refinery has been polluting the environment for many years and the idea of supplying gas should resolve this problem," Plenkovic told MP Zlatko Hasenbegovic of the Independents for Croatia party who welcomed all efforts aimed at solving the air pollution problem. He, however, warned that by signing the said protocol, Croatia has become the first country to sign an international contract with the Bosnian Serb entity of Republika Srpska.Plenkovic explained this was not a typical international agreement, but a protocol which can be described an an international act.On 31 October,Croatia and the Bosnian Serb entity of Republika Srpska (RS) signed theprotocol to convert the oil refinery at Bosanski Brod to one powered by natural gas. The documentwas signed with the aim of dealing with the problem of cross-border air pollution affecting Slavonski Brod, a Croatian town on the other bank of the Sava River.The Chairman of Bosnia and Herzegovina's Council of Ministers, Denis Zvizdic, said that the protocolbetween Croatia and the Bosnian Serb entityon natural gas supply to the Bosanski Brod oil refinery was "an unpleasant surprise" which bypassedthe State of Bosnia and Herzegovina.EconMin: Uljanik shipyard warned to reduce debt to suppliersZAGREB, Nov 8 (Hina) - Economy Minister Martina Dalic said in Parliament on Wednesday that the Pula-based Uljanik shipyard had been warned to reduce its debt towards suppliers, and that budgetary supervision had been requested for Rijeka's 3. Maj shipyard.Ines Strenja-Linic of the opposition Bridge party asked Dalic during Question Time about the financial difficulties faced by the two shipyards.Strenja-Linic said that the Uljanik Group, which has received government guarantees for loans worth $900 million, was currently in trouble. The guarantees were issued so that the Uljanik Group, which had taken over 3. Maj, would complete existing orders, including more than 20 ships worth more than $1 billion which are due to be delivered by the end of next year."Although there are a number of objective reasons why this ambitious ***plan*** hit difficulties, there are grounds for suspicion that the Uljanik Group's business was based on similar patterns to those in the Agrokor case. This is indicated by an unusual situation that as early as the first half of this year the debt of 3. Maj to suppliers and subcontractors was more than 150 million kuna," Strenja-Linic said.Instead of repaying its debts, the 3. Maj shipyard lent HRK 523 million to affiliated companies within the Uljanik Group, threatening nearly 10,000 jobs in the two shipyards and subcontractor companies, she added."My question is: what are your going to do to save jobs and exposed subcontractor companies and to enable further production and survival of the Croatian shipbuilding sector," the Bridge MP asked.Dalic said that the 3. Maj, Brodosplit and Brodotrogir shipyards had been undergoing restructuring since 2012, adding that during EU accession negotiations it had been agreed that the Croatian shipyards, which at the time were experiencingextreme business difficulties and were dependent on state guarantees, would be privatised."In accordance with that, the 3. Maj shipyard was privatised and taken over by Uljanik to undergo restructuring. The Uljanik shipyard is privately-owned and is the only shipyard that was not included in the restructuring process because its business results were such that it did not need to undergo restructuring. Uljanik was the only domestic shipyard that brought new value, in this case to 3. Maj," Dalic said.She said that these shipyards had received subsidies in previous years to carry out restructuring. Subsidies were not paid to Uljanik because it was not in financial trouble, and Uljanik was issued guarantees based on general rules applicable throughout the EU, in an 80-20 ratio, because the guarantees were agreed under market conditions and were not entirely state guarantees, she added.Following the 2016 audit, the Economy Ministry requested budgetary supervision for the 3. Maj shipyard to determine money flows and how state subsidies had been used. "The results of the budgetary supervision, however, are still not final," Dalic said."The Economy Ministry has noticed in Uljanik's balance sheets and financial statements that debts to suppliers are growing to some extent. This ministry does not have direct authority over the Uljanik shipyard. I repeat, it is a privately-owned shipyard and it has been warned to reduce its debt to suppliers," Dalic said.Minister says pensions stable, payment not at riskZAGREB, Nov8(Hina) - Labour and Pension System Minister Marko Pavic said during Question Time in Parliament on Wednesday that Croatian pensions were stable and their payment was not at risk, announcing that by the end of its term, the government ***planned*** to adopt a national pension law."Pensions are stable and their payment is not at risk, and claiming otherwise is irresponsible towards citizens and the public," Pavic said in Parliament answering Kazimir Varda of the SMSH party who asked what the government ***planned*** to do to improve the position of senior citizens and pensioners.Pavic stressed that there was more than HRK 88 billion in pension funds, 71% of which was in state bonds, 15% in foreign bonds and "only" 17% in stocks."The system's sustainability is not at risk and we are working towards increasing pension allowances," Pavic told MP Varda, saying that the status of pensioners and senior citizens was a priority for his ministry.Minister says curriculum reform getting into full swingZAGREB, Nov8(Hina) - Science and Education Minister Blazenka Divjaksaid on Wednesday that work on the curriculum reform was getting into full swing, underlining that expert task forces had gone through remarks to 44 out of 51 curriculum reform documents."The curriculum reform is getting into full swing given that expert task forces have gone through remarks to 44 out of 51 documents. Those documents are now also being translated into English and will be submitted for an international evaluation. For subjects such as Croatian and history, along with an international evaluation, we will also use evaluations by the Croatian Academy of Sciences and Arts and I hope that by the end of this year we will have all evaluations and have those curriculum documents finalised. That'sreally good news," Divjak told reporters as government ministers were answering questions from MPs.She reiterated, answering a reporter's question, that the appointment of the Special Expert Commission (PSP) in charge of implementing the Education, Science and Technology Strategy was within the remit of Prime Minister Andrej Plenkovic and that he would appoint that body soon."What I andthe Croatian People's Party (HNS) advocateis that the Special Expert Commission should consistof the leading people of the institutions and bodies that are mentioned in the Strategy as important stakeholders in its implementation," she said.Speaking of the task force coordinating the implementation of the curriculum reform, she said that it would be appointed by the PSP.Divjak said that all 51 working groups were doing their job and preparing curriculum documents and that her ministry would geteverything ready for apilot project to introduce thecurriculum reform in 3-5% of schools in 2018."We are very active and are carrying out preparations in order to train teachers for next year, introduce computing as a compulsory subject for 5th and 6th graders and the vertical curriculum reform pilot project," said Divjak.She said that ten excellence centres had been launched in the field of research, an investment worth HRK 360 million, and that as a result 101 young researchers would find employment in those centres.The minister also spoke about a four-year project for teaching assistants, worth half a billion kuna, as well as about amendments to the Vocational Training Act whichwere being considered by the governmentand which, she said, would make it possible to withdraw EU funds for competence centres.Intwo EU funds, HRK 800 million is available for that purpose and the government wants each county to have at least one such centre, Divjak said.PM dismisses criticism that gov't is not taking position on Ustasha regimeZAGREB, Nov8(Hina) - PrimeMinister Andrej Plenkovic reiterated during Question Time in Parliament on Wednesday that the government wantedto deal integrally with the issue of punishmentfor the propagandising of totalitarian regimes, resolutely dismissing criticism that the government was not taking a stance on crimes committed by the WWII Ustasha regime."Here too, I will condemn the Ustasha regime and all the negative consequences it had for Croatia andits numerous victims," Plenkovic told Boris Miletic of the Istrian Democratic Party (IDS) who criticised the government for refusing to follow the example of the democratic world which clearly stated that "nationalism andfascism, and consequently the Ustasha ideology", were the greatest evils of the 20th century."Why has the government decided to tolerate fascist and Ustasha values in the Croatiansociety?" Miletic wondered, recalling that the IDS has proposed amendments to the Penal Code envisaging strict penalties for the promotion of the Nazi, fascist and Ustasha regimes."We offered you the possibility to position yourselves as a modern, pro-European government and do what other European countries have already done. Instead, you have set a precedent and sent a message that you will tolerate values that were tolerated by the Ustasha regime," Miletic said, adding that condemning the Ustasha ideology was nota political, but a civilisational issue.Plenkovic said he appreciated the IDS proposal, but stressed that he expected the Council for dealing withthe consequences of undemocratic regimes to make a comparative analysis and give recommendations that would possibly improve the existing legal framework, notably the relevant articles of the Penal Code.We will have your suggestions in mind, but we want to resolve this issue in an integral fashion, the prime minister said.During this government's term in office, thatissue will be solved, Plenkovic told Boris Milosevic of the Independent Democratic Serb party (SDSS), who wanted to know when the government ***planned*** to finish the reconstruction of a low-voltage grid in some 80 villages without electricity, populated by Serb returnees.Croatia should show it wants stronger cooperation with EU, PM saysZAGREB, Nov8(Hina) - With its aspiration to join the Schengen Area as soon as possible, to join the euro area and to actively participate in European cooperation initiatives, Croatia must use the current circumstances in the European Union to show where it wants to belong, Prime Minister Andrej Plenkovic said in parliament on Wednesday.He informed MPs and the public aboutEuropean Council meetings held in Tallinn on September 29 and Brussels on October 19 and 20.He said the leaders of the member states stated in Tallinn that the migration pressure on Europe had decreased considerably, notably on the eastern Mediterranean route, but also in the central Mediterranean thanks to stronger European activity towards Libya, the main migrant route.Plenkovic said it was crucial that all Council members agreed that it was necessary to intensify cooperation with African countries to help them establish national mechanisms for preventing illegal migration. The Croatian government decided to pay EUR 200,000 into the EU fund for Africa, he added.The Council meetings also discussed the additional strengthening of the EU's external borders and adoption ofadditional measures within the Schengen acquis. Plenkovic said that for Croatia, as a country preparing to enter the Schengen Area, it was important that it had consumed 97% of the funds intended for that. He said additional effort would be made in 2018 so that Croatia could meet all the technical requirementsby 2019 and be ready for the Council's political decision on its Schengen entry.Speaking of migration, Plenkovic said 78 persons were relocated to Croatia, 60 from Greece and 18 from Italy, and that the government decided on October 5 to receiveanother 100 persons currently in Turkey in 2018.The European Council also discussed security and defence matters. Plenkovic said Croatia made progress in preparing constant structured cooperation in defence and that on Thursday the government would adopt documents so that Croatia was one of 21 member states which wanted stronger defence cooperation, which would enable the EU "to better jointly deal with security threats." He said this was important also in the context of Croatia'sNational Security Strategy adopted before the summer and for Croatia's defence industry.Plenkovic said the most interesting and most innovative part of theEuropean Council meetings was President Donald Tusk's Leaders' Agenda, a road map of activities for European leaders from October to mid-2019, when European elections are due. He said the agenda's intention was forthe Council to focus on practical solutions for EU citizens' real problems.Plenkovic said recent political trends in Europe, such as European Commission President Jean-Claude Juncker's address on the state of the EU, French President Emmanuel Macron's address on the EU's future, Brexit and the German election results, showed that in the years ahead Europe "will be in a tight spot between French enthusiasm and German realism." It is important "not to fall into the trap", he added.He went on to say that big European countries were focused on internal matters and thatit was important how small and medium countries would assert themselves. "That's why I firmly believe that such a circumstance is important for Croatia to show where it wants to be," he said, adding that Croatia's insisting on the Schengen Area and a discussion on a strategy for introducing the euro were very important in that respect."We need two big and broad frameworks which will give us a goal and an ambition for the future," Plenkovic said, adding that Croatia showed that itbelongedto the EU also in initiatives such as the common defence policy and the aspiration to establish aEuropean prosecutor's office.He said European institutions had recognised Croatia's work on that front, as evidenced by the fact that it was invited to attend an upcoming euro area summit for the first time.Plenkovic: Parliamentary debate hit rock bottomZAGREB, Nov 9 (Hina) - Prime Minister Andrej Plenkovic, speaking on Wednesday evening after reporting to parliament on European Council meetings, said that this was the lowest level of debate that could be found in any parliament in any country."This was rock bottom," Plenkovic said in his closing statement after the discussion, adding that speeches by some MPs had nothing to do with the topic "and most frequently with the common sense either".He said that despite the five hours of "fruitless and incoherent discussion" he would do all he could to sensitise the Croatian public to European topics.During the discussion, Miro Bulj (Bridge) said that Plenkovic should protect the dignity of the Croatian Parliament and not let European Commission President Jean Claude Juncker "pinch him on the bottom". Plenkovic reiterated that this was Juncker's style and that the Commission president did not pinch him but gave him a tug on his jacket.Speaker Gordan Jandrokovic responded by saying that such remarks were in poor taste, while Plenkovic said that Juncker was a likeable person, a living institution of the European Union and that no one regarded his behaviour so dramatically."Juncker pinched our prime minister on the bottom. We all saw it," Ivan Pernar (Human Shield) insisted, accusing Plenkovic of currying favour with "Brussels bureaucrats".Pernar criticised the prime minister for his government's ***plan*** to adopt the euro although most of the citizens did not agree with that. He said that the adoption of the euro would cause price hikes and a fall in living standards, just as it had in all the countries that adopted the common currency.Gordan Maras of the strongest opposition Social Democratic Party (SDP) agreed with Pernar that this was not a good time to adopt the euro. "Croatia did not join the EU just to become a member, but to become stronger and to take advantage of EU membership. The worst thing is to join an organisation just for the sake of being a member or to join the euro area just to have the euro," he said.Maras said he would like to see Croatia advocating clearer and stronger positions in the EU and to see concrete benefits of European Council meetings.Tomislav Panenic (Bridge) criticised the government for not having a position on the posting of workers directive, saying that the government was not interested in workers while they were emigrating on a mass scale.Zeljko Reiner of the ruling Croatian Democratic Union (HDZ) responded by saying: "Abstaining from a vote does not mean not being interested."During the debate, parliamentary groups mostly supported stronger defence cooperation among the EU member states that would enable them to better confront security threats. They also pointed out the need to come to grips with the challenges of digitisation.Croatian lawmakers praised intensifying cooperation between the EU and African countries and the launch of the Fund for Africa to help African countries set up national mechanisms to prevent illegal migrations.PM takes responsibility for putting incomplete family bill to public consultationZAGREB, Nov 9 (Hina) - Prime Minister Andrej Plenkovic said in parliament on Wednesday evening that he takes the responsibility for allowing the incomplete draft of the family bill to be put to a public consultation, stressing that the Minister of Demography, Family, Youth and Social Policy, Nada Murganic, enjoyed his full confidence."I personally take the responsibility for this omission," Plenkovic said during a debate on confidence in Minister Murganic, which was launched by the GLAS/HSU group and backed by 33 opposition lawmakers.Plenkovic said that the document was in an early stage of technical preparation and had not reached any government department or his office. He said that the whole procedure was changed after the omission was observed.The bill has been withdrawn.The discussion lasted until early morning hours. The no-confidence vote on Minister Murganic will be taken on Friday.Jurcic: Demographic trends pressing problem of CroatiaZAGREB, Nov 8 (Hina) - The Croatian Economists' Society head, Ljubo Jurcic, on Wednesday warned that Croatia's economy was stagnating despite positive macroeconomic indicators and was sinking towards the European bottom, adding that the urgent issues of the country now werenegative demographic trends and emigration.In his keynote at the start of the 25th symposium organised by the society in Opatija, Jurcic said that "Croatia is being vacated, and there is no state without population and territory."All economic and other instruments should be directed toefforts to tackle that issue, he added.The global economy is vibrant more than ever, while Croatia has the second lowest GDP in Europe, and the third highest unemployment,a low investment rate and demographic decay, he said.AlthoughCroatia's potentials are huge, they are being reduced due to emigration, the economist said.Vujcic: Euro brings more benefits than costs, but won't solve structural problemsZAGREB, Nov8(Hina) - Croatian National Bank governor Boris Vujcic said on Wednesday that introducing the euro would bring more benefits than costs but that it would not solve the structural problems in the country.Speaking at the 25th conference of the Croatian Economists Society in Opatija, he said policies for introducing the euro were necessary for winning support andpreparing well for entering the euro area. The improved macroeconomic and fiscal indicators point to readiness to launch the introduction of the euro, he added.Macroeconomic imbalances are decreasing but they still remain and it is necessary to show the country can resumereal convergence, which came to a halt over the past dozen years, the prerequisite for whichis increasing labour productivity, which is brought on by structural reforms, Vujcic said.Investment in education is similar to the European Union average but the results of education are very poor, which shows that the education system is poor at all levels and in need of a reform, he said.Another problem is the very low investment in research and development, the very weak innovation system, and too complex and unaligned regulations, while on the other hand state consumption is above average, yet has very low efficiency and the public sector has a big share in the economy, yetstate companies have low profitability, he added.Speaking of the reasons for introducing the euro, Vujcic said Croatia was the smallest EU member state outside the euro area with a very high level of financial and trade integration with thearea and of alignment with the area's business cycle.Croatia is by far the most euroised country outside the euro area, with the bulk of the liabilities ofcitizens, companies andstate tied to the euro and a banking system dominated by banks from the euro area, he said, adding that75% of the assets in Croatian banks were in euro area banks and that over 80% of savings and term deposits and loans were in euros.Introducing the euro will reduce the currency risk,interest rates and transaction costs, eliminate the risk of a currency crisis and the risk of a banking and balance of payments crisis, encourage international exchange and investments, and enable participation in the division ofEurosystem monetary revenue, Vujcic said.The negative aspect of the common currency is the loss of the independent monetary policy, although the degree of freedom is already very low, he added.The expected price growth upon introducing the euro is, to a large extent, a myth, as research shows that prices did not go up excessivelyin the countries which introduced the euro, notably in those where this was done later, thanks to experience and prevention measures, Vujcic said.The danger of excessive capital influx and imbalances can be turned into an advantage, he said, adding that all benefits were lasting and nearly all the negatives or costs one-off and small.Lack of capacity for reform implementation biggest problem, president saysZAGREB, Nov8(Hina) - President Kolinda Grabar-Kitarovic said on Wednesday Croatia's biggest problem wasa lackofstate and public administration capacityto implement and achieve reforms and goals, the problem of the system's capacity and ability to efficiently and routinely carry out the necessary reforms and successfully respond to unforeseen events.Addressing a conference of economists in Opatija, she spoke of Croatia's position, saying it fell eight places in the latest World Bank "Doing Business" report, after rising for several years, "while many that until yesterday we didn't see as competition are ahead of us."Croatia declinedin the total score, makingminimal headway, but other countries made significantly stronger reforms and bigger headway in the rankings, the president said, pointing to two problemswhich the country had been unsuccessfully combating for too long."The first is the fact that as a society we developeda high level of resilience to change, from state structures to the wider society and public. The other clearly indicates that, despite years of underlining the need to adapt our system to the needs of entrepreneurs and investors, we are still not an attractive investment destination nor are we doing what is necessary to change that."She said all this sounded dreary but that not all was bad, that there were examples of excellence, such as globally successful companies. "But we have nothing from that as long as they are flagships without followers, as long as no one follows theirexample, as long as they are an exception and not just an example among those that are excellent.""The same principle canbe applied to the state and the state's organisation, which should enable the development of asystemin which success won't be an exception, a state which will represent a well-establishedsystem, one that constantly implements the right policies. Generally, we have shownhow capable we are in crisis situations," she said, asking why it was so, why we did not show ingenuity and ability in times of well-being and positive trends.The president said structural reforms had become so abstract that they were no longer taken seriously in public and one did not know what they meant."We also need a much stronger ability to communicate our ideas and ***plans*** so that even our best ***plans*** don't fall throughbecause of a superficial public perception," she said, adding that the beginning of communication for the introduction of the euro was a good example.The president said the state of affairs did not look optimistic but that those were thefacts. "Only aware of the challenges can we have the chance to overcome and solve that to our advantage," she said and hoped that capacities for reform implementation would be increased."The people who take high state offices aren't responsible for the past and the state of affairs they encounter, but we are responsible for the level of change in society until the end of our terms," she said.PM says Croatia not the same as a year ago despite problemsZAGREB, Nov8(Hina) - Prime Minister Andrej Plenkovic on Wednesday would not comment in detail on President Kolinda Grabar-Kitarovic's criticisms of the government, saying he hadnot heard themyet and that, although there were problems, Croatia was not the same as it was a year ago and that noteveryone in Croatia understood the far-reaching effects of the changes the government was making to the political system, the level of dialogue and openness to reforms.Addressing a conference of economists today, the president saidCroatia's biggest problem was a lack of state and public administration capacity to implement and achieve reforms and goals, to efficiently and routinely carry out the necessary reforms and successfully respond to unforeseen events. She also asked who adopted decisions and where and who did not.Asked by reporters if he tookthat aspersonal criticism, Plenkovic said he had not heard the president's address and outlined the achievements of his government. He said Croatia was not the same as it was a year ago, that during his government's term the deficit, the public debt and unemployment had decreased, that GDP was increasing, the minimum wage had been raised and Croatia was moving towards the Schengen and euro areas.Agreements with unions are being realised, a collective agreement has been arranged with government employees, talks with other public sector employees are continuing,the tax burden on the business sectorhas been eased, Croatia has come out of the Excessive Deficit Procedure, and the summer tourist season has brought EUR 11 billion in revenues, Plenkovic said.A reporter remarkedthat he sounded as though the president was in part responsible for the climate in the country a year ago. "Interpret it as you will. I'm telling you what we are doing, the way we are doing it. I have the impression... that not everybody understood the depth, the radicalityand far-reaching effects of the changes we are making to the political system, the level of dialogue and openness to reforms, the wish that after this government's term this country is better than it was in 2016."Reporters asked him if the president's criticisms were part of her campaign for a second term in office and if she would again be the presidential candidate of his HDZ party. Plenkovic said "she must first articulate her wishes." Asked if she had articulated them to him, he said, "I haven't heard them."Croatian Economists Society president Ljubo Jurcic said Grabar-Kitarovic's critically intoned address at today's conference in Opatija did not surprise him and that her assessment of the economic situationwas more realistic than the prime minister's.Asked to comment on the address, central bank governor Boris Vujcic too said it did not surprise him and that what she said was very similar to what he himself had said.FinMin expects further growth, public debt declineZAGREB, Nov 8 (Hina) - Finance Minister Zdravko Maric told a conference of economists in Opatija on Wednesday that Croatia would continue to see economic growth this year and that the public debt to GDP ratio was expected to fall.By 2020, growth will be based on domestic demand, while the contribution of net foreign demand will be slightly negative. Low and stable inflation and a further decline in the unemployment rate are expected during this period."We are continuing with growththis yearand our expectationfor the whole year is a growth of 3.2 percent," Maric said, adding that GDP was projected by the government to grow by 2.9 percent in 2018, by 2.6 percent in 2019 and by 2.5 percent in 2020.The deficit and the public debt to GDP ratio should be further reduced next year. The public debt to GDP ratio is forecast to decline to 76.6 percent of GDP in 2018, to 73.4 percent in 2019 and to 69.5 percent of GDP in 2020.Maric said that the tax reform was aimed not only at reducing taxes but also at improving the business climate. He stressed that the greatest contribution to overall domestic consumption growth came from the tax reform and investment consumption. He said he expected exports to continue to make a strong contribution to growth.Maric stressed the need to improve the economy, carry out fiscal consolidation and activate state property. He said that the focus of fiscal policy would be on further strengthening fiscal sustainability by reducing the budget deficit and public debt.The finance minister said that pensions would not be reduced,that expenditure on employees wasthe second largest budget expenditure, and that about 500 million kuna more would be allocated for healthcare this year.Speaking of the debate on the adoption of the euro, Maric said that the government and the central bank had tried to determine both its positive and negative aspects so that the matter could be put to an effective public consultation.Asked by the press to comment on today's speech by President Grabar-Kitarovic, who was critical of the economic situation in the country, Maric said that everyone should be pleased that trends had been reversed in the past two years, as could be seen in a drop in the public debt to GDP ratio."We are doing all we can to improve the investment climate. We have seen a rise in employment and want to see higher wages and living standards," Maric said.EconMin: Restructuring Agrokor greatest economic reform since independenceZAGREB, Nov 8 (Hina) - Addressing a conference of economists in Opatija on Wednesday, the Deputy Prime Minister and Minister of Economy, Entrepreneurship and Crafts, Martina Dalic, said that the restructuring of the Agrokor food and retail conglomerate was the largest economic reform since Croatia's independence and that the government approached that issue in a timely, resolute and effective manner.Dalic asserted that the problems related to the ailing conglomerate threatened the entire economy. She underscored that over the past eight months, it was obvious that the way that system was functioning presented a significant obstacle to the functioning of the market mechanism of the entire economy.Counting on the security doing business with Agrorkor, some companiesneglected their own activities to increase market efficiency,appear on new markets and increase exports, she said.We expect Agrokor's restructure to have a direct impact on GDP growth, the retentionof jobs as well as indirect effects of removing the anomalies in the market mechanism. Ensuring timely and regular payments is a much larger reform than theset of smaller measures the government is undertaking to reduce red tape, Dalic said."The way in which some political stakeholders are following and commenting on the work of the emergency administration at Agrokor, in order to score cheap and shallow political points, is not contributing to building social confidence nor to the success of that process or to the preservation of jobs or to pay creditors," she underscored.Commenting on the ***planned*** introduction of the euro currency, Dalic said that that is a process aimed at facilitating the Croatian economy's participation in the global market competition.Dalic announced that appropriate measures would continue in 2018with the aim of improving the business climate andthat the government would discuss a bill on ***strategic*** investments on Thursday aimed at effectively supporting large investors, primarily private investors, and that a bill on investment promotion is currently in parliamentary procedure.Gov't to launch procedure to pick consultant for INA in coming weeksZAGREB, Nov 8 (Hina) - The Croatian government will in the coming weeks launch the process of selecting a consultant to advise the cabinet on the assessment of INA's value and the choice of a ***strategic*** partner for that leading national oil and gas company, Energy and Environmental Protection Minister Tomislav Coric told the national radio HRon Wednesday morning.Coric recalled that a few months ago, the cabinet of Prime Minister Andrej Plenkovic decided to selectan investment adviser on a possible buyout of INA shares currently owned by the Hungarian oil company MOL.Criteria for the purchase of INA shares have been defined by the council for negotiations with MOL, which has convened several times, PM Plenkovic saidthen, adding that the investment consultantwould be tasked with assessing the value of INA and considering possible ***strategic*** partners.The council for negotiations with MOL, established in line with a government decision of January 19,was tasked with outliningguidelines for talks with that company, taking thenecessary measures as well as suggesting which decisions should be made by the government concerning the preparation, implementation and financing of a possible buyout of MOL's stock in INA.The council ischaired by Plenkovic and comprisesthe ministers of foreign affairs, finance, state assets, environmental protection and energy, justice, and labour.Following thedecision on the establishment of the council, the government entrusted the Environmental Protection and Energy Ministry and the Finance Ministry with selecting the consultant.Minister Coric said today that consulting firms would beinvited in the coming weeks to submit their offers."The aim of this government is to preserve INA as a vertically integrated companythat will primarily invest in research and refining business. Having in mind some projections of the energy future of Europe and the world, we believe that those are the segments that have a future but must be upgraded," the minister said.Coric also called for seeking new directions for this energy company.Plenkovic announced the government's ***plan*** for the INA buyout on Christmas Eve 2016. "The Hungarian side has been notified of this political decision. I personally did it this evening," Plenkovic said.In June, Plenkovic said the government and its council were considering a set of options to restore Croatia's ownership of INA and that there were several models.The Croatian government holds about 44% of INA shares while MOL holds some 49%.The Vecernji List daily on Wednesday reported that the government seemed to have scrapped itsplan to buy out the stock in INAcurrently held by MOL.Croatia's fruit and vegetable sector has potential to grow - forumZAGREB, Nov 8 (Hina) - Croatia's fruit and vegetable sector has the prospects and potential to grow and for that to be achieved, it is necessary to boost competitiveness, improve cooperation between farmers, processing plants and retailers, heard a forum on the challenges for the development of the fruitand vegetable sector in Croatia on Wednesday.The forum was organised in Zagreb within a joint initiative of the European Bank for Reconstruction and Development (EBRD), the UNFood and ***Agriculture*** Organisation, Croatia's ***Agriculture*** Minister, the Chamber of Commerce (HGK) and aCroatian small farming association.The ministry's state secretary, Marija Vuckovic, said that Croatia could not be satisfied with the current state of affairs in this sector in light of the fact that the country ***produces*** 157,000 tonnes of vegetables and 130,000 tonnes of fruits, whereas imports of thesefoods total 300 million euros annually.The insufficient amount of ***produce***, low competitiveness, high imports and a low level of associations of ***producers*** are some of the problems the sector is faced with, she said.She mentioned a few measures being taken by the the government in a bid to help this sector to develop such as simplification of procedures for rural development schemes, the farmland law and the legislation banning unfair competition.The EBRD director for Croatia, Slovenia, Hungary and Slovakia, Vedrana Jelusic Katusic, spoke about the need to establish associations among ***producers*** to facilitate sales, access to modern technologies and the exchange of the know-how and access to funding.Andriy Yarmak of FAO spoke of the importance of connecting food production and tourismin the context of Croatiabeing an increasingly popular destination with holiday-makers preferring local cuisines.Jan-Aug exportsrise by 14.6%, imports by 11.3%ZAGREB, Nov8(Hina) - Croatia's commodity exports in the first eight months of 2017 went up 14.6% to nearly HRK 66.7 billion, while imports went up 11.3% to HRK 107.7 billion, the national statistical office said on Wednesday, revising upwards its earlier estimates.The foreign trade deficit was HRK 41 billion, while the export-import ratio was 61.9%, 0.2 percentage points higher than in the first seven months of 2017.Expressed in euros, commodity exports in the first eight months increased 16.1% to over 8.9 billion,imports increased 12.8% to 14.4 billion, and the deficit was 5.5 billion.Other European Union member states remained the most important market for Croatian goods, accounting for 64.5% of exports and 78% of imports. Exports to the rest of the EU totalled EUR 5.78 billion, up 11.3% from the first eight months of 2016, while imports increased 12.8% to EUR 11.27 billion.Croatia's main trade partners remained Italy, Germany and Slovenia. Exports to Italy increased 14.7% annually to nearly EUR 1.2 billion, exports to Germany stood at EUR 1.09 billion (+16.2%)and thoseto Slovenia at EUR 967.4 million (+0.6%). Imports from Germany exceeded EUR 2.28 billion (+10.1%), those from Italy stood at EUR 1.85 billion (+10.9%) and those from Slovenia at EUR 1.55 billion (+8.6%).Croatian commodity exports to Central European Free Trade Agreement countries went up 21.4% to EUR 1.56 billion, while imports increased 21.7% to EUR 891.8 million.Union federation says wage increase essentialZAGREB, Nov 8 (Hina) - The SSSH union federation said on Wednesday that a growth in salaries in Croatia was essential and that they expect the government to stop "handling matters in favour of private employers," and to create astimulatingenvironment for collective bargaining and to invest maximum effort to promote and strengthen it, with the aim of increasing salaries and strengthening the security of employment."Reducing salaries for the wealthiest won't cause a drop in GDP whereas low to average incomes for workers will. Workers have run out ofpatience, Croatia needs recovery for all and not just for those who are already rich," SSSH president Mladen Novosel said in a press release.According to the union, the minimum gross salary in Croatia is HRK 3,276 or 40.3% of the average pay (August 2017). They underscored that for years now they have demanded that the minimum pay be raised to 50% of the average gross salary. The union added that by progressively increasing pay rates to 60% of the median gross salary (median salary amounts to HRK 7,310), the minimum pay would amount to HRK 4,386, which is an increase of 34%.The unionists called on a documentby the European Trade Union Confederation (ETUC) - "Minimum Wages should not be Poverty Wages," which notes that minimum wages are so far below the official low-wage threshold in many EU countries that many workersstruggle to make a living.In 10 EU countries, the minimum wage is at or below 50% of the national median wage - clearly making it difficult for those on the minimum wage to make a living from the money they earn, the ETUC document says."A European minimum wage policy involving a two-stage process of minimum wage increasesbased on the definition of common European targets would be an important element inpushing forward a new perspective which views wages not only as a cost factor, but whichalso acknowledges the important role of wages in boosting internal demand and in fosteringsocial cohesion," ETUC says in its document."By defining a floor of adequate minimum wages and by compressing theoverall wage distribution, such a European minimum wage policy would make an important contribution to reducing in-work poverty and inequality," ETUC notes, according to the SSSHpress release.HNB continues expansionary monetary policyZAGREB, Nov 8 (Hina) - Favourable economic trends in Croatia continued in the third quarter of 2017, and available data indicates an intensified real growth, the Croatian National Bank (HNB) said in a press release on Wednesday after an HNB Council meeting, underscoring that it was continuing to pursue an expansionary monetary policy.The HNB Council examined recent economic and monetary indicators and adopted the semi-annual report on the financial situation,the degree of price stability achieved and the implementation of monetary policy in the second half of 2017. It also adopted several decisions on matters falling within its area of competence, which will be submitted to the parliament.Consumer prices increased in September at a monthly rate of 1.5% compared to August.The HNB continued to implement its expansionary monetary policy,whichin September was supported with the introduction of the possibility of managing collateral via a group of acceptable assets for all credit operations by the HNB. Lending to citizens, particularly in the domestic currency continued to strengthen in September while lending to companies slowed down slightly on the year.The net foreign debt by the domestic sector decreased noticeably in July and August, mainly due tothe continuing improvement of the foreign position of credit institutions.A budget surplus was recorded in Q2, albeit a little lower than in the same period last year, and the Finance Ministry's data indicates favourable trends continued at the start of Q3, the central bank said in a press release.Todoric's Croatian lawyers a bit surprised by postponement of extradition hearingZAGREB, Nov 8 (Hina) - Cedo Prodanovic, a lawyer for businessman Ivica Todoric, who was released on 100,000 pound bail in London on Tuesday evening after he was arrested on a European arrest warrant issued by Croatia on corruption charges, said in Zagreb that the decision of the London court to convene thenext hearing in six months' time had surprised Todoric's legal team in Croatia to some extent.Westminster Magistrates Court,which handles extradition cases, on Tuesday released Todoricon 100,000 pound bail and set the next extradition hearing for10 April 2018.Todoric told the court that he opposed extradition to Croatia to respond to debt crisis charges.His Croatian lawyer told a local radio station in Zagreb on Wednesday morning that "obviously, English courts are not impressed by the mere fact that somebody wants someone. This (warrant) must be corroborated by something. They (judicial authorities) have given themselves plenty of time to consider the case and make a decision after establishing certain facts rather than by deciding on the matter bysheer automatism."Prodanovic went on to say that "certain engagement now lies ahead" for Todoric's Croatian lawyers. We will have to provide support in some way to English lawyers, he said.Todoric and 14 other people are being investigated in Croatia over circumstances that created a debt crisis at Agrokor, a company employing 60,000 people in Croatia and the region. The Croatian government took control of the company in April.The European arrest warrant must be executed within ten days if an arrestee agrees to being extradited or 60 days if they do not.During his stay in London,Todoric has had to hand over his passport, he has to wear an electronic tag and report to police three times a week.Cvitan: Agrokor case by no means a political processZAGREB, Nov 8 (Hina) - Chief State Prosecutor Dinko Cvitan said on Wednesday that after Ivica Todoric turned himself in to the British judiciary, the State Prosecutor's Office (DORH) has established direct communication with authorities in Great Britain and is waiting for further developments, adding that the Agrorkor case was "by no means" a political process as claimed by Todoric.After a meeting of the parliamentary human rights committee, Cvitan told reporters that DORH was continuing its criminal investigation related to events in the company and that new investigations would follow and then "from the aspect of international law, if a person is under investigation, we will have to submit an additional extradition request."Considering that apart from the European Arrest Warrant, there is also a European Investigation Order that opens the opportunity for Todoric to be questioned by British investigators, DORH is considering that option, and what will be done depends on tactics, Cvitan said.Like Prime Minister Andrej Plenkovic, Cvitan too considers that it was odd that the next hearing has been scheduled for 10 April next year "as that is unusual." He added however that "nothing is odd, nothing is impossible, and everything was going its way."Asked whether there was any possibility of speeding up that process, Cvitan said that "we have to act in accordance with decisions adopted by the relevant authority there." "We haven't been given any explanation...we have to refrain from making any comments as one of the objections is that this is a political process. This is by no means a political process," he said.With reference to new evidence and new investigations, Cvitan explained that this is the biggest case ever handled by the state prosecution."This will go on for a long time, but not 20 years," he said. The maximum deadline for an investigation is a year and a half. After that some indictments wait to be confirmed for more than a year and then the public asks where are the convictions. The state prosecutor's work is completed when an indictment is upheld but how long it takes the court to do that is difficult to estimate, he said and added that he believes the law should be changed to define deadlines for the court to uphold indictments.Asked whether DORH's investigation would impact the work of the parliamentary inquiry commission on Agrokor, Cvitan said that it was not up to DORH to interpret that situation. The commission's work isn't hampering DORH's investigation because what the commission is looking into now is far from what DORH is doing and added that as far as the commission's work is concerned, the law would be implemented and that it was up to parliament to interpret regulations.Over 200 people complained to Ombudwoman in 2016 about excessive use of police forceZAGREB, Nov 8 (Hina) - Last year the Office of the Public Ombudswoman received 203 complaints from citizens over the excessive use of force bypolice, which is also the most common reason for the complaints.A round table debate was held in the southern city of Split on Wednesdaywhich brought together police representatives of the Office of the Children's Ombudswoman and international law experts who talked about citizens' complaints to thethe Office of the Public Ombudswoman regarding the excessive use of force in the police conduct.Deputy Public Ombudswoman Maja Kevic said that police conduct was one of the most common reasons why citizenscomplainto her office. Citizens mostly complain about the use of physical force and handcuffs during arrests."In 2016, there were 203 complaints regarding police conduct and use of force," Kevic said, adding that after looking into acase, the Ombudswoman's Office issues recommendations or warnings.She added that there were several cases ofexcessive use of force against minors, aboutwhich her office is particularly concerned.Implementation of border arbitration ruling the only acceptable solution, Slovenian ambassador saysZAGREB, Nov 8 (Hina) - Slovenia considers its border dispute with Croatia to be an open issue only to the extent that concerns the implementation of the arbitration ruling, Slovenian Ambassador Smiljana Knez said in Zagreb on Wednesday evening."We consider it an open issue only to the extent that concerns the arbitration ruling. For us, its implementation is the only possible solution," Knez said in a lecture entitled "Slovenia and its foreign policy" held at the Croatian Writers Club. The lecture was organised by the Croatian Diplomatic Club.She recalled that the arbitration ruling says that the countries themselves need to discuss details, adding that Slovenia would like to continue dialogue on the matter."But first, some concrete proposals should be put forward by Croatia. We have something on the table, let's implement it and move on," the Slovenian ambassador said.Croatia does not recognise the ruling because Slovenia compromised the arbitration process and refuses to implement it. Zagreb proposes that the dispute be dealt with through bilateral negotiations.Speaking of Croatia's aspirations to join the Schengen area, Knez said that it was in Slovenia's "objective interest" that the Schengen border moved as far as possible, but that each country "should do its own homework"."You have a very long and unresolved border with Bosnia and Herzegovina, a very complex situation with the border with Serbia. Borders must be defined," the Slovenian ambassador said, adding that as for Croatia's Schengen membership bid, she was "hoping for the best".Knez also spoke of the Three Seas initiative, which includes 16 countries, among them Slovenia and Croatia. She said that the idea of connecting Europe's north and south was not bad but that this process should be inclusive in its nature so that it would not be regarded as one creating divisions within the EU."This initiative must to a greater extent include the European Commission in its work. We think that this link between the initiative and the Commission is very important," she said.Knez said that Slovenia and Croatia were not cooperating within the EU as they should be because "the level of trust between the two countries is not high", mostly due to the border dispute. On the other hand, direct cooperation between Slovenian and Croatian towns "is very strong, and not just in border areas." The two countries are also cooperating in various regional initiatives, the ambassador said.Knez mentioned strong economic ties between the two countries and the fact that Croatia was Slovenia's fourth most important trading partner and Slovenia was Croatia's third strongest trading partner. Last year's trade between them reached 3.6 billion euros.Knez also spoke of Slovenia's foreign policy towards the EU, saying that it was against the multi-speed EU scenario. "Slovenia does not want that, but if it came to that, it would not want first-speed countries to remain a closed group," she said.She said that Slovenia supported Turkey's EU membership bid, provided that the country met the necessary criteria and returned to European values.Croatian defence minister attends NATO meetingZAGREB, Nov 8 (Hina) - Croatian Defence Minister Damir Krsticevic attended a meeting of NATO defence ministers in Brussels on Wednesday and had bilateral meetings with his American and German counterparts James Mattis and Ursula von der Leyen, as well asothers."It is our duty to talk, share information and experiences. Today I met briefly with Germany's minister who visited Croatia recently," Krsticevic said and added that Croatian and German troops would be deployed to Lithuania in December as part of a strongerNATO presence in the Baltic countries."I had a brief and informal meeting with General Mattis and exchanged opinions on some importantissues... During these informal encounters, I endeavour to promote Croatia's national interests and the development of the Croatian Army," Krsticevic said.Krsticevic also held abilateral meetingwith Albanian Defence Minister Mimi Kodheli and discussed the possibility of Croatia's air force monitoring Albanian air spacewhen Croatia procuresits new planes.He added that bids submitted for fighter aircraft were currently being evaluated.NATO defence ministers met in Brusselsto address a range of issues – including NATO's Command Structure, North Korea and Afghanistan.Krsticevic said that it was decided to send additional troops to Afghanistan and that all member states responded positively and that Croatiawould send anadditional dozensoldiers to that mission."We currently have 98 troops in Afghanistan... It is our responsibility to increase that number by a dozen so that we can contribute to Afghanistan's and the Alliance's security," he said.Speaking at a press conference ahead of the gathering, Secretary General Jens Stoltenberg said he expected ministers to agree the basis for a revision of the Allied Command Structure – NATO’s "backbone" – ensuring it can continue to provide deterrence and defence at home, and project stability abroad. This will include "a new Command to help protect sea lines of communication between North America and Europe, and another Command to improve the movement of troops and equipment within Europe," he said.Juncker believes Serbia could join EU before 2025ZAGREB, Nov8(Hina) -European Commission President Jean-Claude Juncker said on Wednesday thatSerbia couldjoin the European Union before 2025, confident that the EU should keep the European prospect of the Western Balkan open."I think that Serbia and Montenegro will be members of the European Union before 2025,” Juncker said, commenting on astrategy for the two countries’ successfulEU accession which he elaborated in the Commission's working ***programme***.After a meeting with Bulgarian Prime Minister Boyko Borisov, Juncker expressed satisfaction with Bulgaria’s intent to place the Western Balkans’ EU integration among the priorities of the Bulgarian EU presidency in the first half of 2018, Serbian news agency Tanjug said.In mid-May, Sofia will host a summit of the EU and Western Balkan leaders."I want to reiterate my conviction that it is necessary to keep the EU perspective open for the Western Balkans. At this moment it seems that it is not possible to receive new members in 2019, but I want the European perspective to be seen not as an invitation but as a continuous need in this part of Europe," Juncker said, as quoted by Belgrade media.He is expected to visit the Western Balkan countries in May, before the summit in Sofia.IMF mission agrees with Serbia's ***plan*** to increase pensions, public sector wages in 2018ZAGREB, Nov8(Hina) - The International Monetary Fund (IMF) and the Serbian government have agreed on key parameters for the country's 2018 budget, which include an increase in pensions and public sector workers' wages as of next year.The government is expected to preparethe budget by the end of November.After a series of meetings between the highest Serbian government and state officials and an IMF delegation, IMF mission chief James Roaf told a news conference on Tuesday that after the eighth, completed review of the country's precautionary Stand-By Arrangement with the IMF, he would send a positive report to the IMF Management and Executive Board, expected to meet in December, for approval."All end-September 2017 performance criteria have been met, most with significant margins, and implementation of structural benchmarks has continued, although with delays in some areas,"said Roaf.“The mission agreed with the authorities on the key parameters of the 2018 budget. The priority is to preserve hard-won fiscal achievements, while supporting growth-enhancing initiatives, such as increasing public investment and reducing the tax burden on low-income workers," Roaf said.He suggested that the country should continue with the launched albeit slow reform of state-owned companies as resolution of some other problem enterprises wasstill pending,whichburdened fiscal policy.The IMF also pointedto the need of modernising tax administration, reducing taxes and contributions and continuing public administration reforms to reduce risks and improve the quality of public services.Serbian Finance Minister Dusan Vujovic said that one of the most tangible results was the fact that the country now "saved 50-60 million euros from every billion euro of debt, because it pays lower interest rates."Vujovic said that the draft state budget for 2018 would be development-oriented and that the government was expected to prepare and adopt it by November 29 so that the parliament could adopt it by December 15.Earlier on Tuesday, President Aleksandar Vucic and Roaf stressed that Serbia had done serious work during the implementation of the stand-byarrangement with the IMF,with Vucic expressing hope the IMF would remain engaged in Serbia after the completion of the current arrangement.In the conclusions of the eighth review of the precautionary Stand-By Arrangement with the IMF, the IMF mission saysthat if the IMF Management and Executive Board acceptsthose conclusions,an additional EUR 119.4 million will be made available to Serbia, which,combined with funding approved under previous reviews, brings the total funds available to EUR 1.05 billion.The IMF approved aprecautionary,EUR 1.2 billion stand-by arrangement for Serbia in February 2015 covering structural reforms, austerity measures, financial and fiscal consolidation, and a reduction of the budget deficit.In all previous reviews of the stand-by arrangement the country was given positive assessments but the IMF mission recalled upon the completion of the eighthreview that the Serbian authorities hadindicated that they did not intend to draw on the resources available under the arrangement.Serbia and Ukraine in dispute over Serbs fighting in UkraineZAGREB, Nov 8 (Hina) - Serbia on Wednesday recalled its ambassador to Ukraine for consultations following a dispute between the two countries over the participation of Serbian mercenaries in fighting alongside pro-Russian rebels in Ukraine.Serbian Foreign Minister Ivica Dacic has summoned Ambassador Rade Bulatovic for consultations on issues concerning relations with Ukraine, the Foreign Ministry said in a statement on its website.Since the outbreak of the crisis in Ukraine, Serbia has said several times that it respects Ukraine's territorial integrity, which was proved during Serbia's presidency of the Organisation for Security and Cooperation in Europe (OSCE). Serbia has taken a series of specific steps in prosecuting Serbian nationals who are fighting in war zones abroad, including Ukraine, thus demonstrating commitment to honouring its obligations under international law, the statement said.The statement followed after Kiev had recalled its Ambassador to Belgrade, Oleksandr Aleksandrovych, for consultations on the involvement of Serbian mercenaries on the side of pro-Russian forces fighting in Ukraine.The Serbian Foreign Ministry said that Ukrainian mercenaries had fought in the wars of the 1990s in the former Yugoslavia and had been involved in war crimes which Croatian forces had committed against Serbs in Croatia, "which Ukraine, unlike Serbia, never condemned."In conclusion, Serbia said it "remains committed to building good relations with Ukraine based on the principles of mutual respect and will not allow itself to become collateral damage in international affairs that have nothing to do with Serbia."In other news:Ivica Prtenjaca's The Hill nominated for €100,000 International Dublin Literary AwardZAGREB, Nov 8 (Hina) - The novel The Hill by Croatian writer Ivica Prtenjaca has been nominated for the €100,000 International Dublin Literary Award 2018, the world's most valuable annual literary prize for a novel written in English or translated into English.A total of 150 titles have been nominated for the award, including 48 translated into English.The award is presented by Dublin City Public Libraries and novels are nominated by national libraries. The Hill was nominated by the Rijeka Municipal Library.The translated titles vying for next year's award are originally written in 17 different languages: Croatian, Czech, Danish, Dutch, Finnish, French, German, Italian, Korean, Hebrew, Icelandic,Norwegian, Portuguese, Serbian, Slovene, Spanish and Swedish.Nine of the 22 previous winners of the award have been novels in translation. If the winning book is a translation, the prize is divided between the writer and the translator, with the writer receiving €75,000 and the translator €25,000.The Hill was translated by Tomislav Kuzmanovic and published by VBZ.The winner will be announced at a ceremony in May 2018.Commenting on the nomination, Prtenjaca said that he was particularly happy about the fact that his book, like all nominations, wouldbe availableat Dublin City Public Libraries."The Hill is a story about freedom, about a person's decision to be free, so I hope many people will be able to relate to this book," the writer said.ZSE indices rise for second day in a rowZAGREB, Nov 8 (Hina) - The main Zagreb Stock Exchange (ZSE) indices rose again on Wednesday for the second consecutive day, with the most traded stock being that of the Imperial hotel chain, followed by the Ledo and Jamnica companies, part of the Agrokor food and retail conglomerate, with the HT telecommunications company and INA oil company also turning over more than a million kuna each.Compared to Tuesday, the Crobex grew by 1.26% to 1,839.39 points and the specialised Crobex10 increased by 1.01% to 1,082.33 points. Regular turnover amounted to HRK 26.6 million, about the same as on Tuesday.The highest turnover of HRK 10.5 million was generated by the Imperial hotel chain, with the price of its shares remaining at HRK 815.The Ledo ice-cream and frozen food manufacturer generated a turnover of HRK 5.4 million.The price of its shares, however, plunged by 20.12% to HRK 957 per share and was the greatest loser of the day. This was in line with expectations by analysts who had said that the high increase in the price of Agrokor companies'shares would stop today.Shares in the Jamnica mineral water company dropped in price by 3.7% to HRK 13,001 and generated a turnover of HRK 2.6 million.HT generated a turnover of HRK 1.2 million, with the price of its shares falling by 0.23% to HRK 169.60.The INA oil company had a turnover of HRK 1.1 million. The price of its shares fell by 0.72% to HRK 3,301.(EUR 1 = HRK 7.5)THIS BULLETIN INCLUDES ITEMS RELEASED BY 0830 HOURS THURSDAY. (Hina) vm Masthead Brief News Bulletin is published by the Croatian News Agency HINA Marulićev trg 1610 000 ZagrebCroatia web:[*www.hina.hr*](http://www.hina.hr) mail: [*hina@hina.hr*](mailto:hina@hina.hr) phone: (+385 1) 48 08 660; fax (+385 1) 48 08 822 Publisher: Branka Gabriela Valentić, DirectorEditor in Chief: Serđo Obratov Bulletin Editor: Marija Šestan

ZAGREB, Nov8(Hina) - Already at the start of Question Time in parliament on Wednesday, Social Democrats bashed Prime Minister Andrej Plenkovic over the heavily indebted Agrokor corporation, with SDPleader Davor Bernardic saying that the "1990s business started by cronies is now being finished by new cronies" and his party colleague Sinisa Hajdas Doncic asking Plenkovic if he was an illusionist or prime minister, to which Plenkovic said that they had turned into Agrokor founder Ivica Todoric's spokesmen.

ZAGREB, Nov 8 (Hina) - Prime Minister Andrej Plenkovic said on Wednesday that the government was conducting a responsible policy towards the heavily indebted Agrokor food and retail conglomerate, adding that opposition leaders were not up to the required level of political responsibility in present circumstances.

ZAGREB, Nov8(Hina) - Bridge Party leader Bozo Petrov asked Prime Minister Andrej Plenkovic during Question Time in Parliament on Wednesday if the government would protect unionistPredrag Sekulic who was fired from the Sisak Refinery, and Plenkovic responded that the relevant minister would examine all the facts of this case.

ZAGREB, Nov8 (Hina) - The protocol regulating cooperation in supplying the Bosanski Brod Refinery with natural gas, signed by the Croatian Environment Protection and Energy Ministry and the Republika Srpska Energy and Mining Ministry, is an important step in efforts tosolvethe air pollution problem in Slavonski Brod, Prime Minister Andrej Plenkovic and Environment and Energy Minister Tomislav Coric said in Parliament on Wednesday.

ZAGREB, Nov 8 (Hina) - Economy Minister Martina Dalic said in Parliament on Wednesday that the Pula-based Uljanik shipyard had been warned to reduce its debt towards suppliers, and that budgetary supervision had been requested for Rijeka's 3. Maj shipyard.

ZAGREB, Nov8(Hina) - Labour and Pension System Minister Marko Pavic said during Question Time in Parliament on Wednesday that Croatian pensions were stable and their payment was not at risk, announcing that by the end of its term, the government ***planned*** to adopt a national pension law.

ZAGREB, Nov8(Hina) - Science and Education Minister Blazenka Divjaksaid on Wednesday that work on the curriculum reform was getting into full swing, underlining that expert task forces had gone through remarks to 44 out of 51 curriculum reform documents.

ZAGREB, Nov8(Hina) - With its aspiration to join the Schengen Area as soon as possible, to join the euro area and to actively participate in European cooperation initiatives, Croatia must use the current circumstances in the European Union to show where it wants to belong, Prime Minister Andrej Plenkovic said in parliament on Wednesday.

ZAGREB, Nov 8 (Hina) - The Croatian Economists' Society head, Ljubo Jurcic, on Wednesday warned that Croatia's economy was stagnating despite positive macroeconomic indicators and was sinking towards the European bottom, adding that the urgent issues of the country now werenegative demographic trends and emigration.

ZAGREB, Nov8(Hina) - Croatian National Bank governor Boris Vujcic said on Wednesday that introducing the euro would bring more benefits than costs but that it would not solve the structural problems in the country.

ZAGREB, Nov8(Hina) - President Kolinda Grabar-Kitarovic said on Wednesday Croatia's biggest problem wasa lackofstate and public administration capacityto implement and achieve reforms and goals, the problem of the system's capacity and ability to efficiently and routinely carry out the necessary reforms and successfully respond to unforeseen events.

ZAGREB, Nov8(Hina) - Prime Minister Andrej Plenkovic on Wednesday would not comment in detail on President Kolinda Grabar-Kitarovic's criticisms of the government, saying he hadnot heard themyet and that, although there were problems, Croatia was not the same as it was a year ago and that noteveryone in Croatia understood the far-reaching effects of the changes the government was making to the political system, the level of dialogue and openness to reforms.

ZAGREB, Nov 8 (Hina) - Finance Minister Zdravko Maric told a conference of economists in Opatija on Wednesday that Croatia would continue to see economic growth this year and that the public debt to GDP ratio was expected to fall.

ZAGREB, Nov 8 (Hina) - Addressing a conference of economists in Opatija on Wednesday, the Deputy Prime Minister and Minister of Economy, Entrepreneurship and Crafts, Martina Dalic, said that the restructuring of the Agrokor food and retail conglomerate was the largest economic reform since Croatia's independence and that the government approached that issue in a timely, resolute and effective manner.

ZAGREB, Nov 8 (Hina) - The Croatian government will in the coming weeks launch the process of selecting a consultant to advise the cabinet on the assessment of INA's value and the choice of a ***strategic*** partner for that leading national oil and gas company, Energy and Environmental Protection Minister Tomislav Coric told the national radio HRon Wednesday morning.

ZAGREB, Nov 8 (Hina) - Croatia's fruit and vegetable sector has the prospects and potential to grow and for that to be achieved, it is necessary to boost competitiveness, improve cooperation between farmers, processing plants and retailers, heard a forum on the challenges for the development of the fruitand vegetable sector in Croatia on Wednesday.

ZAGREB, Nov8(Hina) - Croatia's commodity exports in the first eight months of 2017 went up 14.6% to nearly HRK 66.7 billion, while imports went up 11.3% to HRK 107.7 billion, the national statistical office said on Wednesday, revising upwards its earlier estimates.

ZAGREB, Nov 8 (Hina) - The SSSH union federation said on Wednesday that a growth in salaries in Croatia was essential and that they expect the government to stop "handling matters in favour of private employers," and to create astimulatingenvironment for collective bargaining and to invest maximum effort to promote and strengthen it, with the aim of increasing salaries and strengthening the security of employment.

ZAGREB, Nov 8 (Hina) - Favourable economic trends in Croatia continued in the third quarter of 2017, and available data indicates an intensified real growth, the Croatian National Bank (HNB) said in a press release on Wednesday after an HNB Council meeting, underscoring that it was continuing to pursue an expansionary monetary policy.

ZAGREB, Nov 8 (Hina) - Cedo Prodanovic, a lawyer for businessman Ivica Todoric, who was released on 100,000 pound bail in London on Tuesday evening after he was arrested on a European arrest warrant issued by Croatia on corruption charges, said in Zagreb that the decision of the London court to convene thenext hearing in six months' time had surprised Todoric's legal team in Croatia to some extent.

ZAGREB, Nov 8 (Hina) - Last year the Office of the Public Ombudswoman received 203 complaints from citizens over the excessive use of force bypolice, which is also the most common reason for the complaints.

ZAGREB, Nov 8 (Hina) - Croatian Defence Minister Damir Krsticevic attended a meeting of NATO defence ministers in Brussels on Wednesday and had bilateral meetings with his American and German counterparts James Mattis and Ursula von der Leyen, as well asothers.

ZAGREB, Nov8(Hina) -European Commission President Jean-Claude Juncker said on Wednesday thatSerbia couldjoin the European Union before 2025, confident that the EU should keep the European prospect of the Western Balkan open.

ZAGREB, Nov8(Hina) - The International Monetary Fund (IMF) and the Serbian government have agreed on key parameters for the country's 2018 budget, which include an increase in pensions and public sector workers' wages as of next year.

ZAGREB, Nov 8 (Hina) - The novel The Hill by Croatian writer Ivica Prtenjaca has been nominated for the €100,000 International Dublin Literary Award 2018, the world's most valuable annual literary prize for a novel written in English or translated into English.

ZAGREB, Nov 8 (Hina) - The main Zagreb Stock Exchange (ZSE) indices rose again on Wednesday for the second consecutive day, with the most traded stock being that of the Imperial hotel chain, followed by the Ledo and Jamnica companies, part of the Agrokor food and retail conglomerate, with the HT telecommunications company and INA oil company also turning over more than a million kuna each.

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[***Council of the European Union:REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL establishing the European Fund for Sustainable Development (EFSD), the EFSD Guarantee and the EFSD Guarantee Fund PE 43 2017 INIT***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5R2J-NC91-F0YC-N0TT-00000-00&context=1516831)

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**Body**

Brussels: Council of the European Union has issued the following document:

PE-CONS 43/17 ILV/NC/jk DGC 1B EN EUROPEAN UNION THE EUROPEAN PARLIAMENT THE COUNCIL Brussels, 13 September 2017 (OR. en) 2016/0281 (COD) PE-CONS 43/17 DEVGEN 157 ACP 74 RELEX 599 ECOFIN 614 CADREFIN 82 ASIM 83 MAMA 122 COEST 166 COAFR 196 CODEC 1194 LEGISLATIVE ACTS AND OTHER INSTRUMENTS Subject: REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL establishing the European Fund for Sustainable Development (EFSD), the EFSD Guarantee and the EFSD Guarantee Fund PE-CONS 43/17 ILV/NC/jk 1 DGC 1B EN REGULATION (EU) 2017/… OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of … establishing the European Fund for Sustainable Development (EFSD), the EFSD Guarantee and the EFSD Guarantee Fund THE EUROPEAN PARLIAMENT AND THE COUNCIL OF THE EUROPEAN UNION, Having regard to the Treaty on the Functioning of the European Union, and in particular Articles 209(1) and 212(2) thereof, Having regard to the proposal from the European Commission, After transmission of the draft legislative act to the national parliaments, Acting in accordance with the ordinary legislative procedure1, 1 Position of the European Parliament of 6 July 2017 (not yet published in the Official Journal) and decision of the Council of … PE-CONS 43/17 ILV/NC/jk 2 DGC 1B EN Whereas: (1) The Union’s External Investment ***Plan*** (EIP) provides for the creation of the European Fund for Sustainable Development (EFSD) as its first pillar, alongside technical assistance as its second pillar and improving the investment climate and overall policy environment in partner countries as its third pillar.

(2) The EFSD aims to support investments primarily in Africa and the Union’s Neighbourhood as a means to contribute to the achievement of the Sustainable Development Goals of the United Nations (UN) 2030 Agenda for Sustainable Development (the ‘2030 Agenda’), in particular poverty eradication, as well as the commitments under the recently revised European Neighbourhood Policy. By supporting such investments, the EFSD aims to address specific socio-economic root causes of migration, including irregular migration, and to contribute to the sustainable reintegration of migrants returning to their countries of origin and to the strengthening of transit and host communities. The EFSD, as part of the EIP, should also contribute to the implementation of the Paris Agreement on Climate Change (Paris Agreement). (3) Investments under the EFSD should complement and strengthen efforts carried out in the context of the Union’s migration policy with third countries, including, where appropriate, the implementation of the New Partnership Framework with third countries under the European Migration Agenda. PE-CONS 43/17 ILV/NC/jk 3 DGC 1B EN (4) The EFSD should be guided by the objectives of the Union’s external action as set out in Article 21 of the Treaty on European Union (TEU) and of Union policy in the field of development cooperation as set out in Article 208 of the Treaty on the Functioning of the European Union (TFEU). The EFSD should also allow investors and private companies, in particular micro, small and medium-sized enterprises, to contribute more effectively to sustainable development in partner countries in line with the Union’s development policy and European Neighbourhood Policy. The EFSD should maximise additionality, address market failures and sub-optimal investment situations, deliver innovative products and crowd in private sector funds. EFSD operations should be clearly distinct from, and complementary to, other support, including the European Investment Bank’s (EIB) external lending mandate operations and Economic Resilience Initiative, and the Investment Facility established under the Partnership Agreement between the members of the African, Caribbean and Pacific Group of States of the one part, and the European Community and its member States, of the other part, signed in Cotonou on 23 June 20001 (ACP-EU Partnership Agreement) (ACP Investment Facility). EFSD operations should also be complementary to the existing activities of other eligible financial institutions. 1 OJ L 317, 15.12.2000, p. 3. PE-CONS 43/17 ILV/NC/jk 4 DGC 1B EN (5) The EFSD should contribute to the implementation of the 2030 Agenda, which recognises international migration as a multi-dimensional reality of major relevance for the development of countries of origin, transit and destination, requiring coherent and comprehensive responses, while underlining the potential for migrants to contribute to inclusive growth and sustainable development. Investments supported by the EFSD should contribute towards addressing migratory pressures stemming from poverty, conflict, instability, underdevelopment, inequality, human rights violations, demographic growth, and the lack of employment and economic opportunities, as well as from climate change. (6) The EFSD should be in line with the Union commitment under the Addis Ababa Action Agenda on Financing for Development and the internationally agreed development effectiveness principles, as set out by the Fourth High-Level Forum on Aid Effectiveness in Busan in 2011 (‘Busan Partnership for Effective Development Cooperation’), and reaffirmed at the Second High-Level Meeting of the Global Partnership for Effective Development Cooperation in Nairobi in 2016. (7) The purpose of the EFSD is in line with the Union Global Strategy for Foreign and Security Policy, which embeds challenges such as migration and resilience in the overall foreign policy of the Union, ensuring that Union external policy is fully coherent with the objectives of development policy and ensuring synergies with the Union’s development policy and European Neighbourhood Policy. Its purpose is also in line with the Charter of Fundamental Rights of the European Union and international human rights law, which ensures a human rights-based approach while addressing forced displacement and irregular migration. PE-CONS 43/17 ILV/NC/jk 5 DGC 1B EN (8) The EFSD should foster decent job creation, economic opportunities and entrepreneurship, and green and inclusive growth with a particular focus on gender equality and the empowerment of women and young people in line with the Union’s Framework for Gender Equality and Women’s Empowerment: Transforming the Lives of Girls and Women through EU External Relations 2016-2020, while strengthening the rule of law, good governance, human rights and equitable access to, and use of, natural resources. (9) Involvement of the private sector in the Union’s cooperation with partner countries through the EFSD should yield measurable and additional development impact without distorting the market and should be cost-effective based on mutual accountability and risk and cost sharing. Such involvement should build on a commitment to internationally agreed guidelines and principles, including the Principles for Responsible Investment and the UN Guiding Principles on Business and Human Rights and the Organisation for Economic Cooperation and Development’s (OECD) Guidelines for Multinational Enterprises. (10) In order to fulfil the political commitments of the Union on climate action, renewable energy and resource efficiency, a minimum share of 28 % of the financing under the EFSD Guarantee should be devoted to investments relevant for those sectors. (11) Actions under this Regulation should be designed in such a way as to fulfil the criteria for Official Development Assistance (ODA) established by the Development Assistance Committee of the OECD (OECD-DAC), taking into account the specificities of private sector development, to reflect the needs of countries identified as experiencing fragility or conflict, Least Developed Countries (LDCs) and heavily indebted poor countries, and to provide appropriate support to investments in the southern and eastern neighbourhoods. PE-CONS 43/17 ILV/NC/jk 6 DGC 1B EN (12) In the context of the EIP’s second pillar, the Commission should step up assistance in order to help partner countries attract investment by better preparing and promoting projects, developing a higher number of bankable projects and making them known to the international investor community. A project web-portal, in the form of a publicly accessible and user-friendly database, should be established to provide relevant information for each project. (13) In the context of the EIP’s third pillar and the Union’s existing political relations with partner countries, the Commission and the High Representative of the Union for Foreign Affairs and Security Policy (High Representative) should maintain policy dialogues aimed at developing legal frameworks, policies and institutions that promote economic stability, sustainable investment and inclusive growth. Those policy dialogues should cover, inter alia, the fight against corruption, organised crime and illicit financial flows, good governance, the inclusion of local markets, the boosting of entrepreneurship and local business environments, and the respect for human rights and the rule of law, as well as gender-responsive policies. (14) The EFSD should be composed of regional investment platforms, which should be established on the basis of the working methods, procedures and structures of the existing external blending facilities of the Union and which should combine their blending operations and the EFSD Guarantee. The EFSD Guarantee should support financing and investment operations in partner countries in Africa and the European Neighbourhood. PE-CONS 43/17 ILV/NC/jk 7 DGC 1B EN (15) In the light of the findings of the Court of Auditors regarding the use of blending in the Union’s external action, it is essential that blending be used where its added value can clearly be demonstrated. (16) A ***strategic*** board of the EFSD should be created to support the Commission in setting ***strategic*** guidance and overall investment goals, as well as in ensuring an appropriate and diversified geographical and thematic coverage for investment windows. The ***strategic*** board should support overall coordination, complementarity and coherence between the regional investment platforms, between the three pillars of the EIP, between the EIP and the Union’s other efforts on migration and on the implementation of the 2030 Agenda, as well as with the relevant Union external financing instruments and trust funds, and with the external lending mandate operations managed by the EIB, including the EIB’s Economic Resilience Initiative and the ACP Investment Facility, without prejudice to the EIB’s internal governance rules. (17) The ***strategic*** board should be composed of representatives of the Commission and of the High Representative, of all Member States and of the EIB. The European Parliament should have observer status. Contributors, eligible counterparts, partner countries, relevant regional organisations and other stakeholders may be given observer status, where appropriate. The ***strategic*** board should adopt its rules of procedure. The rules of procedure should lay down the framework for the involvement of observers, having regard to their respective statuses and roles. PE-CONS 43/17 ILV/NC/jk 8 DGC 1B EN (18) The Commission and the EIB should conclude an agreement specifying the conditions of their cooperation in the management of the EFSD Guarantee and should present that agreement to the ***strategic*** board. (19) Each regional investment platform should have an operational board, which should draw on the experience of the operational boards of the existing blending facilities. The regional operational boards should provide support to the Commission in the implementation of this Regulation. They should support the Commission in defining and monitoring regional and sectoral investment goals and regional, sectoral and thematic investment windows, formulating opinions on the blending operations and discussing the use of the EFSD Guarantee in line with the investment windows to be set up. (20) It should be ensured that an appropriate level of information is provided to the European Parliament and to the Council with regard to the ***strategic*** orientation of the use of the EFSD Guarantee through the establishment of investment windows. (21) The EFSD should operate as a ʻone-stop-shop’, receiving financing proposals from financial institutions and public or private investors and delivering a wide range of financial support to eligible investments. The EFSD Guarantee should be backed by the EFSD Guarantee Fund. (22) The EFSD should deploy innovative instruments to support investments and involve the private sector, in particular micro, small and medium-sized enterprises. It should also allow European investors and private companies, including micro, small and medium-sized enterprises, to participate more effectively in efforts to achieve sustainable development in partner countries. Bottlenecks and obstacles to investments need to be addressed in this respect. PE-CONS 43/17 ILV/NC/jk 9 DGC 1B EN (23) The EFSD Guarantee should give priority to funding projects which have a high impact on job creation and whose cost-benefit ratio enhances the sustainability of investment. When supporting operations with the EFSD Guarantee, an in-depth ex ante assessment of environmental, financial and social aspects should be carried out. The EFSD Guarantee should not be used to replace government responsibility for providing essential public services. (24) European Union delegations in partner countries should include information about EFSD funding opportunities in their communications targeted at civil society and the general public and contribute to the coherence between the three pillars of the EIP. (25) The EFSD Guarantee should be granted to eligible counterparts for financing and investment operations or guarantee instruments for an initial investment period up to 31 December 2020. (26) In order to provide for flexibility, increase the attractiveness for the private sector and maximise the impact of the investments, it is appropriate to provide for a derogation from the rules related to the methods of implementation of the Union budget, laid down in Regulation (EU, Euratom) No 966/2012 of the European Parliament and of the Council1, by which the eligible counterparts which are bodies governed by private law could also be bodies which are not entrusted with the implementation of a public-private partnership and could also be bodies governed by the private law of a partner country. 1 Regulation (EU, Euratom) No 966/2012 of the European Parliament and of the Council of 25 October 2012 on the financial rules applicable to the general budget of the Union and repealing Council Regulation (EC, Euratom) No 1605/2002 (OJ L 298, 26.10.2012, p. 1). PE-CONS 43/17 ILV/NC/jk 10 DGC 1B EN (27) The Commission should conclude EFSD guarantee agreements with the eligible counterparts setting out the specific provisions under which the EFSD Guarantee is granted to them. Those guarantee agreements should provide the legal basis for adequate risk sharing, thus providing incentives for the eligible counterparts to provide financing, as well as the mechanisms and procedures for potential calls on the EFSD Guarantee. (28) The Union should make available a guarantee of EUR 1 500 000 000 to establish the EFSD Guarantee. Member States and other contributors should be invited to contribute further to support the EFSD Guarantee Fund in the form of cash in the case of Member States and other contributors, or guarantees in the case of Member States, in order to increase the liquidity cushion and thus allow an increase of the total volume of the EFSD Guarantee. Member States, public financial institutions and other contributors should be invited to provide additional funding to the EFSD Guarantee Fund under conditions that should be established in an agreement to be concluded between the Commission on behalf of the Union and the contributor in question. (29) The EFSD Guarantee Fund should be established as a liquidity cushion in the event of a call on the EFSD Guarantee. To reach a level that adequately reflects Union financial liabilities in relation to the EFSD Guarantee, the Union should make available EUR 750 000 000. PE-CONS 43/17 ILV/NC/jk 11 DGC 1B EN (30) In order to increase the impact of the EFSD Guarantee in view of the needs in the regions concerned, Member States and European Free Trade Association (EFTA) countries should have the possibility of providing contributions in the form of a guarantee or cash. (31) As the funds of the European Development Fund (EDF) are to be used for the purposes of the EFSD Guarantee Fund, a minimum of EUR 400 000 000 of EFSD Guarantee coverage should be allocated for investments in partner countries eligible under the 11th EDF1 throughout the implementation period of the EFSD Guarantee. The EFSD Guarantee should only become available when a contribution of EUR 400 000 000 of 11th EDF funds to the EFSD Guarantee Fund has been confirmed. (32) As the funds of the European Neighbourhood Instrument, established by Regulation (EU) No 232/2014 of the European Parliament and of the Council2, are to be used for the purposes of the EFSD Guarantee Fund, a minimum of EUR 100 000 000 of EFSD Guarantee coverage should be allocated for investments in the partner countries in the eastern and southern neighbourhoods throughout the implementation period of the EFSD Guarantee. 1 Internal Agreement between the Representatives of the Governments of the Member States of the European Union, meeting within the Council, on the financing of European Union aid under the multiannual financial framework for the period 2014 to 2020, in accordance with the ACP-EU Partnership Agreement and on the allocation of financial assistance for the Overseas Countries and Territories to which Part Four of the Treaty on the Functioning of the European Union applies (OJ L 210, 6.8.2013, p. 1). 2 Regulation (EU) No 232/2014 of the European Parliament and of the Council of 11 March 2014 establishing a European Neighbourhood Instrument (OJ L 77, 15.3.2014, p. 27). PE-CONS 43/17 ILV/NC/jk 12 DGC 1B EN (33) The Commission should report annually to the European Parliament and to the Council on the financing and investment operations covered by the EFSD Guarantee, with a view to ensuring full accountability to Union citizens and scrutiny and control by the European Parliament and by the Council. The report should be made public in order to allow relevant stakeholders, including civil society, to express their views. The Commission should also report annually to the European Parliament and to the Council on the management of the EFSD Guarantee Fund in order to ensure accountability and transparency. The Commission should also inform the ACP-EU Council of Ministers and the ACP-EU Joint Parliamentary Assembly of the use of EDF funds. (34) In order to ensure the monitoring and accountability of the EFSD and of the EIP, it should be possible for the European Parliament or for the Council to organise hearings as part of a dialogue with the Commission, the High Representative, the EIB and other eligible financial institutions, as well as the private sector and civil society organisations. (35) In order to take into account lessons learned and allow for further evolution of the EFSD, the functioning of the EFSD and the use of the EFSD Guarantee Fund should be evaluated by the Commission and external evaluators and subject to an annual consultation process with relevant stakeholders, including civil society organisations. The application of this Regulation should be evaluated independently in order to assess the level of conformity of the implementation with the legal basis, and to establish the applicability and practicability of this Regulation in the achievement of its objectives. PE-CONS 43/17 ILV/NC/jk 13 DGC 1B EN (36) In order to protect the financial interests of the Union, with a view to establishing whether there has been fraud, corruption, money laundering or any other illegal activity affecting the financial interests of the Union in connection with any financing and investment operations covered by this Regulation, the European Anti-Fraud Office (OLAF) is entitled to carry out investigations in accordance with Council Regulations (EC, Euratom) No 2988/951 and (Euratom, EC) No 2185/962 and Regulation (EU, Euratom) No 883/2013 of the European Parliament and of the Council3. (37) Financing and investment operations supported by the EFSD should adhere to the Union policy on non-cooperative jurisdictions for tax purposes, and updates thereto, as laid down in relevant legal acts of the Union and Council conclusions, in particular the Council Conclusions of 8 November 2016 and the Annex thereto, HAVE ADOPTED THIS REGULATION: 1 Council Regulation (EC, Euratom) No 2988/95 of 18 December 1995 on the protection of the European Communities financial interests (OJ L 312, 23.12.1995, p. 1). 2 Council Regulation (Euratom, EC) No 2185/96 of 11 November 1996 concerning on-the-spot checks and inspections carried out by the Commission in order to protect the European Communities’ financial interests against fraud and other irregularities (OJ L 292, 15.11.1996, p. 2). 3 Regulation (EU, Euratom) No 883/2013 of the European Parliament and of the Council of 11 September 2013 concerning investigations conducted by the European Anti-Fraud Office (OLAF) and repealing Regulation (EC) No 1073/1999 of the European Parliament and of the Council and Council Regulation (Euratom) No 1074/1999 (OJ L 248, 18.9.2013, p. 1). PE-CONS 43/17 ILV/NC/jk 14 DGC 1B EN CHAPTER I INTRODUCTORY PROVISIONS Article 1 Subject matter 1. This Regulation establishes the European Fund for Sustainable Development (EFSD), the EFSD Guarantee and the EFSD Guarantee Fund. 2. For the purposes of paragraph 1 of this Article, this Regulation provides for the Commission, on behalf of the Union, to conclude EFSD guarantee agreements with the eligible counterparts as defined in Article 11. Article 2 Definitions For the purposes of this Regulation, the following definitions apply: (1) ʻregional investment platforms’ means blending facilities in line with point (e) of Article 4(1) of Regulation (EU) No 236/2014 of the European Parliament and of the Council1 and with Article 40 of Council Regulation (EU) 2015/3232 for the contribution from the 11th EDF combined with the granting of the EFSD Guarantee as set out in Article 7; 1 Regulation (EU) No 236/2014 of the European Parliament and of the Council of 11 March 2014 laying down common rules and procedures for the implementation of the Union’s instruments for financing external action (OJ L 77, 15.3.2014, p. 95). 2 Council Regulation (EU) 2015/323 of 2 March 2015 on the financial regulation applicable to the 11th European Development Fund (OJ L 58, 3.3.2015, p. 17). PE-CONS 43/17 ILV/NC/jk 15 DGC 1B EN (2) ʻinvestment window’ means a targeted area for support by the EFSD Guarantee to portfolios of investments in specific regions, countries or sectors and implemented via the regional investment platforms; (3) ʻcontributor’ means a Member State, an international financial institution or a public institution of a Member State, a public agency or other entities contributing in cash grants or in guarantees to the EFSD Guarantee Fund; (4) ʻpartner country’ means a country that is a signatory to the ACP-EU Partnership Agreement, a country that is listed in Annex I to Regulation (EU) No 232/2014, or a country that is eligible for geographic cooperation under Regulation (EU) No 233/2014 of the European Parliament and of the Council1; (5) ʻadditionality’ means the principle ensuring that the EFSD Guarantee support contributes to sustainable development by operations which could not have been carried out without the EFSD Guarantee, or which achieve positive results above and beyond what could have been achieved without it. Additionality also means crowding in private sector funding and addressing market failures or sub-optimal investment situations as well as improving the quality, sustainability, impact or scale of an investment. The principle also ensures that EFSD Guarantee operations do not replace the support of a Member State, private funding or another Union or international financial ***intervention***, and avoid crowding out other public or private investments. Projects supported by the EFSD Guarantee typically have a higher risk profile than the portfolio of investments supported by the eligible counterparts under their normal investment policies without the EFSD Guarantee. 1 Regulation (EU) No 233/2014 of the European Parliament and of the Council of 11 March 2014 establishing a financing instrument for development cooperation for the period 2014-2020 (OJ L 77, 15.3.2014, p. 44). PE-CONS 43/17 ILV/NC/jk 16 DGC 1B EN CHAPTER II EUROPEAN FUND FOR SUSTAINABLE DEVELOPMENT Article 3 Purpose 1. The purpose of the EFSD as an integrated financial package, supplying financing capacity in the form of grants, guarantees and other financial instruments to eligible counterparts, shall be to support investments and increased access to financing, primarily in Africa and the European Neighbourhood, in order to foster sustainable and inclusive economic and social development and promote the socio-economic resilience of partner countries, including, where appropriate, in the context of the European Neighbourhood Policy and the New Partnership Framework with third countries under the European Agenda on Migration, with a particular focus on sustainable and inclusive growth, on the creation of decent jobs, on gender equality and the empowerment of women and young people, and on socio-economic sectors and micro, small and medium-sized enterprises, while maximising additionality, delivering innovative products and crowding in private sector funds. PE-CONS 43/17 ILV/NC/jk 17 DGC 1B EN 2. The EFSD shall be guided by the objectives of the Union’s external action as set out in Article 21 TEU and of Union policy in the field of development cooperation as set out in Article 208 TFEU and the internationally agreed development effectiveness principles. The EFSD shall contribute to the achievement of the Sustainable Development Goals of the 2030 Agenda, in particular poverty eradication, and, where appropriate, to the implementation of the European Neighbourhood Policy, thus addressing specific socio-economic root causes of migration and fostering sustainable reintegration of migrants returning to their countries of origin, and strengthening transit and host communities. 3. The EFSD shall contribute to the implementation of the Paris Agreement by also targeting investments to sectors that advance climate change mitigation and adaptation. 4. The EFSD shall be consistent with the objectives set out in the external financing instruments established by Regulations (EU) No 232/2014, (EU) No 233/2014 and (EU) 2015/323 and with the priorities contained in national or regional ***programmes*** and strategy papers, where available. PE-CONS 43/17 ILV/NC/jk 18 DGC 1B EN Article 4 Structure of the EFSD 1. The EFSD shall be composed of regional investment platforms established on the basis of the working methods, procedures and structures of the existing external blending facilities of the Union, which shall combine their blending operations and EFSD Guarantee operations. 2. The management of the EFSD shall be ensured by the Commission. The Commission shall work in close cooperation with the EIB, supported by other eligible counterparts, as regards the operational management of the EFSD Guarantee. To that end, a technical assessment group on the EFSD Guarantee shall be established. Article 5 ***Strategic*** board of the EFSD 1. In the management of the EFSD the Commission shall be advised by a ***strategic*** board. 2. The ***strategic*** board shall advise the Commission on the ***strategic*** orientation and priorities of EFSD Guarantee investments and contribute to their alignment with the guiding principles and objectives of the Union’s external action, development policy and European Neighbourhood Policy, as well as with the purpose of the EFSD as set out in Article 3. It shall also support the Commission in setting overall investment goals as regards the use of the EFSD Guarantee and monitor an appropriate and diversified geographical and thematic coverage for investment windows, while giving special attention to countries identified as experiencing fragility or conflict, LDCs and heavily indebted poor countries. PE-CONS 43/17 ILV/NC/jk 19 DGC 1B EN 3. The ***strategic*** board shall also support overall coordination, complementarity and coherence between the regional investment platforms, between the three pillars of the EIP, between the EIP and the Union’s other efforts on migration and on the implementation of the 2030 Agenda, as well as with the relevant Union external financing instruments and trust funds, and with the external lending mandate operations managed by the EIB, including the EIB’s Economic Resilience Initiative, and the ACP Investment Facility, without prejudice to the EIB’s internal governance rules. 4. The ***strategic*** board shall be composed of representatives of the Commission and of the High Representative, of all Member States and of the EIB. The European Parliament shall have observer status. Contributors, eligible counterparts, partner countries, relevant regional organisations and other stakeholders may be given observer status, where appropriate. The ***strategic*** board shall be consulted prior to the inclusion of any new observer. The ***strategic*** board shall be co-chaired by the Commission and the High Representative. 5. The ***strategic*** board shall meet at least twice a year and, when possible, adopt opinions by consensus. Additional meetings may be organised at any time by the chair or at the request of one third of its members. Where consensus cannot be reached, the voting rights as agreed during the first meeting of the ***strategic*** board and laid down in its rules of procedure shall apply. Those voting rights shall take due account of the source of financing. The rules of procedure shall set out the framework regarding the role of observers. The minutes and agendas of the meetings of the ***strategic*** board shall, following their adoption, be made public. PE-CONS 43/17 ILV/NC/jk 20 DGC 1B EN 6. The Commission shall report annually to the ***strategic*** board about the progress made in respect of the implementation of the EFSD. The ***strategic*** board shall regularly organise a consultation of relevant stakeholders on the ***strategic*** orientation and implementation of the EFSD. 7. During the implementation period of the EFSD, the ***strategic*** board shall, as soon as possible, adopt and publish guidelines setting out how conformity of EFSD operations with the objectives and eligibility criteria set out in Article 9 is to be ensured. 8. In its ***strategic*** guidance, the ***strategic*** board shall take due account of relevant European Parliament resolutions and Council decisions and conclusions. Article 6 Regional operational boards Each regional investment platform shall have an operational board. Regional operational boards shall support the Commission at the implementation level in defining regional and sectoral investment goals and regional, sectoral and thematic investment windows and shall formulate opinions on blending operations and on the use of the EFSD Guarantee. PE-CONS 43/17 ILV/NC/jk 21 DGC 1B EN CHAPTER III EFSD GUARANTEE AND EFSD GUARANTEE FUND Article 7 The EFSD Guarantee 1. The Union shall, after careful consideration of the viability of a project, provide an irrevocable and unconditional guarantee on first demand to the eligible counterpart for the financing and investment operations covered by this Regulation. 2. The EFSD Guarantee shall support financing and investment operations in partner countries in Africa and the European Neighbourhood. 3. The EFSD Guarantee shall be granted as a guarantee on first demand in respect of the instruments referred to in Article 10 and in compliance with the eligibility criteria set out in Article 9. Article 8 Requirements for the use of the EFSD Guarantee 1. The granting of the EFSD Guarantee shall be subject to the conclusion of the respective EFSD guarantee agreement between the Commission on behalf of the Union and the eligible counte

rpart. PE-CONS 43/17 ILV/NC/jk 22 DGC 1B EN 2. The investment period during which the EFSD guarantee agreements for supporting financing and investment operations can be concluded with the eligible counterparts shall last until 31 December 2020. 3. The maximum period allowed for eligible counterparts to conclude agreements with co-financing private sector partners, financial intermediaries or final beneficiaries shall be four years after the conclusion of the relevant EFSD guarantee agreement. Article 9 Eligibility criteria for the use of the EFSD Guarantee 1. The financing and investment operations eligible for support through the EFSD Guarantee in accordance with the purpose of the EFSD set out in Article 3 shall be consistent and aligned with Union policies, in particular the Union’s development policy and European Neighbourhood Policy, as well as with the partner countries’ strategies and policies. Such operations shall take into account other Union and international support to ensure complementarity with other initiatives and shall support the following objectives: (a) contributing to sustainable development in its economic, social and environmental dimensions, and to the implementation of the 2030 Agenda and, where appropriate, the European Neighbourhood Policy, with a particular focus on the eradication of poverty, the creation of decent jobs, economic opportunities, skills and entrepreneurship, promoting in particular gender equality and the empowerment of women and young people, while pursuing and strengthening the rule of law, good governance and human rights; PE-CONS 43/17 ILV/NC/jk 23 DGC 1B EN (b) contributing to the implementation of the Union’s migration policy, including, where appropriate, the New Partnership Framework with third countries under the European Agenda on Migration; (c) contributing, by promoting sustainable development, to addressing specific root causes of migration, including irregular migration, as well as fostering the resilience of transit and host communities, and contributing to the sustainable reintegration of migrants returning to their countries of origin, with due regard to the strengthening of the rule of law, good governance and human rights; (d) strengthening socio-economic sectors and areas and related public and private infrastructure, including renewable and sustainable energy, water and waste management, transport, information and communications technologies, as well as environment, sustainable use of natural resources, sustainable ***agriculture*** and blue growth, social infrastructure, health, and human capital, in order to improve the socio-economic environment; (e) providing finance and support to private and cooperative sector development, with a particular focus on local companies and micro, small and medium-sized enterprises, while addressing market failures, limiting market distortions and encouraging the contribution of European companies to the EFSD objectives; (f) addressing bottlenecks to private investments by providing financial instruments, which may be denominated in the local currency of the partner country concerned, including first loss guarantees to portfolios, guarantees to private sector projects such as loan guarantees for small and medium-sized enterprises, and guarantees for specific risks for infrastructure projects and other risk capital; PE-CONS 43/17 ILV/NC/jk 24 DGC 1B EN (g) leveraging private sector financing, with a particular focus on micro, small and medium-sized enterprises, by addressing bottlenecks and obstacles to investment; (h) contributing to climate action and environmental protection and management, thus ***producing*** climate co-benefits, allocating at least 28 % of the financing to investments that contribute to climate action, renewable energy and resource efficiency. 2. The EFSD Guarantee shall support financing and investment operations which address market failures or sub-optimal investment situations and which: (a) provide additionality; (b) ensure complementarity with other initiatives, making sure that EFSD Guarantee operations are clearly distinct, in particular from the external lending mandate operations managed by the EIB; (c) ensure alignment of interest by providing adequate risk sharing by the respective eligible counterpart and other prospective partners; (d) are economically and financially viable, with due regard to the possible support from, and co-financing by, private and public partners to the project, while taking into account the specific operating environment and capacities of countries identified as experiencing fragility or conflict, LDCs and heavily indebted poor countries where more concessional terms can be given; PE-CONS 43/17 ILV/NC/jk 25 DGC 1B EN (e) are technically viable and are sustainable from an environmental and social point of view; (f) maximise, where possible, the mobilisation of private sector capital; (g) respect the development effectiveness principles as set out in the Busan Partnership for Effective Development Cooperation and reaffirmed in Nairobi in 2016, including ownership, alignment, focus on results, transparency and mutual accountability, as well as the objective of untying aid; (h) are designed so as to fulfil the criteria for ODA established by the OECD-DAC, taking into account the specificities of private sector development; and (i) are implemented with full respect for internationally agreed guidelines, principles and conventions, including the Principles for Responsible Investment, UN Guiding Principles on Business and Human Rights, OECD Guidelines for Multinational Enterprises, the UN Food and ***Agriculture*** Organization’s Principles for Responsible Investment in ***Agriculture*** and Food Systems, and International Labour Organization conventions, as well as international human rights law. 3. Financing and investment operations may combine, on a case-by-case basis, financing from different Union instruments to the extent that it is needed for the success of the investment project backed by the EFSD and as long as this does not lead to reduced financing for other developmental objectives. PE-CONS 43/17 ILV/NC/jk 26 DGC 1B EN 4. Taking due account of the advice provided by the ***strategic*** board, the Commission shall, after consulting the operational boards and informing the European Parliament and the Council, set up investment windows for specific regions, specific partner countries, or both, for specific sectors, or for specific projects, specific categories of final beneficiaries, or both to be funded by instruments referred to in Article 10 to be covered by the EFSD Guarantee up to a fixed amount. The information provided by the Commission to the European Parliament and to the Council shall specify how the investment windows are aligned with the requirements set out in Article 3 and this Article and their detailed funding priorities. The EIB should provide a written opinion on banking related matters to accompany each proposal for investment windows. All requests for financial support within investment windows shall be made to the Commission. The choice of investment windows shall be duly justified by an analysis of the market failure or sub-optimal investment situations. Such analysis shall be carried out by the Commission in cooperation with potentially eligible counterparts and stakeholders. Within the Africa Investment Platform, a significant share of the EFSD Guarantee shall be allocated to fragile and conflict-affected countries, landlocked countries and LDCs. 5. The Commission shall assess the operations supported by the EFSD Guarantee against the eligibility criteria set out in paragraphs 1 and 2, where possible drawing on the existing result measurement systems of eligible counterparts. The Commission shall publish the result of its assessment for each investment window on an annual basis. PE-CONS 43/17 ILV/NC/jk 27 DGC 1B EN Article 10 Eligible instruments for the EFSD Guarantee 1. The EFSD Guarantee shall be used to cover the risks for the following instruments: (a) loans, including local currency loans; (b) guarantees; (c) counter-guarantees; (d) capital market instruments; (e) any other form of funding or credit enhancement, insurance, and equity or quasi-equity participations. 2. Eligible counterparts may provide the instruments listed in paragraph 1 under an investment window or individual project administered by an eligible counterpart. They may be provided for the benefit of partner countries, including countries experiencing fragility or conflict or countries facing challenges in reconstruction and post-conflict recovery, for the benefit of those partner countries’ institutions, including their public national and private local banks and financial institutions, as well as for the benefit of private sector entities of those partner countries. In countries experiencing fragility or conflict, and other countries, where justified, support may be provided to public sector investments that have relevant effects on private sector development. PE-CONS 43/17 ILV/NC/jk 28 DGC 1B EN Article 11 Eligibility and selection of counterparts 1. The eligible counterparts for the purposes of the EFSD Guarantee shall be: (a) the EIB and the European Investment Fund; (b) public law bodies; (c) international organisations and their agencies; (d) bodies governed by private law with a public service mission to the extent that they provide adequate financial guarantees; (e) bodies governed by the private law of a Member State that provide adequate financial guarantees, by way of derogation from point (vii) of point (c) of Article 58(1) of Regulation (EU, Euratom) No 966/2012; (f) bodies governed by the private law of a partner country that provide adequate financial guarantees, by way of derogation from point (vii) of point (c) of Article 58(1) of Regulation (EU, Euratom) No 966/2012. PE-CONS 43/17 ILV/NC/jk 29 DGC 1B EN 2. Eligible counterparts shall comply with the rules and conditions provided for in Article 60 of Regulation (EU, Euratom) No 966/2012. In the case of bodies governed by the private law of a Member State or a partner country, preference shall be given to those bodies that disclose information related to environment, social and corporate governance criteria. The EFSD Guarantee shall be implemented whenever possible under the lead of a European eligible counterpart in line with the criteria set out in this Regulation. The Commission shall ensure an effective, efficient and fair use of available resources among eligible counterparts, while promoting cooperation between them. The Commission shall ensure fair treatment for all eligible counterparts and shall ensure that conflicts of interest are avoided throughout the implementation period of the EFSD. In order to ensure complementarity, the Commission may request any relevant information from eligible counterparts about their non-EFSD operations. 3. The Commission shall select the eligible counterparts pursuant to Article 61 of Regulation (EU, Euratom) No 966/2012. 4. The European Parliament or the Council may invite eligible counterparts to an exchange of views concerning financing and investment operations covered by this Regulation. PE-CONS 43/17 ILV/NC/jk 30 DGC 1B EN Article 12 Coverage and terms of the EFSD Guarantee 1. Without prejudice to paragraph 2, the EFSD Guarantee shall not, at any time, exceed EUR 1 500 000 000. 2. Member States and EFTA countries may contribute to the EFSD Guarantee Fund in the form of guarantees or cash. Subject to the opinion of the ***strategic*** board and approval by the Commission, other contributors may contribute in the form of cash. The Commission shall inform the European Parliament and the Council without delay of the contributions confirmed. The amount of the EFSD Guarantee exceeding the amount indicated in paragraph 1 shall be granted on behalf of the Union. Aggregate net payments from the general budget of the Union under the EFSD Guarantee shall not exceed EUR 1 500 000 000. Without prejudice to paragraph 4, payments for guarantee calls shall be made, where necessary, by the contributing Member States or other contributors on pari passu basis with the Union. A contribution agreement shall be concluded between the Commission, on behalf of the Union, and the contributor, and shall contain, in particular, provisions concerning the payment conditions. PE-CONS 43/17 ILV/NC/jk 31 DGC 1B EN 3. The EFSD Guarantee shall only become available when a contribution in cash of EUR 400 000 000 from the 11th EDF to the general budget of the Union has been confirmed. 4. The contributions made by the Member States in the form of a guarantee may only be called for payments of guarantee calls after the funding from the general budget of the Union increased by any other cash contributions has been used on payments of guarantee calls. At the request of the Member States in the ***strategic*** board, their contributions may be earmarked for the initiation of projects in specific regions, countries, sectors or existing investment windows. Any contribution may be used to cover guarantee calls regardless of earmarking. 5. At least EUR 400 000 000 of EFSD Guarantee coverage shall be allocated for investments in the partner countries eligible under the 11th EDF throughout the implementation period of the EFSD Guarantee, in line with the objectives of the ACP-EU Partnership Agreement. 6. At least EUR 100 000 000 of EFSD Guarantee coverage shall be allocated for investments in the partner countries in the eastern and southern neighbourhoods, in accordance with Regulation (EU) No 232/2014. PE-CONS 43/17 ILV/NC/jk 32 DGC 1B EN Article 13 Implementation of EFSD guarantee agreements 1. The Commission, on behalf of the Union, shall conclude EFSD guarantee agreements with the eligible counterparts selected pursuant to Article 11 and paragraph 4 of this Article on the granting of the EFSD Guarantee, which shall be unconditional, irrevocable, at first demand, and in favour of the selected eligible counterpart. 2. One or more EFSD guarantee agreements shall be concluded for each investment window between the Commission and the eligible counterpart or eligible counterparts selected. In order to address specific needs, the EFSD Guarantee may be granted for individual financing or investment operations. Agreements may be concluded with a consortium of two or more eligible counterparts. All EFSD guarantee agreements shall, upon request, be made available to the European Parliament and to the Council, taking into account the protection of confidential and commercially sensitive information. 3. EFSD guarantee agreements shall contain, in particular, provisions concerning the following: (a) detailed rules on the provision of the EFSD Guarantee, including its arrangements on the coverage and its defined coverage of portfolios and of projects of specific types of instruments, as well as a risk analysis of projects and project portfolios, including at sectoral, regional and national levels; PE-CONS 43/17 ILV/NC/jk 33 DGC 1B EN (b) the objectives and purpose of this Regulation, a needs assessment and an indication of the expected results, taking into account the promotion of corporate social responsibility and responsible business conduct, including, in particular, by respect for the internationally agreed guidelines, principles and legal instruments referred to in point (i) of Article 9(2); (c) the remuneration of the guarantee, which is to reflect the risk level, and the possibility for the remuneration to be partly subsidised in order to give more concessional terms in duly justified cases, in particular in the countries referred to in point (d) of Article 9(2); (d) requirements for the use of the EFSD Guarantee, including payment conditions, such as specific time frames, interest to be paid on due amounts, expenses and recovery costs and possibly necessary liquidity arrangements; (e) claims procedures, including, but not limited to, triggering events and waiting periods, and procedures regarding the recovery of claims; (f) the monitoring, reporting and evaluation obligations pursuant to Articles 16 and 17; (g) clear and accessible complaints procedures for third parties that could be affected by the implementation of projects supported by the EFSD Guarantee. PE-CONS 43/17 ILV/NC/jk 34 DGC 1B EN 4. The Commission, when concluding EFSD guarantee agreements with eligible counterparts, shall take due account of: (a) the advice and guidance of the ***strategic*** and regional operational boards, in accordance with Articles 5 and 6; (b) the objectives of the investment window; (c) the experience and operational, financial and risk management capacity of the eligible counterpart; (d) the amount of own resources, as well as private sector co-financing, that the eligible counterpart is ready to mobilise for the investment window. 5. The eligible counterpart shall approve financing and investment operations following its own rules and procedures and in compliance with the terms of the EFSD guarantee agreement. 6. The EFSD Guarantee may cover: (a) for debt instruments, the principal and all interests and amounts due to the selected eligible counterpart, but not received by it in accordance with the terms of the financing operations after an event of default has occurred; (b) for equity investments, the amounts invested and their associated financing costs; PE-CONS 43/17 ILV/NC/jk 35 DGC 1B EN (c) for other financing and investment operations referred to in Article 9(2), the amounts used and their associated funding costs; (d) all relevant expenses and recovery costs related to an event of default, unless deducted from recovery proceeds. 7. EFSD guarantee agreements shall lay down detailed rules on the cover, requirements, eligibility, eligible counterparts, and procedures. Article 14 The EFSD Guarantee Fund 1. The EFSD Guarantee Fund shall constitute a liquidity cushion from which the eligible counterparts shall be paid in the event of a call on the EFSD Guarantee pursuant to the relevant EFSD guarantee agreement. 2. The EFSD Guarantee Fund shall be endowed by: (a) contributions from the general budget of the Union and other sources; (b) voluntary contributions from Member States and other contributors; (c) returns on invested resources of EFSD Guarantee Fund; (d) amounts recovered from defaulting debtors in accordance with the recovery provisions laid down in EFSD guarantee agreements; (e) revenues and any other payments received by the Union in accordance with EFSD guarantee agreements. PE-CONS 43/17 ILV/NC/jk 36 DGC 1B EN 3. Revenues of the EFSD Guarantee Fund as provided for in points (c) and (e) of paragraph 2 of this Article shall constitute internal assigned revenue in accordance with Article 21(4) of Regulation (EU, Euratom) No 966/2012. 4. The resources of the EFSD Guarantee Fund referred to in paragraph 2 shall be directly managed by the Commission and invested in accordance with the principle of sound financial management following appropriate prudential rules. By 30 June 2019, the Commission shall submit to the European Parliament and to the Council an independent external evaluation of the advantages and disadvantages of entrusting the financial management of the assets of the Guarantee Fund for external actions, as established by the Council Regulation (EC, Euratom) No 480/20091, and of the EFSD to the Commission, to the EIB, or to a combination of the two, taking into account the relevant technical and institutional criteria used in comparing asset management services, including the technical infrastructure, comparison of costs for the services given, institutional set-up, reporting, performance, accountability and expertise of each institution and the other asset management mandates for the general budget of the Union. The evaluation shall be accompanied, where appropriate, by a legislative proposal. 5. Endowments to the EFSD Guarantee Fund shall be used to reach an appropriate level of provisioning to cover the total EFSD Guarantee obligations. The provisioning rate shall be at 50 % of the total EFSD Guarantee obligations covered by the general budget of the Union. 1 Council Regulation (EC, Euratom) No 480/2009 of 25 May 2009 establishing a Guarantee Fund for external actions (OJ L 145, 10.6.2009, p. 10). PE-CONS 43/17 ILV/NC/jk 37 DGC 1B EN 6. Following an assessment of the adequacy of the level of the EFSD Guarantee Fund in accordance with the report provided for under Article 16(3), the following payments shall be made: (a) without prejudice to paragraph 8 of this Article, any surplus shall be paid to the general budget of the Union; (b) any replenishment of the EFSD Guarantee Fund shall be paid in annual tranches over a maximum period of three years starting from year n+1. 7. From 1 January 2021, if, as a result of calls on the EFSD Guarantee, the level of resources in the Guarantee Fund falls below 50 % of the provisioning rate referred to in paragraph 5, the Commission shall submit a report on: (a) the cause of the shortfall, with detailed explanations; and (b) where deemed necessary, any exceptional measures that may be required to replenish the EFSD Guarantee Fund. 8. After a call on the EFSD Guarantee, endowments to the EFSD Guarantee Fund provided for in points (c), (d) and (e) of paragraph 2 of this Article exceeding the resources necessary to reach the provisioning rate at the level referred to in paragraph 5 of this Article or any surplus provided for in point (a) of paragraph 6 of this Article shall first be used within the limits of the maximum period provided for in Article 8(3) to restore the EFSD Guarantee up to its initial amount. PE-CONS 43/17 ILV/NC/jk 38 DGC 1B EN Article 15 Funding of the EFSD Guarantee Fund from the general budget of the Union A contribution of EUR 350 000 000 shall be provided by the general budget of the Union. CHAPTER IV REPORTING, ACCOUNTING AND EVALUATION Article 16 Reporting and accounting 1. The Commission shall submit an annual report to the European Parliament and to the Council on the financing and investment operations covered by the EFSD Guarantee. That report shall be made public. It shall include the following elements: (a) an assessment of the results contributing to the purpose and objectives of the EFSD as set out in Article 3 and Article 9(1) and (2), respectively; (b) an assessment of the financing and investment operations in operation and covered by the EFSD Guarantee at sector, country and regional levels and their compliance with this Regulation, including the risk measures and their impact on the financial and economic stability of the partners; PE-CONS 43/17 ILV/NC/jk 39 DGC 1B EN (c) an assessment, on the basis of indicators in line with Article 9(5), of the additionality and added value, the mobilisation of private sector resources, the estimated and actual outputs and the outcomes and impact of the financing and investment operations covered by the EFSD Guarantee on an aggregated basis, including the impact on decent job creation, the eradication of poverty and on the way in which the root causes of migration, including irregular migration, are addressed; that assessment shall include a gender analysis of the operations covered based on evidence and data broken down by gender, where possible; (d) an assessment of the compliance with the requirements concerning the use of the EFSD Guarantee and of the achievement of key performance indicators established for each proposal submitted; (e) an assessment of the leverage effect achieved by the operations covered by the EFSD Guarantee; (f) the financial amount transferred to beneficiaries and an assessment of financing and investment operations by each eligible counterpart on an aggregated basis; (g) an assessment of the additionality and added value of financing and investment operations of the eligible counterparts, and of the aggregate risk associated with those operations; (h) detailed information on calls on the EFSD Guarantee, losses, returns, amounts recovered and any other payments received, as well as overall risk exposure; PE-CONS 43/17 ILV/NC/jk 40 DGC 1B EN (i) the financial reports on financing and investment operations of the eligible counterparts covered by this Regulation, audited by an independent external auditor; (j) an assessment of the synergies and complementarity between operations covered by the EFSD Guarantee and the second and third pillars of the EIP based on relevant existing reports, with particular regard to progress made on good governance, including in the fight against corruption and illicit financial flows, respect for human rights, the rule of law and gender-responsive policies, as well as the boosting of entrepreneurship, the local business environment and local financial markets; (k) an assessment of the compliance of EFSD Guarantee operations with the internationally agreed development effectiveness principles; (l) an assessment of the remuneration of the guarantees and of the implementation of Article 22. 2. For the purposes of the Commission’s accounting, its reporting of the risks covered by the EFSD Guarantee and its management of the EFSD Guarantee Fund, the eligible counterparts with which an EFSD guarantee agreement has been concluded shall provide the Commission and the Court of Auditors annually with the financial reports on financing and investment operations covered by this Regulation, audited by an independent external auditor, containing, inter alia, information on: (a) the risk assessment of financing and investment operations of the eligible counterparts, including information on Union liabilities measured in compliance with the accounting rules of the Union set by the accounting officer of the Commission based on the internationally accepted accounting standards for the public sector; PE-CONS 43/17 ILV/NC/jk 41 DGC 1B EN (b) the outstanding financial obligation for the Union arising from the EFSD Guarantee provided to the eligible counterparts and their financing and investment operations, broken down by individual operations. The eligible counterparts shall, upon request, provide the Commission with any additional information necessary to fulfil the Commission’s obligations in relation to this Regulation. 3. By 31 March of each year, the Commission shall submit to the European Parliament, to the Council and to the Court of Auditors, in the context of the financial statements of the Commission, the required information on the situation of the EFSD Guarantee Fund. In addition, it shall, by 31 May of each year, submit to the European Parliament, to the Council and to the Court of Auditors a report on the management of the EFSD Guarantee Fund in the previous calendar year, including an assessment of the adequacy of the provisioning and the level of the EFSD Guarantee Fund and of the need for its replenishment. The report referred to in the first subparagraph shall contain the presentation of the financial position of the EFSD Guarantee Fund at the end of the previous calendar year, the financial flows during the previous calendar year as well as the significant transactions and any relevant information on the financial accounts. The report shall also include information about the financial management, the performance, and the risk of the EFSD Guarantee Fund at the end of the previous calendar year. PE-CONS 43/17 ILV/NC/jk 42 DGC 1B EN Article 17 Evaluation and review 1. By 31 December 2019, the Commission shall evaluate the initial functioning of the EFSD, its management and its effective contribution to the purpose and objectives of this Regulation. The Commission shall submit its evaluation report to the European Parliament and to the Council, containing an independent external evaluation of the application of this Regulation, and accompanied by a reasoned proposal to amend this Regulation, as appropriate, in particular with a view to extending the initial investment period referred to in Article 8(2). That evaluation report shall be accompanied by an opinion of the Court of Auditors. 2. By 31 December 2019 and every three years thereafter, the Commission shall evaluate the use and the functioning of the EFSD Guarantee Fund. The Commission shall submit its evaluation report to the European Parliament and to the Council. That evaluation report shall be accompanied by an opinion of the Court of Auditors. PE-CONS 43/17 ILV/NC/jk 43 DGC 1B EN CHAPTER V GENERAL PROVISIONS Article 18 Transparency, communication, and public disclosure of information 1. In accordance with their transparency policies and Union rules on data protection and on access to documents and information, the eligible counterparts shall proactively and systematically make publicly available on their websites information relating to all financing and investment operations covered by the EFSD Guarantee under this Regulation, relating in particular to the manner in which those operations contribute to the achievement of the objectives and requirements of this Regulation. Where possible, such information shall be broken down at project level. Such information shall always take into account the protection of confidential and commercially sensitive information. 2. The Commission shall publish on its web-portal information on financing and investment operations and the essential elements of all EFSD guarantee agreements, including information on the legal identity of eligible counterparts, expected development benefits and complaints procedures in accordance with point (g) of Article 13(3), taking into account the protection of confidential and commercially sensitive information. PE-CONS 43/17 ILV/NC/jk 44 DGC 1B EN 3. Eligible counterparts shall publicise Union support in all information which they publish on financing and investment operations covered by the EFSD Guarantee in accordance with this Regulation. 4. European Union delegations shall include information about funding opportunities provided by the EFSD in their communication targeted at civil society and the general public. Article 19 Grievance and redress mechanism In view of possible grievances of third parties in partner countries, including communities and individuals affected by projects supported by the EFSD Guarantee, the Commission and European Union delegations shall publish on their websites direct references to the complaints mechanisms of the relevant counterparts that have concluded agreements with the Commission. The Commission shall also provide the possibility of directly receiving complaints related to the treatment of grievances by eligible counterparts. The Commission shall take that information into account in view of future cooperation with those counterparts. PE-CONS 43/17 ILV/NC/jk 45 DGC 1B EN Article 20 Auditing by the Court of Auditors 1. The external audit of the activities undertaken in accordance with this Regulation shall be carried out by the Court of Auditors in accordance with Article 287 of the TFEU and those activities are thus subject to the discharge procedure in accordance with Article 319 TFEU. 2. For the purpose of paragraph 1 of this Article, the Court of Auditors shall, at its request and in accordance with Article 287(3) TFEU, be granted access to any document or information necessary to carry out its auditing tasks. Article 21 Anti-fraud measures 1. The Commission or the eligible counterparts shall immediately notify OLAF when, at any stage of the preparation, implementation or closure of financing and investment operations covered by this Regulation, it has or they have grounds for suspecting fraud, corruption, money laundering or any other illegal activity that may affect the financial interests of the Union. The Commission or the eligible counterparts shall provide OLAF with all necessary information to enable it to carry out a full and thorough investigation. PE-CONS 43/17 ILV/NC/jk 46 DGC 1B EN 2. OLAF may carry out investigations, including on-the-spot checks and inspections, in accordance with the provisions and procedures laid down in Regulations (EU, Euratom) No 883/2013, (Euratom, EC) No 2185/96 and (EC, Euratom) No 2988/95 in order to protect the financial interests of the Union, with a view to establishing whether there has been fraud, corruption, money laundering or any other illegal activity affecting the financial interests of the Union in connection with any financing and investment operations covered by this Regulation. OLAF may transmit any information obtained in the course of its investigations to the competent authorities of the Member States concerned. Where such illegal activities are proven, the eligible counterparts shall undertake recovery efforts with respect to their financing and investment operations covered by this Regulation that are concerned by such activities, and shall also provide the relevant authorities with all information needed for investigation and possible prosecution. PE-CONS 43/17 ILV/NC/jk 47 DGC 1B EN Article 22 Excluded activities and non-cooperative jurisdictions 1. In their financing and investment operations, the eligible counterparts shall comply with applicable Union law and agreed international and Union standards and, therefore, shall not support projects under this Regulation that contribute to money laundering, terrorism financing, tax avoidance, tax fraud and tax evasion. In addition, the eligible counterparts shall not enter into new or renewed operations with entities incorporated or established in jurisdictions listed under the relevant Union policy on non-cooperative jurisdictions, or that are identified as high risk third countries pursuant to Article 9(2) of Directive (EU) 2015/849 of the European Parliament and of the Council1, or that do not effectively comply with Union or internationally agreed tax standards on transparency and exchange of information. The eligible counterparts may derogate from this principle only if the project is physically implemented in one of those jurisdictions, and does not present any indication that the relevant operation falls under any of the categories listed in the first subparagraph of this paragraph. When concluding agreements with financial intermediaries, the eligible counterparts shall transpose the requirements referred to in this Article into the relevant agreements and shall request the financial intermediaries to report on their observance. 1 Directive (EU) 2015/849 of the European Parliament and of the Council of 20 May 2015 on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing, amending Regulation (EU) No 648/2012 of the European Parliament and of the Council, and repealing Directive 2005/60/EC of the European Parliament and of the Council and Commission Directive 2006/70/EC (OJ L 141, 5.6.2015, p. 73). PE-CONS 43/17 ILV/NC/jk 48 DGC 1B EN 2. In its financing and investment operations, the eligible counterpart shall apply the principles and standards set out in Union law on the prevention of the use of the financial system for the purpose of money laundering and terrorist financing and in particular Regulation (EU) 2015/847 of the European Parliament and of the Council1 and Directive (EU) 2015/849. The eligible counterparts shall make both direct funding and funding via intermediaries under this Regulation contingent upon the disclosure of beneficial ownership information in accordance with Directive (EU) 2015/849 and publish country-by-country reporting data in accordance with Article 89(1) of Directive 2013/36/EU of the European Parliament and of the Council2. 1 Regulation (EU) 2015/847 of the European Parliament and of the Council of 20 May 2015 on information accompanying transfers of funds and repealing Regulation (EC) No 1781/2006 (OJ L 141, 5.6.2015, p. 1). 2 Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC (OJ L 176, 27.6.2013, p. 338). PE-CONS 43/17 ILV/NC/jk 49 DGC 1B EN CHAPTER VI FINAL PROVISIONS Article 23 Entry into force This Regulation shall enter into force on the day following that of its publication in the Official Journal of the European Union. This Regulation shall be binding in its entirety and directly applicable in all Member States. Done at ..., For the European Parliament For the Council The President The President

**Load-Date:** November 29, 2017

**End of Document**



[***Automated and Electric Vehicles Bill***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5RPP-PDM1-JDG9-Y0GT-00000-00&context=1516831)

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Second Reading

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* Baroness Sugg    Share this contribution   That the Bill be now read a second time.

1. The Parliamentary Under-Secretary of State, Department for Transport (Baroness Sugg) (Con)    Share this contribution My Lords, as announced in the Industrial Strategy last year, automated and electric vehicle technology forms an important part of the “future of mobility” grand challenge. This grand challenge sets out the ambition to create a long-term, ***strategic*** dialogue and partnership between government and industry, and to support sectors that can drive growth in the future. The Bill creates a framework to support automated and electric vehicle technology as it continues to develop and becomes more commonplace in our lives. It will lay the insurance framework as we prepare for fully automated vehicles on our roads, and provides for infrastructure that is easy to use for electric vehicle owners. Along with electrification, automation will make profound changes to our future vehicles and mobility. First, on automated vehicles, it is over 85 years since the UK first introduced compulsory motor insurance for drivers on British roads to protect victims of collisions involving motor vehicles. The advent of a motor insurance framework in the Road Traffic Act 1930 revolutionised the car industry, enabling the mainstream sale of vehicles and changing the way people travelled throughout the country. Today, we face another revolutionary change in how we travel by road, thanks to innovative advances in computing and sensor technology. Vehicle manufacturers are already delivering advanced driver-assistance systems, and in the near future we will see the arrival of vehicles capable of safely driving themselves, at least in some circumstances or situations. Noble Lords may recall our debate in December on last year’s report Connected and Autonomous Vehicles: The Future? from the Lords Science and Technology Committee, which highlighted how automated vehicles could present an enormous opportunity for the UK, flagged some of the challenges and made recommendations to government. I thank the committee, led by my noble friend Lord Selborne, for the helpful and insightful contributions to this exciting field of automotive technology, and I look forward to this discussion continuing through the passage of the Bill. The benefits of this new technology, for both mobility and wider society, have huge potential. The public could have their lives transformed for the better by the introduction of new and innovative mobility solutions. This could be particularly transformative for those who cannot currently drive: for instance, the elderly and people with disabilities that impair them from easily accessing different transport modes. Automated vehicles also have the potential to improve road safety by reducing the influence of human error. In 2016, human error was involved in over 85% of all reported UK road incidents. By automating the driving task, human lives could be saved on our roads. Along with opportunities, there are many challenges in the area of automated vehicles, not least ethical questions and public acceptance of this technology. ​The Government are taking a number of steps to address these wider issues, including carrying out a three-year project with the Law Commission to set out proposals for a long-term regulatory framework for self-driving vehicles and investing in public demonstrations of these vehicles. The Bill that we are discussing today focuses on just a few elements of the Government’s work in this area. To ensure the safe arrival of automated vehicles, we will need a compulsory motor insurance framework that is fit for purpose to support consumers and businesses involved in accidents. The Bill provides that framework. Currently, as the driver’s use of the vehicle, rather than the vehicle itself, is insured, collisions involving automated vehicles that occur when the driver is legitimately disengaged from the driving task may not be covered. Having consulted widely and worked closely with parliamentary colleagues, the automotive industry and the insurance industry, the Government are creating a new compulsory insurance framework within the Bill that covers motorists both when they are driving and when the driver has legitimately handed control to the vehicle. This framework will place a first-instance liability on insurers so that they can pay out to victims and, where they can, recover costs from the liable party. We will ensure that victims continue to have quick and fair access to compensation by taking steps to align the way that consumers can buy insurance to the way they do now. As the Bill has progressed, we have been reassured of this approach by the support offered by both the insurance and the vehicle manufacturing industries. James Dalton, director of general insurance policy at the Association of British Insurers, has said: “We support the approach the Government has taken in the Bill, as this will give the industry time to prepare for the commercial rollout of fully automated driving technology”. As I said, these measures are part of a broader ***programme*** to ensure that automated technology is developed here and that, once ready, we are prepared to see it deployed on our roads. While we prepare for the advent of fully automated vehicle technology, the Bill also seeks to encourage the use of electric vehicles by expanding and improving the network of charge points and hydrogen refuelling stations for plug-in and fuel cell electric vehicles. It is this Government’s ambition that by 2050 almost every car and van will be zero-emission. This commitment to zero-emission vehicles is technology neutral and should be industry-led but the Government have an important role to play. We are acting now to ensure that the right infrastructure is available right across the UK to meet the needs of current and future electric vehicle drivers. More electric vehicles on our roads will reduce pollution and improve local air quality, as well as deliver economic benefits. One in five battery electric cars sold in Europe in 2016 was made in the UK. As numbers on our roads increase, owners need to be able to drive their vehicles and have confidence that they will be able to easily locate and conveniently access public charging infrastructure if they need to. We are investing nearly £1.5 billion between April 2015 ​and March 2021 to boost the number of electric vehicles on UK roads, and the Bill is a key enabler in delivering the infrastructure to support this. The measures in the Bill will give the Government powers to make it easier for electric vehicle owners to charge their vehicles. To improve the consumer experience of using public charge points, the Bill includes the power to mandate a common method of payment and ensure that they are equipped with certain types of physical connector. This will give consumers confidence that, when they arrive at a public charge point, they will be able to plug in and pay conveniently. The Bill also includes powers to mandate the provision of open data on the location and availability of charge points to a common standard. This will help drivers find charge points quickly and easily when they need to. To ensure the provision of sufficient infrastructure at ***strategic*** sites and overcome fears of range anxiety for anyone undertaking longer journeys, the Bill provides powers to require motorway service areas and large fuel retailers to provide charge points and hydrogen refuelling facilities. The Bill also provides powers to require charge points in the future to be “smart”—that is, they will be able to receive, understand and respond to signals sent by third parties, such as National Grid. The Bill also provides a power to ensure that data transmitted from charge points to specified bodies such as National Grid is not stopped or disrupted so that energy demand can be accurately mapped and addressed. These requirements will enable the flexible management of electricity supply and demand and the ability for electricity networks to balance themselves at times of peak demand. This will also make sure that consumers can take advantage of managing their own charging patterns—for example, charging up when electricity is cheapest and potentially even selling electricity back to the grid at times of peak demand. I fully acknowledge that with both automated and electric vehicles, there are many areas that the Government need to focus on, take action on and invest in. The Bill addresses just some of these issues but, taken together, the measures in it demonstrate the readiness of the UK to be part of this latest transport revolution to deliver easier, cleaner and safer journeys for everyone. The Bill is designed to put the UK on the front foot, ready to take advantage of the social and economic benefits these technologies will bring. I beg to move.
2. Lord Campbell-Savours (Lab)    Share this contribution My Lords, I apologise to the House because my voice is a little frail today, after a rather difficult week. I regret to say that I have mixed feelings over the introduction of the Bill, although I particularly welcome provisions dealing with battery technology. I believe that the moment the industry can claim 450 or 500-mile ranges for vehicles, particularly motor cars—with adequate charging points at home, on the roadside and in commercial areas—the market will take off. However, I see two impediments. First, the price of home-charging units will inevitably go up because the Exchequer will have to compensate for the revenue ​loss on hydrocarbons, particularly taking into account the fact that some people will use their electric vehicles far more regularly than others. We need a little more information about how hydrocarbon revenues will be made up. Also, if home-charging rates are put up, we might get tax evasion—as we have with pink diesel, which has been a major area of tax evasion over the years. Secondly, the introduction of electric vehicles has consequences for west African and Middle Eastern politics: oil-***producing*** countries that are dependent on hydrocarbon production will be in a rather difficult position. I am not opposing it at all, but I am not sure that we have altogether thought through the political consequences for those parts of the world. Although I welcome the provisions on battery usage, I take a very different view on driverless vehicles. From the 2017 Budget report, I understand that the Government want to see some of them on the road by 2021. That worries me. I regard the development of driverless car technology as premature and, in the main, probably unnecessary—a huge black hole down which millions, perhaps billions, of pounds will be lost as promoters increasingly experience regulatory problems, software failure problems, contested legal liability—despite the first-instance arrangements that the Minister referred to—roadside vehicle control technology problems, road pricing arguments, public expenditure or infrastructure constraints, traffic delays leading to congestion and, most of all, driver frustration, which does not appear to have been considered to date. I foresee huge driver frustration with the technology. I am not suggesting that driverless vehicles will never happen; they will come one day, but only after the increasing problem of congestion has been resolved—particularly as every year there are more and more vehicles on our roads— public transport has been hugely improved and there have been developments in as yet unexploited overhead transport systems in inner-city areas. The high-speed agenda currently being pursued is premature. I will take two areas where the Bill seeks to reassure us. On insurance, we had a report from the Science and Technology Committee in February 2017. Paragraphs 54 to 59 of that excellent report are on liability and insurance and describe occasions, “when an accident occurs and the car is in fully autonomous mode. In this case the ‘driver’ is not necessarily liable and liability could lie with the manufacturer of the vehicle”. The report goes on to state that there were, “some remaining issues, particularly around product liability”. That is the understatement of 2017. The whole approach to vehicle liability will turn into a legal nightmare in the end despite the assurances given by the Minister. It is a lawyer’s dream, with different legal jurisdictions internationally drawing up different protocols, law, appeal arrangements and perhaps even immunities. If noble Lords want more evidence of that, we need do no more than examine the provisions in the Bill. Clause 3(2) states: “The insurer or owner of an automated vehicle is not liable under section 2 to the person in charge of the vehicle where the accident that it caused was wholly due to the person’s negligence in allowing the vehicle to begin driving itself when it was not appropriate to do so”.​ “Inappropriate to do so” will be very expensive words, because the lawyers will make a mint out of it. They will love that one. How about this one? “An insurance policy in respect of an automated vehicle may exclude or limit the insurer’s liability … for damage suffered by an insured person arising from an accident occurring as a direct result of …a failure to install safety-critical software updates that the insured person”— once again we are into an area that the lawyers will love— “knows, or ought reasonably to know, are safety critical”. That is also worth a few bob. We will end up in trench warfare between the likes of Microsoft, Tesla, Dyson, Ford, Mitsubishi and the big insurance companies and poor old Joe Bloggs, the innocent man caught in the middle, with 100 cars barping and beeping behind him as he sits at a congested roundabout with two software systems in two separate cars screaming and arguing with each other over who should go first. If the wrong one proceeds and clouts the other, there will be some very angry queueing drivers behind. It will be like a road traffic accident in Italy in the 1950s and 1960s—some noble Lords may recall them. Whenever there was an accident there would be a huge crowd of people surrounding the cars. The reason was of course because there was only third-party insurance and someone was going to pay. That is the kind of argument that I see us getting into. I have another example on software conflict. Clause 2(2)(d) states that: “Where … an accident is caused by an automated vehicle when driving itself”, and, “a person suffers damage as a result of the accident”, the insurer is liable for the damage. But which car’s insurer? I heard insurance companies referred to, but will they stand up at the end of the day? People pay premiums to insurance companies and there comes a point where someone has to take a decision on conditions of software conflict. I ask myself a simple question. Should a vehicle owner who is not driving, an attendant driver, a passenger or any other person be held responsible in law in any way for a software malfunction beyond their knowledge or control that leads to damage to another vehicle or injury to others? By others I mean people in the car allegedly at fault, persons in another vehicle, pedestrians in the street or persons on private property. What about a multiple accident on a motorway? That will be an interesting one for the lawyers. That brings me to the equally important issue of offences under the road traffic Acts. Again, I ask a simple question: who is liable when the software leads the vehicle to drive down a cycle lane, which is punishable in law? Who is liable if the vehicle turns right at a “No right-hand turn” sign, which is punishable; or exceeds the speed limit, which is punishable; passes through a red light, which is punishable; or enters a one-way street the wrong way—punishable? I have no reason to believe that these issues have been sorted out. Finally, I have been referred to case law which is based on a House of Lords decision of 1925: Donoghue v Stevenson, known as the “snail in the bottle” case. It established the civil tort of negligence and obliged manufacturers to observe a duty of care towards ​customers. I should make it clear that I am not a lawyer; I am simply referring to the comments of others. In that decision, it was established that a manufacturer owes a duty to the consumers who it intends to use its products. This arose out of the need for negligence to be dependent on contract. It enforced the concept of a duty between the parties concerned. The lawyers will argue that in the case of the driverless car the software manufacturer, or even the vehicle manufacturer, stands in the front line of responsibility in both accidental damage and injury, and perhaps even in the unimaginable circumstance of road traffic Acts penalty fine payments. As I say, I am most unhappy about this latter part of the Bill. I know that the noble Baroness has given us assurances on first-instance responsibility, but I do not believe that it is going to work, or at least not yet.
3. Lord Borwick (Con)    Share this contribution My Lords, I must first declare my interests in the register as the chairman of the advisory board for the GATEway Project, the Greenwich automated vehicle test project which is running automated pods around the Greenwich peninsula. It is particularly concentrating on the human reactions to automated vehicles. Historically, I was the executive chairman and founder of an engineeringly fascinating but financially disastrous business called Modec, which manufactured and sold 400 pure electric delivery vehicles. We sold them around the world to brave pioneers like UPS, FedEx and Tesco. This was a zero-emission, battery-powered truck where the only emissions of carbon dioxide came from the driver. Alas, the idea came around too early, by at least 15 years, and I had to shut it down, but it did teach me a few things about electric vehicle manufacture—notably, that pioneering is expensive. I first welcomed this Bill as a good step forward, but when I looked at it in detail, I did not think that it had been fully thought through. It seems to be a Bill that says, “Something must be done!”, but it does not really say what is to be done. Take, for instance, the definitions set out in Clause 8 in Part 2 of the Bill. There is a definition for a “hydrogen refuelling point”, but those points are not mentioned anywhere else other than in the definition, nor does the Bill aim to legislate for them, so why are we attempting to define hydrogen refuelling points in this Bill? In fact, one might argue that Part 2 provides powers only to regulate and does not ***produce*** new legislation at all. I am sure that my noble friend the Minister will agree that it is important to get more electric vehicles into the market, not least because of the enormous improvements to air quality that can be delivered as a result. She will no doubt agree that leadership is better than legislation to achieve this. Would she therefore agree to add what pressure she can to the authorities in this noble House to ensure that electrical charging points are installed in our noble car park at the front of the Palace? Should we not install the very same sort of points that we are contemplating requiring large petrol stations to have? Yesterday, I had the privilege of taking a test drive in a new Nissan Leaf, a car that will be made in Sunderland very soon. It can be recharged quickly, ​in about 40 minutes, so you can imagine that during a long journey that will be a chance for the driver to have a welcome cup of tea while the Nissan Leaf is recharging. But in a motorway service station, the restaurant is always some way away from the pumps, for health and safety reasons. Will the regulations contemplated in Part 2 deal with installing the charge points somewhere more convenient to the driver? My noble friend the Minister has mentioned that the Bill is important to achieve the ambition of making the UK a centre of excellence for electric and autonomous vehicles. I share that ambition, but I am not sure that the Bill as presently drafted and without the regulations helps to achieve it. I have quite a few comments about Part 1, specifically about the insurance of automated vehicles. I noticed the word “must” in the first line of Clause 1(1). I do not understand the implications of it. Does it make the Secretary of State liable if he fails to do this task? Why do we have “must” when the more usual “may” would do? The words in Clause 1(1)(a) and (b) are different, in that paragraph (a) defines that the vehicle travels on the roads but paragraph (b) does not. I can imagine an ***agricultural*** tractor driving on the roads manually, but autonomously only in a field. This would fall into both categories, but would not be an autonomous vehicle in most people’s opinion. Similarly, the self-parking function of a vehicle such as a Nissan Leaf might make it fall into both paragraphs (a) and (b), were it not for the qualification in Clause 7. What is the meaning of Clause 7(1)(a), “does not need to be monitored”? In the Bill, it is a phrase used to define autonomous vehicles and whether they are to be included in the list, but in my opinion its meaning is uncertain. Does this mean level 5 in the worldwide accepted standard for autonomous vehicles, those of the SAE, the Society of Automotive Engineers? “Monitored” means different things to different people and is not defined in the Bill. If the Government are unwilling to accept other organisations’ standards, does it mean actually monitored by a driver with a suitable licence, or that it actually needs someone sitting in the driver seat? What does “monitored” mean? Does it include operating the vehicle from a connected iPad, as might be done by a disabled driver in their wheelchair? When I take the tube, there is a lever to pull in cases of emergency. Does this not mean that the carriage is monitored by the passenger? Similarly, with an autonomous vehicle, if there is a button to press that stops or overrides vehicles in cases of emergency—I hope that it does have that—does that not therefore mean that the vehicle is constantly monitored for emergencies? If that is the case, surely the interpretations outlined in Clause 7 mean that there will be no vehicles on the list at all until level 5 vehicles are sold. What does the word “safely” in, “capable … of safely driving themselves”, mean? As this will be used only when there is an accident, will someone argue that the vehicle cannot drive safely if it cannot avoid an accident? I have received an email from the Bill team that explains the need by saying, “A requirement for a vehicle to be capable of driving itself safely is not a requirement for ​it to be incapable of driving itself unsafely”. Could we have a meeting in which the Minister can explain to me slowly—very slowly—the meaning of, “a requirement for it to be incapable of driving itself unsafely”? There is another “must” in Clause 1(3): “The Secretary … must publish the list … each time it is revised”. Is this practical when the Tesla, for example, may have the ability to safely drive itself turned on or off by remote software? When Tesla remotely downloads software, must a new edition of the Secretary’s list be issued? Is my noble friend sure that this is practicable? One of the biggest costs in the insurance industry comes from ignorance, either of the driver or other road users. One of the advantages of autonomous vehicles is in the number of television or LIDAR cameras that they will carry. This trend is already starting with dash cams, but I would like to ensure that the guilty party in a crash does not feel tempted to delete the evidence from their car cameras. More cameras ought to reduce the cost of insurance. Finally, I suggest that the regulation-making clauses should be amended. I have discussed this Bill with lawyers who have suggested that these powers are limited to Part 2 and therefore are relevant only to charging points. Similar powers are needed for the autonomous vehicle industry as they are likely to change faster than the electrical charge points. The focus should be on putting in place legislation which is as agile as it can be. This will enable it to develop, adapt and evolve with the technology that it tries to regulate. It could also help to remove obstacles, clarify grey areas and provide short, medium and long-term solutions which help demonstrate that the UK is a centre of excellence for the future development, testing and commercialisation of CAVs. To summarise, I share the Government’s aim to put the UK at the front of the pack in developing and using these new technologies. The Bill as drafted does not yet help us achieve that ambition, because it merely enables future regulations. I hope that the regulations will help us achieve that ambition. Can my noble friend the Minister give us an indication of when these regulations will be published?
4. Lord Craig of Radley (CB)    Share this contribution My Lords, it is a great pleasure to follow the noble Lord, Lord Borwick, with his incisive critique of many aspects of the Bill. I understand that the Government are keen to be seen to be helpful and supportive of this new technology. The content and thrust of the Bill before the House today amply demonstrate that enthusiasm. It smacks of a “just do it” approach to this topic. I have no wish to be a spoil-sport but I am astonished that almost nothing is said, let alone covered, about safety: that is, road safety. Not one element of the Bill has any realism unless the listed driverless vehicles are known to be safe for use on motorways, on all other major or minor roads up and down the country, on streets and avenues and in other urban settings wherever they may be cleared and allowed to roam. The safety not only of the occupants of the driverless car but of all other road users must be fully considered and regulated.​ There must be negligible probability that they will behave like bumper cars, banging into each other or other vehicles or road users, or striking and damaging property. However, the Bill’s total coverage of this critical issue is limited to, “in the Secretary of State’s opinion”— in Clause 1(1)(b)—and a number of references to “safety-critical software”. It may be that the Secretary of State’s opinion will be that a particular type of vehicle can be used driverlessly only on motorways or dual-carriage highways, or he may have other ways of bracketing or classifying different makes or models of driverless vehicles and where, or where not, they may go. While manufacturers’ undertakings will be an important guide, they surely cannot be the last word. One has but to recall the problems over diesel exhaust emissions to know how to answer that question. How is the Secretary of State to be satisfied that some enthusiastic DIY driverless car maker’s pet construction passes muster for safety—the safety, that is, not only of the occupants of the driverless car but of all other road users? It and all driverless-capable vehicles must be well described and regulated in ways that address the fundamental point of “safe to use”. Surely some MOT coverage of the automatics and its software will be necessary, too, as the vehicle ages. Whatever methods the Secretary of State might use to arrive at their opinion, there must be some clear, publicly transparent criteria that underpin the opinion and manufacturers’ claims. In her letter of 8 February the Minister stated that the, “approval process, which ensures that all”, automated, “vehicles on our roads are safe, is still in its infancy”. She also mentioned discussions with the United Nations Economic Commission for Europe on this topic. But surely we must have our own national standards set out if we wish to be in the vanguard of using this new technology. The repeated use of the phrase “safety-critical software” worries me, too. It is presumably meant to sound reassuring—until we ask how “safety-critical” is defined and who decides. Does it not imply that the vehicle was unsafe before the software update? There are also the so-called ethical and moral issues touched on in debates in the other place. I shall not dwell on them, but of course they will need resolution. Without in any way trying to detract from the purpose of the Bill, I invite the noble Baroness to give some indication or explanation as to how the Government view and will deal with the road safety and ethical aspects of these vehicles and give insurers confidence in the safety performance of the new vehicles that they will be asked to insure. On a perhaps slightly lighter note, I hope that a more user-friendly word or expression than the phrases “driverless vehicle” or the even more legalistic and laborious “automated vehicle when driving itself” might be adopted. Once these vehicles become more than a pipe dream, the public will surely have coined a word. Look how the word “mobile” has been coined for such telephones. Might the now archaic word “autocar”, unhyphenated, first in use in the 1880s, and “autovan”, et cetera, be adopted? Perhaps the Minister might consider this use, with a definition in ​the Bill that resurrects this 19th century word—or suggest another more user-friendly descriptor should the magazine Autocar decide to claim prior rights to the word. While I might have no difficulty sitting back and reading the paper or answering my mobile as my automated vehicle—my autocar—takes me safely along a motorway or major dual carriageway, I doubt that I could feel safe on the many narrow and winding roads I frequently use when at home in Norfolk. Often, when another car approaches and the road is too narrow for both to pass, one courteously backs to a spot where the verge has been sufficiently flattened to allow enough space for the other to squeeze by. Will driverless cars display such courtesy or be able to decide which should reverse? How about roadworks that require vehicles to queue and pass in turn? Will the autocar approaching a stationary queue of cars ahead, waiting for the controlling traffic lights to go from red to green, too far ahead to be visible from the back of the queue, be able to distinguish that back of the queue from a couple or more vehicles parked by the side of the road, or will it erroneously decide to overtake? Getting such autocar decisions wrong would have obvious safety risks. Even if such roadworks are hazard-signed and preregistered on GPS, there are also so-called mobile roadworks, with traffic control being maintained by two individuals with stop and go boards. Could an automatic vehicle cope with that as well, or would such roadworks have to be banned? These are but a couple of examples of my actual road traffic experiences in the past couple of weeks. Until such issues are resolved, the hype about the benefits that autocars will bring to those unable to drive themselves seems wildly premature. To conclude, will the noble Baroness explain the Government’s thinking on their approach to safety in the regulation, approval and use of autocars? I am of course confident that her department will have been giving safety much thought—so, if the noble Baroness prefers, I am happy for her to write to me. With that, I have no other points to raise.
5. Viscount Goschen (Con)    Share this contribution My Lords, I say at the outset that I very much welcome the Bill. The Government are indeed to be commended for making a start—it is really only a start—on the creation of a regulatory framework for the operation of autonomous vehicles and for enhancing the infrastructure to support electric vehicles. I add my usual, somewhat tangential, declaration of interest in that I work for an executive search firm which serves the high-technology and manufacturing sectors, among others. Perhaps the first thing to say is that this is a field which is developing incredibly rapidly and is therefore unbelievably difficult to legislate for with any degree of certainty. We should all understand that while we are not quite ready for the operation of fully autonomous vehicles, what we are discussing is not a pipe dream or science fiction: although it must be considerably refined, the core technology exists now. The challenges are much less about the physical operation of the vehicle and more about the interaction with other ​parties and the regulatory and safety framework that the noble and gallant Lord, Lord Craig, referred to a moment ago. Commercial aircraft have been utilising auto-land and fully automatic control systems for many years, with extremely high levels of reliability and integrity. Of course, they are operating in a highly controlled environment, but in terms of the physical operation of very complex machines in three dimensions, in all weathers and at high speeds, there are no concerns. In the military sphere UAVs are rapidly displacing manned airborne systems. At the other end of the spectrum, even consumer drone technology is quite extraordinarily capable in this regard. I have seen demonstrated one machine costing a few hundred pounds which can fly many kilometres and return to its launch site, avoiding collision with fixed and moving objects, and which is even capable of following a moving vehicle autonomously. These are the guides to the future. We know that on the road real progress has been made in the development of autonomous vehicles, particularly their computing power and sensing capabilities. In some jurisdictions prototypes are even now operating on the roads; that is not without incident, but we should be in no doubt that the industry is moving ahead at great pace. As we have heard, already many cars are supplied with automatic—as opposed to autonomous—systems such as lane assist, park assist and various systems to apply the brakes to prevent collisions on motorways. But these do require oversight from the driver—at least, legally. I suspect that there will be a degree of confusion over what is required of the driver when he or she is operating a vehicle fitted with this type of system. There is an important role for the Government in making drivers aware of their continued responsibility for collision avoidance, no matter how clever their vehicles are, until those vehicles are specified by the Secretary of State in the manner envisaged by the Bill, which is many years off. What is missing now is a regulatory regime to allow the operation of this type of vehicle. As we have heard, it is exceptionally difficult to legislate in this fast-moving technological arena. We can be sure that whatever we envisage in your Lordships’ House this afternoon will be outdated and superseded within just a few years. None the less, that is not an excuse for doing nothing. There is not an option to wait and see what develops. These initiatives are being pursued around the world, so we need to move forward and take the first steps towards creating that framework. Of course, technology does not recognise national boundaries, and if ever there was an area of the law which demanded co-operation with other countries, surely this is it. Whatever happens in our settlement with our European partners over the coming months and years, clearly it is absolutely vital that we pursue a transparent regime that is fully aligned in terms of standards, approaches and interoperability. As I said earlier, we have to start somewhere, and the Government have chosen to prioritise dealing with insurance issues as the best place to start. I can understand the pressure from manufacturers and insurance companies to set the ground rules, and we should recognise that ​the Bill is a creditable and important first step. However, it is only that, and on its own it will achieve very little until we see the other areas of important regulation which will actually facilitate the operation of these vehicles. None the less, it is a start and the Government are to be congratulated on it. The structure for how we approach the broader regulation of AVs is both highly complex and evolving. I think that the boundaries between the regulation of road vehicles and of other forms of automated transport, such as aerial drones, will become increasingly blurred; whether a vehicle travels along the road and whether it leaves it for certain sections remains to be seen. The regulatory, moral and ethical questions are legion, particularly as we are considering not just how machines interact with each other but how they interact with humans as fellow road users and pedestrians, and even with animals. For example, what happens with policemen trying to deal with a fast-moving situation on a motorway—how can they communicate in the way that they do with vehicles that are operated by human drivers? Along with other noble Lords who have spoken this afternoon, I ask my noble friend the Minister to give at least an indication—not in any detail—of the Government’s thinking on how they would approach the broader regulatory environment. Particularly contentious areas will include the certification of the autonomous systems themselves, as we have unique regulations. Our Highway Code in the UK is not the same as that of other countries, so the Government will have to have the capability to evaluate the assumptions and algorithms that lie behind the computing for these highly complex systems. Another area is that of training for human drivers in how they interact with autonomous vehicles. There is that critical lack of eye contact, through which one can gain an understanding of the other driver’s intentions—the noble and gallant Lord, Lord Craig, gave a great example of a driver reversing courteously to prevent a traffic jam. We also need to consider integrity and the protection against hijack, for want of a better term, of these vehicles. The noble Lord, Lord Campbell-Savours, presented a very pessimistic view, if he will allow me. He almost seemed to say that we should not really do anything right now because it is very complicated; indeed it is, but we need to make a good start now. He should be reassured that machines really are very much better at performing many mechanical and computational functions than humans. I suspect that if we were moving from an autonomous environment to allow the manual operation of vehicles, there would be a bigger outcry and the risk might well be higher. The prize is there in terms of road safety and particularly, I suggest, of environmental reduction. On the subject of electric propulsion and that section of the Bill, briefly, it is indisputable that such propulsion has many significant benefits, particularly in environmental factors but also in terms of performance. We are seeing an unstoppable wave of investment and new product development from almost all established automotive manufacturers and from some exciting new entrants. We know the limiting technological factors—battery capacity and the length of time it ​takes to charge the battery—and they are being addressed rapidly. But the Government have their part to play in seeking to address the current charging infrastructure. I suspect that once the electrical vehicle movement gains critical mass, as it almost has now, then commercial imperatives, innovation and the operation of the free market will solve many of the problems that we seek to solve through the rather clunky method of primary legislation. I also suspect that areas of the Bill will become otiose quite quickly. None the less, the Government have a clear role in helping to co-ordinate and align interoperability, nationally and internationally, and to facilitate the provision of greater infrastructure. Finally, I want to say a word about power and the degree to which we take electricity for granted. I direct your Lordships’ attention to a video clip on YouTube that shows the German Olympic cyclist Robert Forstemann, an immensely powerful sprinter, nearly killing himself at maximum effort on a static bicycle connected to a generator. He struggled to maintain 700 watts of output for a number of minutes—the equivalent of climbing a 40-degree incline. His challenge was to ***produce*** enough electricity to toast a single slice of bread; he just about manages that but afterwards was completely shattered and collapsed in agony on the floor. It is a great illustration of how we take for granted the flick of a switch, whereas to move these vehicles around takes enormous reserves of power, which is itself a scarce resource.
6. Lord Berkeley (Lab)    Share this contribution My Lords, like many noble Lords, I also welcome the Bill as an heroic attempt to deal with the challenges. It certainly has not dealt with them all but it is a good start. The complexity is well illustrated in the schedule, which to me demonstrates the need for a comprehensive review of all road traffic legislation. I know we will not get that at the moment; it would be a lawyer’s paradise. But the Minister mentioned some work by the Law Commission, which I found interesting. Its work seems a bit delayed. Five years ago, the Law Commission ***produced*** an excellent report on making level crossings safer not only for trains but for cars, lorries and so on, and we still have not seen any legislation about that. If there is to be legislation, I hope this Bill does not jump the queue. The term “automated vehicles” also applies to railways and shipping, where they are happening. We have not yet heard how you would rescue a ship in the middle of the Atlantic if the whole thing fails, but no doubt we will. I think drones are excluded, but the noble Viscount, Lord Goschen, talked about air. It all comes back to public acceptance. There is already a trucking experiment—probably more than that—going on in Germany. What are called “platoons”—of three trucks, I think—are driving down what I think is a private motorway. I am told that they have even found a way of having two platoons driving together in adjacent lanes and automatically hitching and unhitching the second or third truck with no driver in it between one and the other. I shall not explain where they could have come from, but they would all be going along at the same pace. How you deal with other people who ​want to overtake in a car, goodness knows. That is happening, and one of the failures of the Bill is that it does not take into account the road freight sector, where the challenges are probably different. The results may be different, but it is definitely happening. On the whole, a greater number of professional drivers are driving or controlling them than there possibly are in the private car sector. Clause 1 refers to listing of automated vehicles and their data. I think many noble Lords will have received a briefing from the Association of British Insurers which sums up the problems of insurance very nicely. For me, the most important thing is for the Government to ensure that users of automated vehicles are able to demonstrate that their vehicle was in a fully automated mode to exercise their rights under the legislation. What commitment can the Minister give us that the data confirming the status of the vehicle at the time of a crash will be made available to insurers and the public? I hope the answer is that it will be, because it is fundamental. What happens to pedestrians and cyclists on a road where some of the vehicles may be in automatic mode and some may be being driven by one’s stepmother who cannot drive, has never had a licence and has forgotten how to turn a corner? Then there are many examples that we know of, involving people on scooters and things like that. I worry about the definition of a vehicle driving itself, which the noble Lord, Lord Borwick, mentioned. It may be going along by itself, but it is under the control of somebody. It may be a computer or a human being playing some kind of game of Matchbox cars or something, but somebody is in control. This whole idea of the vehicle driving itself will be a bit of a get-out somehow. The other issue is that if a vehicle is in an automatic mode, I do not believe it can possibly break the law. If it did, like a lot of motorists and truck drivers do today, it is not just about the weight of the vehicle, its speed and whether it has turned right in the wrong place, because that is all recorded, or it should be. We have to accept that everybody will be watched by Big Brother all time and will not disobey the law; otherwise they will presumably have their password removed and will not be able to control the thing any more. There is another question related to that. You get power failures and breakdowns of computers. At some stage, these vehicles will break down, for whatever reason, and one has to find a way of rescuing them and making them go again. As many noble Lords will know, if your computer breaks down, someone—whether it is you, the retailer or someone else—has to try to start it again, and that sometimes takes a long time. That is a question that we need to look at. On charging points, I do not think the needs of the trucking industry have been looked at. There need to be many more such points. In the future, I think most of them will be smart, for the reasons that the Minister and other noble Lords have given. There will be a need to get a quick charge and for your vehicle’s battery to feed back into the grid, if that is thought to be a good idea and it makes money, to get rid of the peaks and troughs.​ It is essential that we have one common socket. That may seem a very small point, but many people drive to the continent—we will still go there after Brexit, I am sure—and many continental cars and vehicles will come here. Let us learn from the horrible divergence of power sockets in Europe at the moment. The Swiss have one, most of the rest of the continent has another and we have a different one again. There are very good reasons for that, but let us try to have one common socket everywhere so that they are completely interchangeable. I think we shall need one socket outside everyone’s property, if they still own a car. I am not convinced that everyone will own cars by then; I think they will hire them when they want to travel, which is another challenge. We must have many more smart charging points, taking into account not just heavy goods vehicles and so on but taxis—Uber, black cabs or whatever we like—because otherwise how will they work when the vehicle works 24 hours a day and they want a very quick charge? I am sure a lot of interesting amendments will come up in Committee and thereafter, but I wish the Bill well. Let us hope we all try to improve it.
7. Lord Lucas (Con)    Share this contribution My Lords, I too welcome the Bill. I hope we will be able to persuade this House and the Government to strengthen it a bit because we need a Bill that is capable of dealing with standards, as many noble Lords have said, and we need to respond to emerging standards fast rather than having to wait for other Bills to come through, because we hope to be at the forefront of development in this area. We hope this is going to be one of our emerging industries. If we have to spend two years putting through primary legislation every time there is a new standard, we are very quickly going to fall off the wave front. As many noble Lords have said, standards will be needed for how vehicles detect each other, how they react, how they resolve conflicts, how they communicate with each other and with the overall structure of what is going on, and indeed how they behave in particular circumstances—when they are not allowed to turn right, how fast they are allowed to go in built-up areas and how they deal with pedestrians and cyclists. This will all have to be covered by standards. Those standards will evolve over time, and we must be in a position to react fast to them. So I really hope the Government will allow us to add to the Bill some powers for them to make regulation in this area. I cannot see how a process of primary legislation is possibly going to allow us to succeed in this area. As the Minister knows, I am a proponent of transforming our extensive slow rail network into a set of dedicated highways for autonomous vehicles, thinking of autonomous vehicles as standard passenger road vehicles. That, to my mind, has enormous advantages. First, it allows us to begin this transformation immediately because we are dealing with dedicated highways. There is no problem with pedestrians. There may be the odd cow—there certainly is round our part of the world—but generally, there are no manually driven vehicles, no pedestrians and nothing to obstruct the dedicated highway. We can use current vehicles, such as the ​Nissan Leaf, and current technology, or certainly that available by the time we get around to making the transformation. It is a low-cost transformation, because essentially the roadbed is there and just requires some relatively inexpensive adaptation. The charging structure is there—it certainly is around us—the third rail is there and you can just use that, because no people are using these highways. Using current technology, you would get a service which was more reliable, because there would be lots of vehicles rather than the occasional train that breaks down, and much more convenient. It would be much easier to deal with things going wrong, because it is easy for a car to steer around a car which has stopped and there is plenty of extra space on a two line railway. We as a nation would quickly get a very large population of autonomous vehicles—much larger than anything happening anywhere else in the world. We could upgrade their facilities as the technology became available, perhaps to allow them to be driven out of the stations and become manual vehicles, perhaps to allow them to trundle back very slowly to the station. You get a system that can evolve because it is big enough to afford to change, not a series of small experiments. We have tens of thousands of such vehicles, so it is much easier for us to make a big industry out of it and to have a voice in evolving it. It gets around all the problems mentioned by the noble Lord, Lord Campbell-Savours: you do not have to deal with them until you have the technology to do so. It would allow us, rather than to be trotting along behind the French, Japanese and, doubtless, the Chinese, to be at the forefront because we would provide the place where such vehicles could be used on a large scale. One feature of that system, and possibly of automated vehicles generally, is that the vehicles would not be owned by individuals but by a much larger organisation—perhaps the railway. That has great advantages, because the whole business of ensuring that a vehicle is up to spec, has the latest software installed and all its parts are working would become the responsibility of a large-scale supplier, which could be made the person liable under the insurance policies if such things were not done. My computer keeps itself up to date with software, but most people let their software get out of date. The idea that all sorts of different versions of software would be trundling around the roads is a nightmare. I do not think that is possible. To make automated vehicles possible, we will need some form of common ownership. We ought to reflect that in the insurance clauses in the Bill. A problem that does not seem to be dealt with is the transfer of control from autonomous to manual. How does the autonomous vehicle, owned by some large corporation, know that the person who wishes to drive it manually is entitled to do so? I want to ensure that the data flows necessary to achieve that will be allowed under the Bill. This is a Bill with great possibilities. I shall certainly propose amendments to widen the Government’s powers, so that they can take on board the sort of developments that I would like and have the powers that I think they will need to govern how vehicles are owned and how ​they operate on our roads. I suspect that the Government, and particularly the Department for Transport, have got used to seeing Southern Rail as an insoluble problem and a complete pain in the fundament—and certainly that is the way in which its passengers view it—but it is not. It is an enormous and wonderful opportunity, which we should seize, and I really hope that I can persuade the Government of that.
8. Lord Birt (CB)    Share this contribution My Lords, it is a pleasure to follow the noble Lord, Lord Lucas, who exhibited his normal entrepreneurial and visionary flair. I have no doubt whatever that, one day, all vehicles will be electrically powered and autonomous and that, as a result, travel by road will be safer, faster and carbon-free. However, this Bill is but a modest, incremental step towards that very distant goal. Electric vehicles are not new. In 1899, a Belgian electric vehicle, “La Jamais Contente”, which looked like a torpedo with a man perched uneasily on the top, was the very first vehicle of any kind, anywhere in the world, to break the 100 kilometres per hour speed barrier. All new cars in the UK will have to be electric by 2040—earlier in some countries. Anyone purchasing a car in or around 2030 will be wary of buying anything other than an EV, because the resale value of a carbon emitter will become so low. So, in a little over 10 years, the rush to buy EVs may well have begun. Currently there are 37 million vehicles in the UK, of which only 140,000 are plug-in electric—and these EVs have access to only 15,000 charge points at the moment. Think how much energy is required to move nearly 40 million heavy metal objects across long distances—the noble Viscount, Lord Goschen, gave us a very vivid illustration of that. Full electric mobility will exactly double our current demand for electricity. Moreover, at the very same time, to meet our carbon targets to which we have all agreed, gas and oil heating will itself be replaced by electric heating and overall demand for electricity will be triple what it is now. EVs will be by far the most power-hungry devices connected to the low-voltage grid, so a massive investment in the local grid will be needed to cope with the huge increase in domestic demand. My first question is: when will the Government ***produce*** a ***plan*** for the transformation of the electricity generation and distribution system to accommodate this tripling of demand—a demand that must be served by non-carbon means? Furthermore, the Government’s thinking on a charging infrastructure for tens of millions of EVs appears to be in its infancy, as the Bill demonstrates. My second question is: when will the Government ***produce*** a strategy for charging to match the scale of the demand that will surely occur? I turn to CAVs, connected and autonomous vehicles—a far less mature technology than EVs. The Secretary of State has said that we shall have, “fully self-driving cars, without a human operator”, on UK roads by 2021. This Bill provides a framework for authorising such vehicles. I have been heavily involved with organisations at the forefront of digital technology for 25 years, including leading global players. I have the most direct experience of the awesome power of these technologies and of their transformative impact. ​However, in every single organisation in which I have worked, digital technology has also often gone wrong. This is an embryonic, still nascent technology. For instance, we cannot get wi-fi to work reliably in the Palace of Westminster. On almost all technology platforms, one piece of software exposes bugs in another. Malign elements at home and abroad penetrate deep into our systems. The notion that we can reach level 5 autonomy by 2021—what the Secretary of State described—is a fantasy. Toyota was the most innovative car maker in the second half of the 21st century. It invented lean manufacturing and ***produced*** reliable vehicles, thus ending the era—an unwelcome part of my youth—of push-starting cars in second gear on cold winter mornings. When the careful, measured CEO of Toyota’s research arm recently said that, “we are not even close”, to level 5, I found it all too easy to believe him. As the noble and gallant Lord, Lord Craig, illustrated brilliantly, how can technology reliably master 100% of the extraordinary complexity of the driving experience, in all circumstances, overnight? In a Renault test, the sensors fogged up and the system tanked. I invite noble Lords to look at the BBC website to see the driverless Nissan in east London. It stops impressively at zebra crossings and traffic lights but it is completely thrown by the—admittedly unusual—sight of a broken-down emergency vehicle with fluorescent flashes being ferried on the back of a trailer with a big blue turn-right sign on the rear. It would have flummoxed me and it certainly flummoxed the driverless car. There have been many crashes of autonomous vehicles in California, not least because the way CAVs currently move confuses human drivers and thus triggers human error. We must be extremely cautious about allowing CAVs on to our roads. It will certainly be a very long time indeed before I will be trying out a CAV on a crowded M6 on a stormy winter evening and risking meeting one of the double platoons of heavy goods vehicles described by the noble Lord, Lord Berkeley. So my third question to the Minister is: how will the licensing system for CAVs work? I simply do not understand it and I suspect other noble Lords do not, either. What criteria will be applied before these vehicles are allowed on our roads? Finally, bold, unevidenced statements appear to be a growing feature of our modern politics on all sides. In recent times Ministers and officials have loudly proclaimed, “We will keep Britain at the forefront of CAV technology”, or, “We are at the front rank of electric vehicle technology”. There are many more such examples. My fourth question to the Minister is: what evidence is there to support these confident claims? I can find none. If you look at the sector analysis, the global leaders of these technologies are, unsurprisingly: GM; Ford, which acquired Argo AI, a collaboration between former Google and Uber executives; Honda, working with Alphabet’s Waymo; and Renault and its partners, including Microsoft. No British names appear in the global tech analysis. I will offer some hard numbers. In the past few days I have looked at patent applications for CAV-related technologies to the end of 2016. US companies had ​10 times, German five times and Japanese 4 times the number of patents applied for by UK-based companies. What evidence does the Minister have to persuade us that the Government’s rhetoric is justified and that we are leaders and not laggards in this important new technology? We must prepare for electric vehicles and we should be alert to the potential of autonomous vehicles, but we need a far bolder vision and ***plan*** for both than we have yet seen from the Government in this Bill.
9. The Earl of Selborne (Con)    Share this contribution My Lords, there is general agreement that this Bill, while modest, is nevertheless an encouraging start. I think it is a start to something far wider than transport and driverless vehicles; I refer particularly to the employment implications of robotics, and of course autonomous vehicles are part of that story. Over the next decade, or probably much longer, the Government will have to deal with a whole succession of issues about how to bring legislation in line with transformative, often disruptive, technologies. We agree that the Bill is a modest start to that. It is easy to look at insurance as a discrete issue and the industry has done some work on that, which I welcome, but I particularly welcome the Government’s recognition that a start has to be made. We should not disguise from ourselves the fact that, if we are to attract inward investment in these essential new technologies to deliver the industrial strategy which was published last year, we need to have legislation, in successive stages, in place to assist the overall policy. We can all speculate about the speed with which these transformative technologies will be introduced. However, as has been pointed out, we have developed autonomous vehicles for shipping, rail and air transport, and discrete vehicles in isolated tracks. The noble Lord, Lord Berkeley, mentioned platooning in Germany. I can see that it would not be very difficult to fence off or bollard off a lane of a motorway and reduce it from four lanes to three or three lanes to two and simply have platooning going down that track. My noble kinsman Lord Lucas has a more adventurous proposal with regard to railway tracks. I am not sure whether I go the full way with him on that, but I would at least like to see some of Dr Beeching’s tracks restored in that way, even though cyclists might object. We can say with absolute certainty that, with the advent of robotics, existing jobs in many sectors will disappear—in the transport sector, drivers will, of course, disappear—as they always do when transformative technologies are introduced. The secret is to try to ensure that we get the required inward investment. It does not have to be UK companies that are developed, although it would be good if that were the case, but we have to make ourselves fit for purpose in terms of inward investment. What will make companies from around the world choose the United Kingdom as the preferred place for investment? I suggest that, first and foremost, it is our science and engineering base and skilled workforce. It is certainly helpful to companies to have a research infrastructure which will advance their cause. Many of the companies involved in this area are not necessarily ​existing car manufacturers but new entrants—for example, computer companies. They will certainly wish to work closely with university groups leading the field in this highly fast-moving area. Therefore, we must make sure that we promote our national research base. Above all, we need to deal with an issue that we have discussed many times in this House—namely, the skills gap and the shortage of qualified engineers in this extremely fast-moving area. Again, I refer not just to autonomous vehicles but to robotics as a whole. We also have to ensure, as several noble Lords said, that we are around the table setting the international standards. It would be disastrous if we found that our initial enthusiasm proved to be redundant because the international standards were different from those we had pioneered. It is not just about having one common socket, which the noble Lord, Lord Berkeley, referred to, although that would certainly be a start; there are many other common standards which we will have to favour. We therefore need to think about how we look at the whole sweep of new technologies, of which autonomous and electric vehicles is one. That brings me back to the Bill. Modest though its scope may be, with most of the provisions concerning driverless cars, which address the insurance issues, the Bill represents a start on the legislative ***programme*** which will be of critical importance to the successful implementation of a much wider industrial strategy. If we look at some of the detail, which has already been referred to by several speakers, in particular my noble friend Lord Borwick, there is a complete mystery as to what in fact a driverless vehicle is. It cannot just be level 5, which is some years off. If you look at the table from the Society of Motor Manufacturers and Traders, which was reproduced in the Science and Technology Committee’s report, which the Minister and the noble Lord, Lord Campbell-Savours, referred to, you can see that there are quite a lot of situations, and that levels 3, 4 and 5 might meet the definition of a car which in certain situations is capable of safely driving itself. Therefore, in Committee, unless we are to give a bonanza to lawyers, we must chisel down and decide exactly what we mean by an autonomous vehicle. I rather agree with the noble Lord, Lord Campbell-Savours, that the lack of adequate definitions in the Bill seems to be a hostage to fortune so far as legal fees are concerned.
10. Lord Brooke of Alverthorpe (Lab)    Share this contribution My Lords, I welcome the Bill generally. As the Minister stated when she moved the Second Reading, the Government have said that, by 2050, nearly all cars and vans should be zero-emission vehicles. As other noble Lords have said, that is not a particularly stretching target compared to the ambitions that are being laid down by many other countries, but to reach even this goal we will need major improvements in both the availability and reliability of electric charging points. I will concentrate on Part 2 and will essentially try to be practical in looking at what is happening around us and fairly close to us. While the Bill starts to address the key risks and issues in rolling out electric charging points, it falls short on two fronts. First, it does not give the Secretary ​of State the power to require electric charging points to be installed at workplace car parks or residential developments, or in other large public locations. Secondly, it does not give the Secretary of State the power to require a minimum standard of reliability. This has not been picked up greatly in the debate so far; at the moment we have a system which is in many respects quite unreliable. People who use these cars often find that the connections do not function. It is quite disastrous if you are out on the road and get to a charge point but then find that it does not work. We need to address this point much more closely to ensure that effective infrastructure is rolled out. It might seem a good idea for the Bill to give the Secretary of State the power to require petrol forecourts to install charging points, but the average person will not want to leave their car charging at a forecourt for long periods; they will want to charge it at home. The Bill should go much further than just forecourts and allow the Government to require charge points to be installed at public places such as shopping centres, leisure centres, stadiums and airports. There are massive parking areas at airports with very few facilities, despite all the pollution that we get there. When my noble friend Lord Adonis was in power, we were suggesting bringing that to a halt if there is a problem with pollution at airports. However, very little charging is ***planned*** for those areas and little encouragement is being given to people to install it. We should extend charge points to train stations, local golf clubs and National Trust centres, where, in some cases, hundreds of cars are parked. There are no such facilities in those places and, from reading the Bill, there is no indication that this has even crossed the Government’s mind. Then we come to where 98% of people are located—domestic residences, with many people living in flats. What is in the Bill to assist people to charge their cars at blocks of flats and residential developments, as well as at large office car parks, where vehicles are parked for a lot of time? Electric charging points are needed there. Before making it a mandatory requirement, the Bill should lay the groundwork for incentives to be introduced in many of these areas so that people can look positively at effecting changes. For example, there could be lower council tax rates for premises that provide electric charging infrastructure. Have the Government looked at any new incentives that they might offer to people who change their infrastructure? I would like a response from the Minister on the possibility of council tax being one area that could be reviewed. Speaking personally, I have been trying for two years to persuade the management board of the private estate where I live to introduce electric charging points. We are still talking about it but are no further forward. I live in a flat but I also have a garage, which is situated well away from the flat. We have a whole battery of garages with no electricity in them. Cars are parked all over the place and nobody uses the garages. If only the garages had electricity, people would put their cars in them to charge them and we would have a better life all round because the cars would not block the roads. It would be a double-win situation, but trying to get people to move on that is extraordinarily difficult.​ The Bill needs to be strengthened to a degree to encourage local authorities, groups of individuals and landlords to look for ways in which they can start working together and make early changes. Achieving win-win situations is possible if we approach this matter with an open mind. As I said, it is essential to install charging points where people live and work, and a start needs to be made on that. We need to go way beyond just the forecourts mentioned in the Bill. If we look at the size and scale of the electric charging infrastructure being rolled out in countries such as China, we see that our economy is at great risk of falling way behind. If we are to be at all competitive, we need to scale up much faster and require many more charging points and much more infrastructure than we are currently ***planning***. Earlier, I mentioned reliability. The Bill makes reference to the 11,500 charging points around the UK, but nobody has referred to how many of them actually work. What data do we keep on which of them do or do not work? Although it is good to see that, through the Bill, the Secretary of State would be given powers to require data on charging points in the future, it appears that it does not enable the Secretary of State to require a minimum standard of performance from them. Why not? If we look at similar utilities—such as water and electricity—for households and businesses, we find regulations on minimum levels of reliability. It is the same for telephones: obligations are placed on utility providers to ensure that they provide a reliable service to the public. Running out of power in an electric vehicle is not only a major inconvenience; it could damage a business and its prospects, particularly if it relies on only electric vehicles for deliveries. What a problem it is to find a charging point for your delivery van, but find that it does not work because minimum standards have not been required and are not being met in any way. The charging point can be left unrepaired for considerable periods of time—as is the case with many of them, which are not immediately righted when they break down. We need to have a look at this and see whether we can find ways to avoid the frustrations that people currently encounter when they find so much unreliability in the existing network. I ask the Minister whether the Government have been thinking about this and what ideas they have in mind for regulation. Is there any possibility of bringing something on standards into the Bill when we come to debate it in Committee? I look forward to the answers to the questions I have posed.
11. Baroness Deech (CB)    Share this contribution My Lords, I am the happy owner of a new all-electric car, so I have a strong personal interest in this. Although I am proud to be a green driver, and delighted with the quiet ride and freedom from queuing at petrol stations, at the same time I have two considerable problems, one of which is addressed by this valuable Bill. The unaddressed one is being a pioneer. Every year, the battery life of electric cars is increased by technology, and new cars are selling with longer mile ranges than mine. So the 2017 model I have will not only suffer the usual depreciation, but will frankly be ​valueless: not in a year or so—I gather the selling price is quite good for about a year—but quite soon, because no one will want a short-range car when they can have a longer-range battery. We pioneers deserve all the subsidies we can get as we lead the way in persuading all, or many, drivers to go electric. The second problem, which the Bill begins to address, is the range. My car’s is 120 miles maximum. The distance from my home to Westminster and back is a 126-mile round trip. Therefore, I dare not make it without being assured of being able to recharge, let alone allowing for any unexpected diversions on the way. I am like a goat tethered to a stake, going 50 miles this way, 50 miles that way, or round in circles—as tethered goats tend to go—but always going back to the centre and the comfort of the electric socket in my garage. I echo the noble Lord, Lord Borwick: the Palace of Westminster should be leading the way. However, there are no charging sockets in the House of Lords car park. I have been agitating over this for nearly a year. I was told that it was impossible because this is a heritage site, not to be despoiled. However, all it takes is an ordinary three-prong socket, perhaps in the lamp posts dotted around our parking area, to allow charging during debates; indeed, they provide the most convenient length for this exercise. Those spaces, if we can get them set up, would have to be reserved for electric car owners. Nothing is more off-putting than to arrive at a charging point in a car park, only to find a petrol car parked there so that there is no hope of charging. I support as urgent Clauses 8 to 16, which give the Government power to support the charging point infrastructure. Indeed, it needs to go further. Right now, the Government should mandate operators to provide uniform charging points and one method only of information about them and about payment and access. We have multiple confusing memberships, information packages and payment options now, which only add to concerns on a long trip. We need public charge points right now at every large garage, car park, motorway service area, supermarket, station car park, park and ride, in new buildings, offices and in residential areas, not to mention the House of Lords. It is not good enough to wait until this place is refurbished. There are lots of reasons to refurbish it but we should not have to wait to get simple, three-point plugs installed in our car park. The information about charging needs to be consistent and transparent right now. It is not good enough to wait for the market to do this itself. I say that because it is no surprise that, as I have read, the Petrol Retailers Association does not agree with pushing ahead, and there is a risk that progress will be delayed indefinitely. The Government must send a positive message. Potential buyers will not buy until they are assured of charging convenience, and charging points will not come about in sufficient quantities until the purchases take off. The same was true as we moved from horse-drawn transport. The horses were always ready to go, despite the heavy maintenance, the mess and the smell, but we moved to petrol even though there were so few petrol stations at the start. Let us embrace this new progress.

**Load-Date:** February 22, 2018

**End of Document**



[***May says she wants investigation into release of Damian Green information - as it happened; The prime minister flew to Poland after a third cabinet departure in two months created a further headache for governmentFull report: Damian Green sacked as first secretary of stateTimeline: how a leak led to a downfallWho's who in the Damian Green inquiry***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5R78-08K1-F021-63P1-00000-00&context=1516831)

The Guardian(London)

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**Byline:** Haroon Siddique , Andrew Sparrow and Claire Phipps

**Body**

block-time published-time 5.01pm GMT

Summary

Here's a summary of today's events. Thanks for all your comments and Happy Christmas from me as well as I'm off now until Boxing Day.

* Theresa May has called for an investigation into the release of private Met information about Damian Green. Green, a friend and close political ally of May, resigned as first secretary of state after he falsely denied claims from a former Met officer that porn was found on Green's computer nine years ago.

1. The Polish prime minister, Mateusz Morawiecki, said that he wants the one million Poles living in the UK to return to Poland. He made the comments at a press conference in Warsaw alongside May, who he said wants the Poles to stay in the UK.
2. Morawiecki signalled that he would back the UK on a bespoke Brexit deal including services, warning against "very dangerous" EU protectionism. The Polish prime minister said: "The UK is a very important trade partner for Poland. The UK is a very powerful country exporting services, it's obvious for the UK they would like to remain a very strong player in this area."
3. Mark Garnier did not break the ministerial code when he admitted asking his former assistant to buy sex toys, the Cabinet Office has found. Although its investigation concluded that his former assistant Caroline Edmondson had suffered distress as a result of his behaviour, it said that it occurred before he was a minister and that "he did not break the ministerial code while holding government office".

block-time published-time 4.52pm GMT

Investigation clears Mark Garnier

The Cabinet Office has ruled that Mark Garnier, who admitted asking his former assistant to buy sex toys, did not breach the ministerial code when doing so. The crucial point, from the investigation's perspective, seems to be that he was not a minister at the time that that particular behaviour occurred.

Garnier was one of many politicians named in reports as allegations of sexual harassment swirled around Westminster after the Harvey Weinstein scandal.

In a statement just released, a spokesman for the prime minister said:

Following allegations of sexual misconduct, the prime minister asked the Cabinet Office to look into the behaviour of Mark Garnier MP, parliamentary under secretary of state at the Department for International Trade.

The Cabinet Office's investigation primarily considered Mr Garnier's behaviour as a minister, but also heard evidence from before he was appointed to government.The Cabinet Office concluded that there was no evidence to suggest that Mr Garnier's conduct as a Minister since 2016 had breached the expected standards of behaviour.

The prime minister's view is therefore that Mr Garnier did not break the ministerial code while holding government office. The Cabinet Office also took evidence in relation to an incident that happened before Mr Garnier was a minister, between Mr Garnier and a member of his parliamentary and constituency staff.

The Cabinet Office concluded that there was no dispute about the facts of the incident, but there was a significant difference of interpretation between the parties, and that the member of staff in Mr Garnier's office was distressed by what had occurred. "It was not his intention to cause distress, and Mr Garnier has apologised unreservedly to the individual. On that basis the prime minister considers that a line should be drawn under the issue."

Mark Garnier speaks in the Houses of Parliament Photograph: -/AFP/Getty Images

block-time updated-timeUpdated at 4.53pm GMT

block-time published-time 4.34pm GMT

The Press Association reports that the prime minister was tickled by a reference to her as "Madame Brexit" during the press conference in Warsaw:

Theresa May could not help smiling as an interpreter for the Polish prime minister referred to her as "Madame Brexit" in a translation broadcast live on television.

A passage of Polish PM Mateusz Morawiecki's opening speech was translated as: "It's very important for us that this co-operation, even though it will be based soon on different rules and different regulations than it has been so far because of Brexit, because as Madame Brexit said, Brexit is Brexit..."

Mrs May was then seen smirking as Mr Morawiecki went on: "But regardless of all that, we all realise how important the co-operation in defence, internal affairs, economic affairs, financial affairs is, as is the co-operation in all the areas."

The pair appeared for a joint press conference after signing a joint UK-Poland Treaty on Defence and Security Co-operation, and with phase two of the Brexit negotiations, on the future UK-EU relationship, due to begin in the new year.

block-time published-time 4.16pm GMT

Poland's prime minister's signalled his country would back the UK on a bespoke Brexit deal including services, at a joint meeting with Theresa May in Warsaw where he warned against "very dangerous" EU protectionism.

Five senior cabinet ministers accompanied May on the visit to Warsaw, a signal of the growing ***strategic*** importance of the relationship, but which risked being overshadowed by the deepening rift between prime minister Mateusz Morawiecki's administration at the EU over his hardline government's crackdown on judicial independence.

Chancellor Philip Hammond, Home secretary Amber Rudd, Foreign secretary Boris Johnson, Defence secretary Gavin Williamson and Business secretary Greg Clark all flew in for the trip aimed at wooing the Polish government seen as key allies in post-Brexit trade talks, given their desire to retain close security cooperation.

At a press conference where Williamson and his Polish counterpart signed a wide-ranging defence treaty, Morawiecki said there were clear joint interests in a bespoke deal:

On economic co-operation, there is hard to find closer partners than we are. The UK is a very important trade partner for Poland. The UK is a very powerful country exporting services, it's obvious for the UK they would like to remain a very strong player in this area.

Morawiecki said the EU should resist reactionary protectionism, something which he said the UK had always pushed for as a member.

All the protectionist movements are very dangerous and that's why we really regret losing the UK as our ally in a number of discussions at the EU level where we tried to mitigate and reduce the red tape and a number of regulations.

But we do believe in this new agreement that will soon be worked out, will soon be negotiated, and we will be able to co-operate with the UK as close as possible.

May, he said, had told him she wanted to maintain deep links on defence, economic affairs, student exchanges and educational co-operation.

Poland's own influence at the European Commission is highly contested however as it remains mired in a stand-off after the body said it would commence official censure proceedings, over legal changes that the EU claims would threaten the independence of the Polish judiciary. The government has in turn accused the commission of a politically-motivated attack.

Polish Prime Minister Mateusz Morawiecki, right, and Britain's Prime Minister Theresa May shake hands during a press conference in Warsaw Photograph: Czarek Sokolowski/AP

block-time published-time 3.50pm GMT

Labour has commented on the government's defeat in what it calls a "landmark" court case against "discriminatory" personal independence payment (Pip) legislation (see previous post).

The shadow work and pensions secretary, Debbie Abrahams said:

This landmark ruling is a damning indictment of the government's discriminatory approach to Pip support and its refusal to make this support available to people with mental health conditions. So much for the prime minister's commitment to deliver parity of esteem for mental health.

When the government should have been listening to successive court rulings on PIP payments and correcting injustices for people with debilitating mental health conditions, they decided to undermine the legal basis for the judgments and introduce emergency legislation. This was a step too far, even for this Tory government.

Labour is committed to overturn the emergency regulations and make Pip available to people with mental health conditions, as well as scrapping the PIP assessments to develop a personalised, holistic assessment process which provides each individual with support and a tailored ***plan***.

block-time updated-timeUpdated at 3.51pm GMT

block-time published-time 3.45pm GMT

Charities have urged the government to take heed of a high court ruling, which found in favour of a woman with mental health difficulties who questioned the fairness of personal independence payments (Pips), designed to help disabled people maintain independence.

The judge, Mr Justice Mostyn, said the regulations were "blatantly discriminatory" against people with mental health impairments.

Mark Atkinson, chief executive at disability charity Scope, said:

Thousands of disabled people rely on Pip to live independently and help meet the often substantial extra costs they face related to their condition or impairment.

The government must listen carefully to today's ruling and act quickly to reverse these changes, rather than further dragging the issue through the courts.

Georgina Carr, head of campaigns and external relations at the MS Society, said:

As the judgment suggests, not everyone fits neatly into categories, and people shouldn't be denied support because of this. We're urging the government to scrap these rules so that people don't have to rely on courts to get the support they need.

Sarah Lambert, the National Autistic Society's head of policy and public affairs, said:

This ruling is hugely significant for many autistic adults, who struggle to make new and unfamiliar journeys because of anxiety and psychological distress. We opposed the changes the government made earlier this year, which limited psychological distress as a factor in assessing eligibility for mobility payments and we gave evidence in this case, because we knew how serious the impact of this change was on autistic adults.

So we are very pleased that the courts have agreed that the changes were discriminatory and that the new rules should be quashed.

Dr Jed Boardman, the Royal College of Psychiatrists' social inclusion lead, said:

I'm delighted that the court has agreed the government's decision to change the law to prevent people with mental health conditions accessing the support they need was blatantly discriminatory.

A Department for Work and Pensions spokeswoman said:

PIP replaced a system that was less generous for people with mental health conditions and is designed to consider the broader picture of how someone's life is affected by their disability or health condition...

We are disappointed the judgment fails to recognise that PIP provides more support to people with mental health conditions than ever before."

block-time updated-timeUpdated at 3.51pm GMT

block-time published-time 2.55pm GMT

My colleague Haroon Siddique is taking over the blog now. I've got to head off for a meeting.

Since this will be the last blog of 2017, Happy Christmas to everyone. Thanks for reading, and thank you to all of those who comment. Smart, informative comments are an important part of what makes this blog successful, and I know my reporting is definitely improved by the way you flag things up and challenge me BTL.

The blog should be back on Tuesday 2 January, at around 9am.

block-time published-time 2.42pm GMT

Polish PM says he wants the Poles living in the UK to return to Poland

May says she is glad the UK and the EU have made progress on citizens' rights.

Poles in the UK will be able to apply for settled status. That will be an easy process. There will be a significant period of time during which people can apply.

She says people who have decided to live in the UK have made a life choice. The UK government wants them to continue to have that right.

Morawiecki says there is a difference of opinion between him and May about Poles in the UK. She says she wants the 1m Poles in the UK to stay, he says. He says he wants them to return to Poland.

* Polish PM says he wants the Poles living in the UK to return to Poland.

He says the Polish economy is growing. That should give people an incentive to return.

block-time published-time 2.37pm GMT

enltrMorawiecki asked again about the bespoke deal; says he is happy with the current state of negotiations and keeps dialogue with France and Germany open to discuss this in details

- Jakub Krupa (@JakubKrupa) December 21, 2017

block-time published-time 2.37pm GMT

Q: Do you want to see the UK get a bespoke trade deal from the EU?

enltrMorawiecki says he supports the best possible deal, but stops short of saying whether that means a bespoke deal for Britain or not; he adds he opposes any protectionist movements and is sorry to see the UK leave as Britain was always a great ally in tackling these attitudes

- Jakub Krupa (@JakubKrupa) December 21, 2017

block-time published-time 2.36pm GMT

Q: Are you concerned about reports of a Russian spy in Number 10?

That was a reference to this. The tweet is from a BBC Kiev correspondent.

enltrBREAKING: Was a Russian spy inside Downing St in July? Ukrainian authorities have arrested the interpreter in the middle of this photo and claim he reported to Moscow. pic.twitter.com/kRYVANFuNV

- Jonah Fisher (@JonahFisherBBC) December 21, 2017

May says she is aware of this. It is for the Ukranians to investigate.

Q: Is there a police vendetta against Green?

May says she shares the concerns expressed about the comments made by a former Met officer. She expects those concerns to be properly investigated.

block-time published-time 2.31pm GMT

May says she wants release of private Met information about Damian Green to be investigated.

Q: [From the BBC] Have you done enough to deal with sexual harassment? And have the police questions to answer?

May says this is a wide question. The government is continuing to address this question. It has a strategy for addressing domestic violence. And, in parliament, she has taken steps to ensure it is a workplace where people can raise concerns about harassment or bullying. Work is being done to put a proper grievance procedure in place.

As for the attitude of the police in the Damian Green case, May says she shares the concerns about the comments from a former Met officer. She expects those concerns to be properly looked at.

* May says she wants the release of private Met information about Damian Green to be investigated.

Q: Do you support the UK's demand for a bespoke trade deal?

Morawiecki says he he would to see rules for the UK functioning in the EU after Brexit developed as soon as possible, to provide certainty.

block-time published-time 2.27pm GMT

Theresa May is speaking now.

She says our ties with Poland are rooted in history. We will never forget Polish troops who fought alongside British troops in the war, or the contribution of Polish airmen. And she says many Poles are in the UK now where their contribution is valued.

Today a landmark UK-Polish treaty has been signed on defence cooperation. It is the only second treaty of its kind signed with an European partner, she says.

She says the UK and Poland have also agreed to bolster cooperation to resist Russian attempts to weaponise information.

The Kremlin is trying to undermine the international rules-based system, she says. She says it will not be allowed to succeed.

She says the UK and Poland will continue to work together on foreign policy.

She says 2018 will be a UK-Polish year for entrepreneurs.

She says she wants to give assurances to the almost 1m Poles in the UK "that they are a strong part of our society and we want them to stay".

She says the talks have been very productive.

She ends with a few words of Polish.

block-time published-time 2.21pm GMT

These are from Jakub Krupa from the Polish Press Agency.

enltrMorawiecki says he hopes Britain's negotiations of implementation/transitional period will have 'unprecedented pace' & he hopes for Brexit that will be 'as unproblematic as possible'

- Jakub Krupa (@JakubKrupa) December 21, 2017

enltrMorawiecki says he is pleased that NATO is increasingly important both as a military and political alliance & looks forward to close cooperation with Britain

- Jakub Krupa (@JakubKrupa) December 21, 2017

enltrMorawiecki says Poland and Britain have similar views on refugees, particularly making clear distinction between economic migrants and refugees

- Jakub Krupa (@JakubKrupa) December 21, 2017

enltrMorawiecki says he hopes that free access to services will continue after Brexit; also mentions that both countries agree on changes to the directive on posted workers

- Jakub Krupa (@JakubKrupa) December 21, 2017

enltrMorawiecki says the PMs discussed payments to the EU budget and says the compromise reached by the EC on behalf of the EU27 is 'very satisfactory'

- Jakub Krupa (@JakubKrupa) December 21, 2017

block-time published-time 2.19pm GMT

Mateusz Morawiecki, the Polish prime minister, goes first.

He is talking about cooperation between Poland and the UK.

On Brexit, he says he would like to see a quick agreement on a transition period, and then a deal that would allow the UK to cooperate with the EU to the highest extent.

He says he is glad the UK will cooperate with Poland on defence. After Brexit, Nato is particularly important, he says.

block-time published-time 2.13pm GMT

The press conference is starting now.

It is going to begin with the signing of a defence cooperation treaty.

UPDATE: This is from the Sun's Tom Newton Dunn.

enltrWatch out HM Treasury, Gavin Williamson is signing another deal... pic.twitter.com/WvQZd7YP6b

- Tom Newton Dunn (@tnewtondunn) December 21, 2017

block-time updated-timeUpdated at 2.16pm GMT

block-time published-time 2.05pm GMT

Here are two articles on Damian Green worth reading.

From Adrian Wooldridge's Bagehot column in the Economist

In some ways Mr Green was a classic second-division politician, sensible and reliable but never a man to make the weather. He liked to present himself as the solid embodiment of middle-class common sense, which might be one reason why he got on so well with Mrs May. He also specialised in pouring oil on troubled waters. But in other ways he was more interesting. He was brought up in a council house in South Wales and nevertheless won a place at Balliol College, Oxford. He remained on the left wing of the Conservative Party through thick and thin, and even contemplated leaving the party in the early 1980s for the breakaway Social Democrats, because he worried that Margaret Thatcher might tear the country apart. This columnist, though a few years younger than Mr Green, remembers seeing him in Balliol College Junior Common Room looking and sounding almost the same as he does today, a member of that strange breed of politicians, of which William Hague is the archetype, who arrive at university fully formed as middle-aged fogies.

From the Evening Standard's editorial

When Mrs May became PM last year she ripped out all the inner wiring that had made the Cameron Government function - getting rid of virtually the whole Downing Street staff and Cabinet Office ministerial team, for no other apparent reason other than that her own advisers, Nick Timothy and Fiona Hill, didn't much like them.

All the lessons that had been learnt over the previous six years were lost. Unsurprisingly, the result was paralysis - and no real domestic achievements. It was an approach that culminated in the most disastrous manifesto in modern UK history. In the election aftermath, the Cabinet forced Mrs May to fire her advisers and Mr Green was hired to pick up the pieces. Although a university contemporary, he was not especially close to her. But as a rational, calming voice at the centre Mr Green was welcomed by an exasperated Civil Service. Now that he's gone there is no one around Mrs May with any enduring bonds of loyalty to her - the new, competent team recruited to No 10 hardly knew her at all before they got the call-up.

block-time published-time 1.59pm GMT

Theresa May's press conference in Poland

Theresa May is about to hold a press conference in Poland.

There is a live feed here.

block-time published-time 1.49pm GMT

Green qualifies for ministerial pay-off worth almost £17,000, Cabinet Office confirms

Despite being effectively sacked, Damian Green will receive a pay-off of nearly £17,000, the Cabinet Office has confirmed.

Under the legislation which governs these things, the Ministerial and other Pensions and Salaries Act 1991, all minister who lose their jobs and don't get a new post within three weeks - it seems pretty likely Green will not - receive three months of salary as a severance payment.

Green was entitled to a ministerial salary of £69,844, but under a voluntary pay cap scheme for ministers, received £67,505. A quarter of that will net him £16,876.25.

This system is in effect for all ministers, no matter whether they resign, are sacked or reshuffled. The one caveat is that they must be under 65. Green is 61, but when Michael Fallon stepped down as defence secretary he had recently turned 65, so got nothing.

block-time published-time 1.33pm GMT

Elizabeth Denham, the information commissioner, has put out this statement about the Metropolitan police's decision to refer the Green case to her. (See 12.39pm.) She said:

We can confirm that we have received a referral from the Metropolitan police service that explains their belief that offences under the Data Protection Act 1998 have been committed by former MPS officers.

As the UK's data protection regulator, we'll be looking at whether individuals acted unlawfully by retaining or disclosing personal data.

These are serious allegations and we are investigating to determine whether the law has been broken and what further action is necessary including potential criminal prosecution.

Under the Data Protection Act, anyone who is prosecuted and found guilty could face an unlimited fine.

Elizabeth Denham. Photograph: PR

block-time published-time 1.29pm GMT

In Edinburgh there were emotional scenes at the final first minister's questions of the year as Scottish Labour's Jackie Baillie spoke about the fire at Cameron House Hotel in her constituency, which killed a young couple and injured several others earlier this week.

Fighting back tears, Baillie called on the first minister to ensure that lessons are learnt once the investigation into the fire is completed, or if a need to enhance building standards regulations becomes apparent.

A young couple on a winter break from London, Simon Midgley and Richard Dyson, died as the fire ravaged the Loch Lomond-side resort.

Clearly also moved by the tragedy, Sturgeon conveyed her deep condolences the families of the young men who died, and asked the chamber to join with her sending their thanks to the emergency services involved. She added the investigation should be allowed to run its course but gave her assurance that any lessons would be fully applied.

Elsewhere, Sturgeon praised former SNP cabinet minister Richard Lochhead's tireless campaign against inflated delivery charges for his Highland constituents. Lochhead has recently scored some significant successes with his Rip-off Surcharge campaign, which estimates that online shoppers in Scotland pay an additional £36.3million in delivery charges than the rest of the UK every year. The regulation of parcel pricing is reserved to Westminster, and UK ministers last week agreed to review the system. Sturgeon said that she hoped that "this is the last Christmas for consumers in the north of Scotland to be so blatantly ripped off in this unacceptable way."

block-time published-time 1.23pm GMT

Green say he has been 'overwhelmed' by support he has received since sacking

Damian Green has posted a tweet saying that he has been "overwhelmed" by the support he has received from friends, colleagues and constituents since he was sacked.

enltrI am overwhelmed by the number of friends, colleagues (on all sides) and constituents who have sent supportive messages this morning. My thanks to you all, and a Happy Christmas. See you in 2018.

- Damian Green (@DamianGreen) December 21, 2017

block-time published-time 1.19pm GMT

Lords analysis of government Brexit reports says they imply business wants to soften Brexit

The government's Brexit reports have been published by the Commons Brexit committee. But the committee, which has a narrow Tory/DUP majority, decided to leave out the "sector views" sections, which cover what firms and trade bodies are saying about Brexit, and it has not said much about what the reports actually say.

But the reports were also sent to the House of Lords EU committee. And that committee, which does not have a Conservative majority, has delivered a verdict of sorts on the reports.

It comes in the form of an open letter (pdf) to David Davis, the Brexit secretary, from Lord Jay of Ewelme, the former head of the Foreign Office who is now acting chair of the committee. The letter says the committee staff have reviewed all 850 pages in their entirety and it makes the following points.

* Davis should publish the reports in full, including the "sector views" sections, Jay says. Jay says there is nothing in the reports that is "negotiation sensitive" and that most of the stakeholder views material (the "sector views" stuff that has been held back by the Commons committee) is material "already in the public domain, including in committee inquiries and reports. He says:

In light of these findings, we can see no reason why the sectoral analyses should not be published in full - they pose no risk to the UK's negotiating position, and making them publicly available would, in our view, only promote an informed public debate on the options for Brexit. We understand that the House of Commons exiting the EU committee has decided to publish a redacted version of the documents. Nevertheless, we would urge you to publish them in full.

* The reports show there is a general desire amongst industry to "minimise disruption and uncertainty", Jay says. In other words, the reports do show there is a general desire amongst business and industry to soften Brexit, the committee's analysis suggests. Jay says:

Views on particular Brexit options, such as single market membership, differ across sectors, but in most cases there is a wish to minimise disruption and uncertainty.

A number of themes recur in the views of stakeholders. These include: access to EU labour; the minimisation of tariffs and regulatory barriers to trade; data sharing; mutual recognition of qualifications; access to cross-border services; and the importance of EU R&D funding.

* The reports are "inconsistent in approach" and their representation of stakeholder views is "patchy", Jay says. There is also "little over-arching analysis" and "no conclusions are drawn with regard to the UK's future relationship with the EU".

block-time updated-timeUpdated at 1.21pm GMT

block-time published-time 12.49pm GMT

Here is more on the government Brexit reports.

From the Labour MP Jo Stevens

enltrGovt's top secret 'sectoral reports' have been published. Last week I had to sign a page long set of rules about secrecy & disclosure to read them in a supervised room having handed in my phone. I wasn't allowed to have a copy of the rules I signed 1/2 [*https://t.co/WOAPf46RTE*](https://t.co/WOAPf46RTE)

- Jo Stevens (@JoStevensLabour) December 21, 2017

enltrI asked for the rules to be emailed to me. I'm still waiting for them. If you can find any analysis of the impact of #Brexit in any of these repetitive, copy & paste, school homework level reports do let me know! 2/2

- Jo Stevens (@JoStevensLabour) December 21, 2017

From the Labour MP Seema Malhotra

enltrThis has been a long campaign and it is clearly in the public interest that much as possible of the reports are published. In my view the reports fall far short of the impact analysis the government implied it was doing a year ago. #brexitstudies[*https://t.co/7IxsvDFTgvpic.twitter.com/XB5Pe92nxf*](https://t.co/7IxsvDFTgvpic.twitter.com/XB5Pe92nxf)

- Seema Malhotra (@SeemaMalhotra1) December 21, 2017

From HuffPost's Paul Waugh

enltrToday's 'secret Brexit papers' read like the padding students put in essays when they have absolutely no idea how to answer a question. Here's just one eg.: we are an island nation apparently. [*https://t.co/RyDfPF9bg3pic.twitter.com/Jk3Nb4oOYk*](https://t.co/RyDfPF9bg3pic.twitter.com/Jk3Nb4oOYk)

- Paul Waugh (@paulwaugh) December 21, 2017

block-time published-time 12.39pm GMT

Met asks information commissioner to investigate disclosure of confidential Green information

Here is the statement from the Metropolitan police about the decision to ask the information commissioner to investigate the release of private police information about what was found on Damian Green's computer in a police raid. The Met said:

The Metropolitan police service has asked the information commissioner's cffice (ICO) to investigate the apparent disclosure to the media of confidential material gathered during a police investigation in 2008 by two former officers.

An ex-assistant commissioner and ex-detective constable have both made a number of disclosures to the media, passing on information that they were privy to as part of a police investigation. Due to the length of time that has passed since both officers left the MPS, legal advice was sought regarding the most appropriate action to take.

In this instance it was determined that the most appropriate course of action was to make a referral to the ICO to carry out a further investigation in relation to potential Data Protection Act offences.

The MPS is clear that confidential information gathered during any police inquiry should remain confidential. That is an enduring confidentiality regardless of whether an officer leaves the service.

Gareth Bacon, leader of the Conservative group on the London assembly, has welcomed the news. In a statement he said:

I am pleased to see the Met is taking seriously what appears to have been a gross abuse of trust from former police officers.

If the general public is to have future confidence in the force's ability to protect sensitive information, this case must be dealt with robustly.

I welcome the commissioner's strong words this morning and the referral to the IC.

block-time published-time 12.32pm GMT

An investigation into allegations about the private life of Labour MP Keith Vaz has been suspended by the House of Commons sleaze watchdog "for medical reasons", the Press Association reports. The halting of the probe was revealed in an update of the list of ongoing inquiries on the parliamentary commissioner for standards' website, and her office did not give any more details. In 2016, the Leicester East MP issued a public apology to his wife and children, and quit as chairman of the Commons home affairs Committee, following reports in the Sunday Mirror that he paid two male escorts for their services. The PA story goes on:

The probe by the standards commissioner Kathryn Hudson will determine whether Vaz was guilty of a conflict of interest as he headed the home affairs committee's review of vice laws at the time of the allegations regarding male escorts.

The watchdog was also looking into whether the former Europe minister has caused "significant damage" to the reputation of parliament.

block-time published-time 12.20pm GMT

Frances O'Grady, the TUC general secretary, has also criticised the government for the lack of analysis in the Brexit reports.

enltrI see ministers have published their Brexit impact assessments. Looks to me like they've just printed off Wikipedia pages on bits of the economy. I know it's the end of term, but we can do better than this.

- Frances O'Grady (@FrancesOGrady) December 21, 2017

block-time published-time 12.17pm GMT

Here is Tom Brake, the Lib Dem Brexit spokesman, on the publication of the government's secret Brexit reports.

This is the biggest case of the dog ate my homework the world has ever seen.

We've been given binders of old information, extracts from Wikipedia, and a few choice quotes, and yet nothing at all on how Brexit will hit each sector.

Now the government's woeful failure to prepare for Brexit has been laid bare in front of the whole country. The mess this government are making of negotiations shows why the people must be given the opportunity to exit from Brexit.

On Twitter, Brake also argued that if Damian Green deserves the sack, Boris Johnson, the foreign secretary, should do too.

enltrDamian Green went for lying over porn allegations, yet BoJo clearly breaks Ministerial code in the Telegraph, criticises Government policy, promotes private interests & reneges on cabinet responsiblity. Complete hypocrisy from May! Far more evidence that Boris should be sacked.

- Tom Brake (@thomasbrake) December 21, 2017 Tom Brake. Photograph: Murdo MacLeod for the Guardian

block-time published-time 12.11pm GMT

Here is some more reaction to the publication of the secret government Brexit reports. Open Britain, which is campaigning for a soft Brexit, has put out this statement from the Labour MP Pat McFadden.

The knots the government has tied itself in over publication of these reports says more about the state of politics and the government's paranoid state of mind than it does about Brexit. There is little or nothing in them that couldn't be learned from the annual reports of different trade bodies yet we were asked to believe that somehow revealing how many cars were made in Britain every year was an act of national treachery.

The government's most ardent supporters on the select committee voted not to reveal the sections which showed the industry views of Brexit and what they hoped the outcome of the talks would be. You have to wonder what they have to fear.

This whole saga of whether or not there were impact assessments or sectoral studies, and what the difference between them may or may not be, has revealed that breezy busking won't cut it when people's jobs and livelihoods are on the line. Winging it should not be a matter of principle. The best way through this is to know as much as we can and put jobs and prosperity before the ideology that has driven much of the positioning up until now.

And this is from Eloise Todd, chief executive of Best for Britain, which is campaigning to keep open the option of reversing Brexit. She said:

These reports are the most useless and shoddy piece of work a government department has ever ***produced***. Even the Iraq Dodgy Dossier had some useful information in it.

These are a shoddy mess that a sixteen year old wouldn't be proud of. It is a masterclass in copy and paste.

David Davis has been shown up for the charlatan he is. He needs to consider his position.

Pat McFadden Photograph: Niall Carson/PA

block-time published-time 12.02pm GMT

This is from Sky's Jason Farrell, who is with Theresa May on the trip to Poland.

enltrGap in the middle as we wait for PMs pic.twitter.com/1SxNNM5wQF

- Jason Farrell (@JasonFarrellSky) December 21, 2017

block-time published-time 12.01pm GMT

Cressida Dick, the Metropolitan police commissioner, has told the London assembly that the release of private police information about what was on Damian Green's computer has been referred to the information commissioner, LBC's Theo Usherwood reports.

enltrCressida Dick tells City Hall plenary session that Met has referred leak of investigation into porn on computer in Damian Green's office has been referred to the Information Commissioner.

- Theo Usherwood (@theousherwood) December 21, 2017

block-time published-time 11.57am GMT

Here are some tweets from journalists and specialists who have been looking at the government's Brexit reports.

From the Guardian's Dan Roberts

enltrBased on my reading so far, the government's Brexit sector analysis reports are about as illuminating as an inflight magazine travel guide. Sample insight: "The food chain includes ***agriculture***". Please tell me if you find anything more interesting. [*https://t.co/lIZpEEyhlN*](https://t.co/lIZpEEyhlN)

- Dan Roberts (@RobertsDan) December 21, 2017

enltrJust in case anything accidentally relevant or interesting were to slip through, the government's official Brexit sectoral analysis reports include the following caveat: "The views in this section do not represent a Government position"

- Dan Roberts (@RobertsDan) December 21, 2017

From the Centre for European Reform's John Springford

enltr39 sectoral reports on Brexit published. [*https://t.co/Cr4juVwOqh*](https://t.co/Cr4juVwOqh) Have flipped through the aerospace one. It's entirely descriptive. Zero analysis of Brexit impact.

- John Springford (@JohnSpringford) December 21, 2017

From the New Local Government Network's Adam Lent

enltrThe just-published Brexit impact report on health and social care says nothing about the impact of Brexit on health and social care. Plus all views from the sector, which must have included councils' views, are redacted. A pointless document. [*https://t.co/DJhnQbjhlG*](https://t.co/DJhnQbjhlG)

- Adam Lent (@adamjlent) December 21, 2017

From the BBC's Ross Hawkins

enltrLots of detail in these Dexeu papers about stuff that won't be covered in these Dexeu papers pic.twitter.com/q3bM7u1HOB

- Ross Hawkins (@rosschawkins) December 21, 2017

enltrApparently the food and ***agriculture*** sector "is vital for consumers" #dexeupapersrevelations

- Ross Hawkins (@rosschawkins) December 21, 2017

From MailOnline's Tim Sculthorpe

enltr #breaking I have been excited to learn the 'parts of an aircraft' include the "nose, fuselage, wings, engine nacelles and tail"

- Tim Sculthorpe (@timsculthorpe) December 21, 2017

But there is one dissenting voice. These are from the Institute for Government's Jill Rutter.

enltrUnpopular view time.. I think the sectoral reports @CommonsEUexit published are better than I expected. [*https://t.co/gyDWzrZM2K*](https://t.co/gyDWzrZM2K)

- Jill Rutter (@jillongovt) December 21, 2017

enltrwhat of course they are not is assessments of impact - still hoping Ministers really do have those for their discussions

- Jill Rutter (@jillongovt) December 21, 2017

block-time published-time 11.44am GMT

At the regular Number 10 lobby briefing we had a few details confirmed about the process behind Damian Green's departure.

Theresa May's spokesman said the report was first received by May on Monday, and she then passed the findings to Sir Alex Allan, the former senior civil servant who is now her adviser on ministerial appointments.

Alex Allan reported back to the prime minister yesterday to say that he agreed with the conclusions and the fact that there had been breaches of the ministerial code, the spokesman said.

On a replacement for Green, he said there was unlikely to be an announcement before parliament goes into recess later today, meaning it will presumably happen in the New Year.

No cabinet committees which would have been chaired by Green are due to meet before mid-January, he added.

On the other investigation into a minister over alleged inappropriate behaviour, about trade minister Mark Garnier, there is no news as to when that might come.

"Once we are in a position to give you the findings, we'll do so," the spokesman said.

A street cleaner in Downing Street. Photograph: Victoria Jones/PA

block-time published-time 11.37am GMT

A very quick skim through the Brexit reports suggests their news value is minimal, if not non-existent.

They all seem to start with a blurb that includes this paragraph.

As the government has already made clear, it is not the case that 58 sectoral impact assessments exist. The government's sectoral analysis is a wide mix of qualitative and quantitative analysis contained in a range of documents developed at different times since the referendum. This report brings together information about the sector in a way that is accessible and informative. Some reports aggregate some sectors in order to either avoid repetition of information or because of the strong interlinkages between some of these sectors.

Each report then summarises the size and nature of a sector of the economy, including reference to its relationship with EU regulation. But there does not seem to be any reference to the potential difficulties posed by Brexit, and in each document the section entitled "sector views", which presumably says what relevant firms and trade bodies are demanding from the government post Brexit, has been redacted by the committee.

block-time published-time 11.15am GMT

Brexit committee publishes government's secret Brexit sectoral analysis reports

The Brexit select committee has just published most of the government's secret Brexit reports. They were supplied to the committee after the Commons voted for Brexit impact reports to be published, although the government subsequently said that proper impact reports did not exist. These are described as sectoral analysis reports instead.

The Brexit committee has published 39 of them. You can read them all here.

But you may well have better things to do. As Jessica Elgot reported earlier this month, MPs and peers who have read the documents have not been impressed.

Related: MPs and peers criticise tight security around Brexit impact reports

block-time published-time 11.09am GMT

Theresa May has been meeting the new Polish prime minister, Mateusz Morawiecki, in Warsaw.

Theresa May meeting the Polish prime minister Mateusz Morawiecki. Photograph: Kacper Pempel/Reuters Theresa May with Mateusz Morawiecki at a welcoming ceremony in front of the Belvedere Palace in Warsaw. Photograph: Agencja Gazeta/Reuters

block-time published-time 11.06am GMT

ITV's political editor, Robert Peston, has written a good blog about the sacking of Damian Green on his Facebook page. Earlier this month he reported, on the basis of what he was told by his sources, that Green would survive. In the blog he explains what changed.

I understand that at the time, the keeper of the government's conscience, Sue Gray of the Cabinet Office, had only one example of Green making a misleading press statement about what he knew about the computer porn. And just one inaccurate statement could have been seen as an accident.

Green was expected by the prime minister to cling on because this one example of misleading the press could be seen as cock-up not conspiracy.

But after I reported that Green was likely to survive, Gray was made aware of a second similar statement - and that established the lethal pattern of Green being systematically economical with the truth.

Which sealed his fate.

Peston also argues that the departure of Green changes the balance of power in Theresa May's administration.

Whitehall, and in particularly the cabinet secretary, Heywood, have reasserted their authority, having for months looked like affection-starved poodles.

Green's exit also shines a new light on the political troika - the chief of staff, Gavin Barwell, the former chief whip and now defence secretary Gavin Williamson, and the current chief whip Julian Smith - who live and breathe to serve HER.

They did not die in a ditch to save Green. In fact their colleagues tell me they actively want to see the back of what they see as the "old men" like Green in the cabinet, so that the government can be remade in their "new Tory generation" image.

block-time published-time 10.48am GMT

This is from ITV's Joe Pike.

enltrDamian Green just walked into Portcullis House: alone, no tie. Keeping visible on day one out of govt.

- Joe Pike (@joepike) December 21, 2017

block-time published-time 10.41am GMT

Last month ICM did some polling for the Guardian to find out what people think of various types of sexual misconduct that MPs have been accused of. We weren't asking about Damian Green, or any other individuals, and of course Green denies watching pornography on his office computer or propositioning Kate Maltby. But the findings were interesting because they show how seriously people take these matters. Voters are more unforgiving than some people might expect.

I wrote the findings up here. And Britain Elects helpfully turned them into a graphic.

enltrHaving legal porn on a work computer is unacceptable and should be career ending according to 54% of voters. via @ICMResearch, 10 - 12 Nov pic.twitter.com/OeBefN9D7Q

- Britain Elects (@britainelects) November 19, 2017

block-time published-time 10.15am GMT

Theresa May not replace Damian Green as first secretary of state, the BBC reports.

enltrNo 10 source has told reporters travelling with PM to Poland that Green's departure is matter of sadness for the PM - his role of First Secretary won't' necessarily be replaced

- Laura Kuenssberg (@bbclaurak) December 21, 2017

Having a first secretary of state is very much optional for a prime minister. As Wikipedia points out, it's a title that for many years was not used. Margaret Thatcher never had one, and when May first became prime minister she felt about to do without one. There are plenty of other people who can stand in for the prime minister if necessary at PMQs; in the past it used to be a job for the leader of the Commons.

block-time published-time 10.06am GMT

Theresa May is not expecting to announce a replacement for Green until after parliament returns in January, a government source said.

The prime minister flew out this morning to Warsaw this morning, away from the crisis which forced her to sack her deputy, but has landed in Poland in the midst of another storm.

Her visit, with five senior cabinet ministers, comes less than 24 hours after an unprecedented decision by the EU to censure Poland for a "serious breach" of its values.

Philip Hammond, Amber Rudd, Boris Johnson, Gavin Williamson and Greg Clark are all meeting their counterparts in Poland for a trip aimed at wooing the Polish government seen as key allies in post-Brexit trade talks, given their desire to retain close security cooperation.

The timing is awkward so soon after the EU decision. Downing Street has said May will raise concerns about potential for political interference in the judiciary by Poland's hard-line conservative government.

In Warsaw, May will announce a new joint UK-Poland treaty on defence and security cooperation, only the second such treaty the UK has signed, after one with France. The governments will also jointly launch UK-funded offensives to combat alleged Russian state-sponsored "disinformation". Johnson is set to fly on to Moscow after his meetings in Warsaw.

Downing Street said the new defence partnership expected to be announced on Thursday would deepen ties that would build on the deployment of British troops to the Polish-Russian border.

May will announce £5m of UK funds to build joint capacity to detect and counter the spread of Russian information operations, some of which will fund Belsat, a Polish-funded TV channel for Belarusians.

A government source said future trade talks would also be on the agenda when ministers meet their counterparts, with the Polish government also likely to raise the future status of incoming EU migrants.

May is first set to meet her Polish counterpart Mateusz Morawiecki at the Belvedere Palace in Warsaw. Williamson and his counterpart are expected to sign the defence treaty mid-morning, followed by a press conference with May and Morawiecki.

During her whistle-stop trip, May is also set to meet British troops and Polish world war two veterans.

Mateusz Morawiecki, the new Polish prime minister. Photograph: East News/REX/Shutterstock

block-time published-time 9.56am GMT

Damian Green leaving his home in West London this morning. Photograph: Facundo Arrizabalaga/EPA

block-time published-time 9.54am GMT

The women's equality party thinks Damian Green and Michael Fallon should both resign as MPs because of their conduct towards women. In a statement its leader Sophie Walker said:

That Damian Green regrets being asked to quit, despite accepting that he breached the ministerial code, shows how many lessons he still has to learn about taking responsibility for his conduct. If he is not suitable to be minister because of his actions then he is not suitable to be an MP. It is bizarre that both he and Michael Fallon, who also resigned from cabinet, think they retain legitimacy to stay on in parliament. That decision should be given to their constituents, with a proper system of recall introduced so that they can decide whether these men should still be representing them.

After being accused of sexual misconduct, Fallon resigned as defence secretary saying his behaviour in the past had "fallen below the high standards" expected, although he did not give details. Green denied making sexual advances towards the Tory activist who accused him of propositioning her, although in his resignation letter he admitted he had made her feel "uncomfortable" and apologised.

block-time published-time 9.43am GMT

The former Labour MP Andy Sawford is one of various people on Twitter who have been making this point about the downfall of Damian Green.

enltrIn politics it is always the lie that gets you. #DamianGreen should read more political history

- Andy Sawford (@andy\_sawford) December 21, 2017

But Sean Kemp, a former Lib Dem spin doctor, points to the obvious flaw in this thesis.

enltrPeople who say 'it's always the cover up' never seem to think about all the times they don't know about when the cover up worked.

- Sean Kemp (@Sean\_Kemp) December 20, 2017

block-time published-time 9.38am GMT

Government Brexit reports to be published by select committee today

I'm hearing that Brexit select committee will today publish the bulk of the "impact assessments" - or whatever the government would like to call them- today. But they are withholding parts of the documents after a committee disagreement.

block-time published-time 9.30am GMT

The Labour MP Jess Phillips, a prominent campaigner on behalf of the victims of sexual harassment, told Sky News that she welcomed the decision to sack Damian Green. But she said she thought the inquiry took "longer than it needed to". And she said she thought that the conclusions of the inquiry meant that Green might avoid being investigated by the new body parliament is setting up in the light of the sexual harassment scandal. She said:

The fact that he left for lying, essentially, about pornography on his computer does seem to be the slight get-out to stop potentially the new independent system in parliament that is going to be set up looking into this further. It does seem they are trying to protect him from any future claims of sexual harassment.

Andrea Leadsom, the Commons leader, will be making a statement to MPs about progress in setting up the new complaints process later.

Jess Phillips Photograph: Sky News

block-time published-time 9.15am GMT

Jeremy Hunt's Today interview - Summary

Here are the main points from Jeremy Hunt's Today interview.

* Hunt, the health secretary, confirmed that Damian Green had been sacked because he "lied". Asked if Green was "sacked", Hunt said: "Yes, I think that is clear, sadly from the letters that were exchanged." And, asked if Green "lied", Hunt replied:

He lied on a particular incident, yes. I think lots of people who understand the context would appreciated why that might have happened. But that doesn't make it any more acceptable. And I think what this shows is that in our democracy we hold cabinet ministers to the very highest standards of conduct, rightly. But I think we should remember that those are standards that would probably not apply in many other countries. And those standards apply even to cabinet ministers who are the most senior, as he was.

* Hunt expressed concerns about the behaviour of the police in this episode. He said:

I think if you look at what happened, some of the actions, particularly of a retired police officer, don't sit comfortably in a democracy, and Theresa May made very clear in her letter that she was very uncomfortable with what had happened and that she was pleased that Cressida Dick, the Metropolitan police commissioner, also felt that which is why an investigation is happening.

* He praised May as "someone of the most extraordinary resilience in very, very challenging circumstances".

1. He expressed regret about Green's departure, describing him as "an outstanding public servant who did an extraordinary job in the various ministerial posts that he did".

enltrHealth Secretary @Jeremy\_Hunt says Damian Green was sacked because he "lied" but calls it a "sad moment" #r4today[*https://t.co/ABhlvaZdnPpic.twitter.com/s5XqqwkEmw*](https://t.co/ABhlvaZdnPpic.twitter.com/s5XqqwkEmw)

- BBC Radio 4 Today (@BBCr4today) December 21, 2017

Tim Shipman, the Sunday Times's political editor, thinks Hunt did his own career prospects no harm at all with his interview.

enltrThis is a very sensibly frank interview from Jeremy Hunt. By admitting Green was sacked he gains space to take a pop at the police. He is now the official minister for the Today ***programme***. Buy shares

- Tim Shipman (@ShippersUnbound) December 21, 2017

UPDATE: Sir Craig Oliver, David Cameron's communications chief, was also impressed by the Hunt interview.

enltrThat was an adept interview by @Jeremy\_Hunt - frank about Damian Green, critical of the retired police officer, loyal to @theresa\_may, sounding reasonable on the NHS and a decent body swerve on the leadership. He is ending the year on a high.

- Craig Oliver (@CraigOliver100) December 21, 2017

block-time updated-timeUpdated at 9.23am GMT

block-time published-time 8.52am GMT

And here is the summary that Number 10 last night of the cabinet secretary's report on the allegations against Damian Green (pdf).

block-time published-time 8.49am GMT

Alastair Campbell, Tony Blair's communications chief when Blair was prime minister, says that if Theresa May wants to sack cabinet ministers who have told lies, other culprits spring to mind...

enltrIf Damian Green resigned not because of porn but dishonesty, can someone tell me why @BorisJohnson is Foreign Secretary?

- Alastair Campbell (@campbellclaret) December 21, 2017

enltrIf Damian Green resigned because of porn not dishonesty, can someone tell me why David Davis got away with dishonesty about impact papers?

- Alastair Campbell (@campbellclaret) December 21, 2017

enltrIf Damian Green resigned not because of porn but dishonesty could May now sack @michaelgove and all who promised £350m a week extra for NHS?

- Alastair Campbell (@campbellclaret) December 21, 2017

block-time published-time 8.47am GMT

Here is the full text of Damian Green's "resignation" letter (pdf).

And here is the full text of Theresa May's reply (pdf).

Theresa May sitting alongside Damian Green at PMQs yesterday. Hours later she sacked him. Photograph: PA

block-time published-time 8.24am GMT

The interview now turns to the NHS, and maternity services.

Q: There are more than 100,000 mistakes with maternity services every year.

Hunt says mistakes happen. It is important for the NHS to learn from them.

Q: Does the NHS need more resources?

Hunt says:

It is a real mistake to say this is principally about money.

He says there have been improvements.

One issue is litigation; doctors are worried about being sued.

He says the professionals think they can make a massive improvement in maternity safety with the resources they have.

Q: Simon Stevens, head of NHS England, asked for £4bn in the budget and did not get it. You probably want more money. Why don't you ask for more money?

Hunt says he is always asked about this. The discussion today is different to the discussion five years ago. Five years ago the budget was frozen. Now the discussion is about how it spends extra money.

In the last three years NHS spending has gone up by £8bn. That is because the economy is growing, generating more tax revenue.

Q: You once said health was your last big job in politics. Are you sure? There is now a vacancy at the very top. It would suit someone calm, someone like you who voted remain but now backs leave.

Hunt says his job is very rewarding. "I'm a health man, full stop," he says.

And that's it.

block-time published-time 8.18am GMT

Q: May has lost the people close to her. Who are her close advisers now?

Hunt says leadership is lonely. Despite the most incredible pressure, May has carried on. She has taken big decisions, and made big progress. What is emerging is "someone of the most extraordinary resilience in very, very challenging circumstances".

He says people will be assured that someone like that is there leading the country.

block-time published-time 8.17am GMT

Hunt says we need to get to the bottom of the police's role.

Q: People will say this was not the fault of the police. They will say this happened because Green made a sexual advance to a young woman. Shouldn't Green have been sacked or suspended then?

Hunt says a tough prime minister is a fair prime minister. That is why May ordered an inquiry.

Q: Was May worried that other allegations would emerge?

Hunt says everyone is entitled to due process.

Q: In other lines of work someone under suspicion would be suspended.

Hunt says Robinson is trying to castigate Green for allegations that have not been proven.

Everyone has a right to a fair hearing, he says.

block-time published-time 8.14am GMT

Jeremy Hunt says Green was sacked because he 'lied'

Good morning. I'm Andrew Sparrow, taking over from Claire.

Jeremy Hunt, the health secretary, is being interview on Today now by Nick Robinson.

Robinson says Damian Green was just one of two MPs invited to Theresa May's 60th birthday party.

Q: Can you admit Green was sacked?

Hunt says that is correct. He breached the ministerial code.

Q: He lied?

Hunt says:

He lied on a particular incident, yes.

Hunt says people will understand the context. But that does not make it acceptable. He says cabinet ministers are held to a high standard.

Q: Are you saying it is understanding he lied.

Hunt says Green was an outstanding public servant.

But people get pushed into a situation where they say things they don't mean.

Q: May did not want him to go.

No, says Hunt. He says Green was valued by MPs on all sides of the House.

block-time published-time 8.07am GMT

I'm now handing over the live blog to Andrew Sparrow, who'll bring you Jeremy Hunt's Today ***programme*** interview, more Green fallout and the rest of the day's politics news.

Thanks for reading and for the comments and tweets.

block-time published-time 8.04am GMT

And for all those commenters asking when David Davis will be handing in his resignation letter: don't hold your breath.

There has been speculation about whether the Brexit secretary, David Davis, could follow Green out of the door, given his previous threat to quit if his colleague were forced out.

However, the threat was caveated carefully:

The Brexit secretary let it be known that he would resign in protest were Green to be forced out solely on the basis of allegations by former Met officers, although he accepted that other factors could lead to Green having to quit as first secretary of state.

And Davis appears to have let it be known on Wednesday night that he was going nowhere.

David Davis (right) and Damian Green Photograph: Stefan Rousseau/PA

block-time updated-timeUpdated at 8.43am GMT

block-time published-time 7.58am GMT

What Green said that was 'inaccurate and misleading'

And here are those two statements made by Green last month that the inquiry judged were "inaccurate and misleading" and breached the ministerial code - as well as Green's admission yesterday that they were misleading.

4 November

The police have never suggested to me that improper material was found on my parliamentary computer, nor did I have a 'private' computer, as has been claimed. The allegations about the material and computer, now nine years old, are false, disreputable political smears from a discredited police officer acting in flagrant breach of his duty to keep the details of police investigations confidential, and amount to little more than an unscrupulous character assassination.

11 November

I reiterate that no allegations about the presence of improper material on my parliamentary computers have ever been put to me or to the parliamentary authorities by the police. I can only assume that they are being made now, nine years later, for ulterior motives.

20 December

I accept that I should have been clear in my press statements that police lawyers talked to my lawyers in 2008 about the pornography on the computers, and that the police raised it with me in a subsequent phone call in 2013. I apologise that my statements were misleading on this point.

block-time updated-timeUpdated at 8.36am GMT

block-time published-time 7.52am GMT

Summary of inquiry findings against Damian Green

For those readers who weren't awake for the politics live blog's early start this morning, a reminder of the key findings from the inquiry, issued by the cabinet secretary, Sir Jeremy Heywood. (The bolding is mine.)

The investigation has concluded:

* that Mr Green's conduct as a minister has generally been both professional and proper ;

1. that with competing and contradictory accounts of what were private meetings, it is not possible to reach a definitive conclusion on the appropriateness of Mr Green's behaviour with Kate Maltby in 2015, though the investigation found Ms Maltby's account to be plausible ;
2. that Mr Green's statements of 4 and 11 November, which suggested that he was not aware that indecent material was found on parliamentary computers in his office, were inaccurate and misleading, as the Metropolitan police service had previously informed him of the existence of this material. These statements therefore fall short of the honesty requirement of the Seven Principles of Public Life and constitute breaches of the ministerial code. Mr Green accepts this.

It goes on:

The cabinet office investigation has not looked into the 2008 police investigation itself. That is a matter for the police, not for the cabinet office; and in any event has no bearing on Mr Green's ability or conduct as first secretary of state.

Mr Green continues to deny that he viewed the pornography found on his parliamentary computers and the investigation reaches no conclusion on this matter.

block-time updated-timeUpdated at 8.38am GMT

block-time published-time 7.47am GMT

Theresa May is prepared to challenge her Polish counterpart over his government's controversial interference in the country's judicial system, Downing Street said, as the prime minister flew to Warsaw on Thursday.

Her visit will come in the aftermath of an unprecedented decision by the EU to censure Poland for a "serious breach" of its values, which could ultimately see Warsaw stripped of its voting rights in Brussels.

May and senior cabinet ministers face a delicate diplomatic challenge for the visit, which had been intended to underline the UK's defence and security cooperation with eastern Europe.

Ministers see Poland and other eastern European countries as potential key allies in trade talks, given their desire to retain close security cooperation.

In Warsaw, May will announce a new joint UK-Poland treaty on defence and security cooperation, only the second such treaty the UK has signed, after one with France. The governments will also jointly launch UK-funded offensives to combat alleged Russian state-sponsored "disinformation".

The UK has remained neutral in the growing rift between Poland's hardline right-wing government and the European Union, concerned about the image of Brussels' apparent interference with a country's domestic affairs.

However, May's spokesman said she would not shirk a difficult conversation with the new Polish prime minister, Mateusz Morawiecki, but stopped short of saying the UK would vote to censure Poland when potential action against the country is put before EU leaders.

Related: Theresa May will 'raise concerns' with Polish PM over judicial reforms

block-time published-time 7.41am GMT

In what is presumably a pre-recorded interview for the Radio 4 Today ***programme***, health secretary Jeremy Hunt will apparently have some harsh words for his former cabinet colleague:

enltrHe was sacked. He did lie @Jeremy\_Hunt doesn't mince his words about @DamianGreen on @BBCr4today. Interview coming up at 08.10

- Nick Robinson (@bbcnickrobinson) December 21, 2017

block-time published-time 7.32am GMT

As noted earlier, we're not anticipating a reshuffle today, or this year in fact, with Theresa May not expected to conjure up a new first secretary of state/minister for the cabinet office/de facto deputy prime minister until after the parliamentary recess.

There is another administrative headache brewing as Green chaired nine cabinet committees, including the sub-committees for:

* European Union exit and trade (international trade)

1. European Union exit and trade (domestic preparedness, legislation and devolution)
2. European Union exit and trade (European affairs)
3. National security council (threats, hazards, resilience and contingencies)
4. Social reform (home affairs)

And the implementation taskforces for:

* Housing

1. Digital
2. Immigration
3. Employment and skills

Some of his other duties have already been doled out to colleagues, according to the Sun's political editor:

enltrFor now, Green's constitutional tasks - devolution and Brexit liaison with regions - will be taken on by the Chief Whip and Scots, Welsh and NI Secretaries. [*https://t.co/5VBSy4eJNv*](https://t.co/5VBSy4eJNv)

- Tom Newton Dunn (@tnewtondunn) December 20, 2017

block-time published-time 7.28am GMT

Comments are now switched on, should you want to come and chat below the line.

block-time published-time 7.24am GMT

It seemed impossible that Theresa May could be rendered a lonelier figure than she has been of late, but with Damian Green now the first secretary of state as was she seems lonelier than ever. Her devoted lieutenants Nick Timothy and Fiona Hill were torn from her nest. Now Green, her anchor in a sea of Brexit, has gone.

This was not a ministerial performance issue. That doesn't happen. If performance and competence were salient these days May's cabinet meetings would not be quorate. Rather, his fate was sealed by continuing questions about his alleged behaviour and character. And principally his failure to speak candidly about his knowledge of claims that pornography was found on his parliamentary computer - he still denies having downloaded or viewed pornography - and allegations that he made inappropriate advances to the young journalist Kate Maltby, a family friend. May had to part company with him. But without Green, she loses political balance and an ally as she stumbles towards Brexit.

What is worse is the extent to which this shabby affair has further corroded our ailing politics. Green, though clearly damaged beyond usefulness or reasonable repair some time ago, was allowed to carry on as though nothing untoward was happening. While officials conducted formal inquiries and former police officers levelled explosive allegations, he was sent to the dispatch box as spokesman for the government. Commercial or even public entities in similar circumstances might have suspended him from normal duties or at least tucked him into shade. Instead May shone a light and said to the world - and his accusers - this is still our champion.

Related: Now Damian Green is out, Theresa May seems lonelier than ever | Hugh Muir

block-time published-time 7.20am GMT

With the de facto deputy prime minister gone, this is a reasonable question:

enltrJetting off to Poland this morning with the PM, who is taking five cabinet ministers with her - Chancellor, Defence sec, Foreign sec, Home sec, Business sec. Not entirely sure who's in charge at home....

- Jessica Elgot (@jessicaelgot) December 21, 2017

block-time published-time 7.10am GMT

What the papers say

No Christmas prizes for guessing what leads the front pages today. We get multiple takes on the ousting of the deputy prime minister, from Metro 's curt "Green out" to City AM 's careful "Theresa May ally Damian Green resigns amid pornography allegations".

enltrThe Guardian front page, Thursday 21.12.17: Green sacked after admitting he lied over pornographic images pic.twitter.com/EHQhCqy5Fz

- The Guardian (@guardian) December 20, 2017

The Guardian, the Daily Telegraph and the Sun agree that, despite the niceties exchanged in letters between May and Green, he was indeed sacked. The Times says he was "forced out over computer porn cover-up", while the Mirror hits harder with: "May axes her deputy over porn lies."

The Daily Mail is a lone lamenting voice, sighing: "What a sad way to go."

enltrThursday's DAILY MAIL: What a sad way to go #tomorrowspaperstodaypic.twitter.com/D1du1hapEq

- Helen Miller (@MsHelicat) December 20, 2017

The Financial Times has a nod to Green but leads on Bank of England promises of easy access for European banks in London post-Brexit. The i splashes on a report that the UK wants "total secrecy" for trade talks with the US. And the Daily Express says you can beat dementia by eating salad every day.

Incidentally, if you'd like a roundup of the newspaper front pages in your inbox each weekday, along with the news headlines, do sign up for the Morning Briefing email. You can do that here:

Related: Sign up for Guardian Morning Briefing

block-time published-time 6.53am GMT

Statement from Kate Maltby's parents Kate Maltby

Kate Maltby, whose allegations of harassment prompted the cabinet office inquiry into Green's behaviour, has not yet commented on his sacking.

But her parents, Colin and Victoria Maltby, who were friends with Green, issued a statement on Wednesday night:

We are pleased that the cabinet office has concluded its inquiry into the conduct of Damian Green.

We are not surprised to find that the inquiry found Mr Green to have been untruthful as a minister, nor that they found our daughter to be a plausible witness.

We have received many supportive messages from people near and far who appreciate Kate's courage and the importance of speaking out about the abuse of authority.

We join with them in admiring her fortitude and serenity throughout the length of the investigation and despite the attempted campaign in certain sections of the media to denigrate and intimidate her and other witnesses.

We are proud of her.

We have ourselves known of these incidents since they first occurred and have fully supported Kate in the responsible manner in which she has reported them.

block-time published-time 6.39am GMT

The inquiry said it was "not possible to reach a definitive conclusion" on the allegations of inappropriate behaviour against Green, but said it did find Kate Maltby's "account to be plausible".

In his letter to Theresa May, Green said:

I deeply regret the distress caused to Kate Maltby following her article about me and the reaction to it. I do not recognise the events she described in her article, but I clearly made her feel uncomfortable and for this I apologise.

May replied:

You have expressed your regret for the distress caused to Ms Maltby following her article about you and the reaction to it. I appreciate that you do not recognise the events Ms Maltby described in the article, but you do recognise that you made her feel uncomfortable and it is right that you have apologised.

(By "the reaction to it", it's likely both were referring to a much-criticised article about Maltby in the Daily Mail, which among other things accused her of being "one very pushy lady" with a "flair for self-promotion".)

However, it is not clear from this exchange whether Green has in fact apologised personally to Maltby, who has not yet commented publicly on his resignation.

block-time published-time 6.30am GMT

All the indications are that we shouldn't expect a reshuffle today, this week or even this year.

With May on her way to Poland this morning for a two-day trip, and parliament on its Christmas recess, the next first secretary of state/minister for the cabinet office/de facto deputy prime minister might not materialise until 2018.

Which of course allows plenty of time to put together the runners and riders lists:

enltrMay has lost her oldest & closest political friend. Who will replace him? Allies left in her cabinet are basically her old home office team; Brandon Lewis, James Brokenshire, Karen Bradley. She also relied on Rudd in election campaign

- Beth Rigby (@BethRigby) December 20, 2017

block-time published-time 6.03am GMT

An early start for today's politics live blog, hot on the heels of the Wednesday night sacking of first secretary of state and key Theresa May ally Damian Green.

News that the prime minister had asked her de facto deputy to resign - known in non-political circles as firing him - broke shortly after 8.30pm, just hours after the two had appeared side by side at the final PMQs of the year. (Here's John Crace's take on how that May-Corbyn festive showdown shook down.)

Grin and bear it: Theresa May alongside Damian Green in the Commons on Wednesday. Photograph: PA

He was the third cabinet minister to go in the last two months, after the ousting of Michael Fallon on 1 November for harassment, and of Priti Patel a week later for her unofficial meetings with Israeli officials.

An inquiry was set up into whether Green had breached the ministerial code after Kate Maltby, a Conservative activist, said he had made inappropriate advances towards her; it was later broadened after claims surfaced that pornography was found on a parliamentary computer in Green's office during a police raid in 2008.

As so often, it seems it wasn't the original allegations against him that secured Green's fate but the untruths - or, as the inquiry report puts it, his "inaccurate and misleading" statements - about claims pornography was found on his work computer.

In his resignation letter, Green also expressed "regret [for] the distress caused to Kate Maltby", whose account the inquiry found to be "plausible", though it did not make a ruling on whether his behaviour had been inappropriate.

You can read the full exchange of letters between May and Green here.

Andrew Sparrow will be along later to hop into the live blog chair. Comments will also be switched on later, but in the meantime you can contact me on Twitter @Claire\_Phipps.

block-time updated-timeUpdated at 6.09am GMT

**Load-Date:** December 21, 2017

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[***BRIEF NEWS BULLETIN NO. 10341***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5RNF-5MK1-F12K-R0K3-00000-00&context=1516831)

HINA Digest

16 February 2018

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**Length:** 8354 words

**Body**

Zagreb, 16 February 2018 (Hina) - Ramljak ready to bear consequences if he compromised Agrokor emergency administrationZAGREB, Feb15(Hina) - The emergency administrator in the ailing Agrokor conglomerate, Ante Ramljak,said on Thursday that he was ready to bear the consequences and assume the responsibility if lawmakers and the government assessthat he had undermined the process of emergency administration."If you, as lawmakers, and the Government assess that I have compromised the process, I am ready to bear the consequences and take the blame," Ramljak said after he acquainted the parliamentary economy committee of the course of his emergency administration.At the beginning of his address to the committee,he depicted how serious situation was in Agrokor when he was appointed by Zagreb Commercial Court on 10 April 2017.During his address, Ramljak also commented on his previous employment in the Texo Management company which was later subcontracted as a consultant for the overhaul of the debt-laden Agrokorconglomerate."When I assumed the duty of emergency administrator, I did not have enough time to be acquainted with the situation in detail. I was forced to ensure funds for cash-flow on short notice," Ramljak said, adding that he had to rely on people whom he knew and trustedand with whom he had closely cooperated and that he had never intended to conceal the names of the consultants.Likewise, on 12 April that year, he made public the names of those engaged as his advisers and in his team of consultants."This move I made can be assessed by someone as immoral and corrupt," Ramljak said, adding that he regretted that and was ready to bear the consequences.Economy Minister Martina Dalic proposed to the parliamentary committee that this body should be informed of the process of emergency administration on a regular basis.Ramljak asksfor 3-month extension of emergency administrationZAGREB, Feb15(Hina) -While presenting the course of the emergency administration in the private ailing conglomerate Agrokoron Thursday, emergency administrator Ante Ramljak said that he had asked for a three-month prolongation of the administration, which is supposed to be brought to a conclusion on 10 April 2018under the Law on Extraordinary Administration Proceedings in Companies of Systemic Importance of Croatia.The law stipulates that the administration should last12 months, plus three moreif necessary.At the beginning of his address to the committee, he depicted how serious the situation was in Agrokor when he was appointed by the Zagreb Commercial Court on 10 April 2017.During his address, Ramljak also commented on his previous employment in the Texo Management company which was later subcontracted as a consultant for the overhaul of the debt-laden Agrokor."When I acceptedthe job of emergency administrator, I did not have enough time to be acquainted with the situation in detail.

I was forced to secure funds for cash-flow on short notice," Ramljak said, adding that he had to rely on people whom he knew and trusted and with whom he had closely cooperated, and that he had never intended to conceal the names of the consultants.He recalled that already on 12 April 2017he had made public who made up his consulting team."Although the hiringand costs of my consultants have come into the limelightagain recently, I recall that in accordance with instructions from the Commercial CourtI have started publishing the costs of the total operations of Agrokor and the specific costsof consultants in monthly reports since October last year," Ramljak said."On that occasion, I also madepublic that the total cost of restructuring of Agrokor will be between 58 and 69 million euros, depending on the length of the process and the success of a settlement. This amount is slightly below 1% of the entire debt of the Agrokor Group," Ramljak said, adding that this is markedly lower than the percentages for such restructuring services in comparative cases in the world, where that cost amounts to 3% of the debt on average.In his comment on the media and public outragecaused by reports about his consultants' fees, Ramljak said that "from today's perspective, andin hindsight, I can understand whysomeone can perceive my move (regarding the hiring of consultants) as immoral and even corrupt.""I am sorry that such a perception has been createdand,believe me,everyonewho knows me andmy 25-year-long business careercan testify that I do my job honestly and honourably and in compliance with the best rulesof my profession."He said that when he took onthis job, he wasready tomake every sacrifice.In his speech he acquainted the committee with thetimeline of the events in Agrokor when he took over the emergency administration. He also recalled thata few days before the law went into force, the then speaker of parliament, Bozo Petrov, phoned him on 8 April to ask him whether he would like to become the emergency administrator in Agrokor, and that he had answered that he could not accept the proposal unless both coalition partners-- the Bridge and the Croatian Democratic Union (HDZ) -- were supportive of that proposal.After that, Economy Minister Martina Dalic of the HDZ phoned himto come to Zagreb for a meeting arranged with Prime Minister Andrej Plenkovic who, she said, wanted to propose him for Agrokor's emergency administrator. The Commercial Court appointed him to thatpost on 10 April 2017, granting the government's request.Economy minister says is responsible all Agrokor employeesgetting paidZAGREB, Feb15(Hina) - Economy Minister Martina Dalic said on Thursday she was the main author of the law on emergency administration in the Agrokor conglomerate and that it had been her job to do something instead of crossing her arms and waiting.She was answering questions from MPs at a session of the parliamentary Economy Committee about the settlement process in the heavily indebted Agrokor.Dalic said the Knighthead fund had not participated in the drafting of the law and that she had not met or talked with its representatives."If you are asking me about political responsibility, I consider myself responsible for the fact that all Agrokor employees are receiving their salaries, all companies are in business, and the emergency administration procedure is about to result in a settlement.That was my job and duty, not to cross my arms and wait."She suggested that the committee be kept informed of the course of the procedure on a regular basis.Bill on ***strategic*** investment projects tabledZAGREB, Feb15(Hina) - The government sent to parliament on Thursday a final bill on ***strategic*** projects aimed at accelerating the process of obtaining documentation necessary for the implementation of strategicinvestment projects and halving the investment value criterionfrom HRK 150 million to HRK 75 million.Economy Minister Martina Dalic presented a number of novelties aimed at simplifying the procedure, notably for private investment projects.The current law has been in force since 2013 and has been amended twice in the meantime. Since the law took effect, a total of 29 projects had been included on the list of ***strategic*** investment projects, of which 13 werelisted in the past year alone.Dalic said one of the novelties of the bill was to reduce the financial limit, namely the investment criterion for ***strategic*** investment projects from HRK 150 to 75 million, while the criterion for projects in areas of special state concern, islands and those from the farming production sector, fisheries and forestry are reduced from 20 to 10 million kuna.Under the current law, investors must provide bank guarantees for 10% of the total amount of the project while the amendments will reduce this amount to 5%. This change is important to make the entire procedure more appealing to private investors.The bill also proposes redefining how state assets are managed, such as forest land, farmland, public roads, etc.Under the bill, energy investment projects will be included on the list of ***strategic*** investment projects.The bill also introducesa penalty fee in the amount of 0.1% of the total value of the project, in case the investors fail to respect deadlines.Interior ministry to collect, analyse data on air passengersZAGREB, Feb15(Hina) - The Croatian government on Thursday forwarded to parliament a bill on the transfer and processing of personal data on air passengers for the purpose of preventing, discovering, investigating and prosecuting crimes of terrorism and other grave types of crime, thus transposing into national law an EU directive designed to make the prevention of international crime more efficient.The bill defines the procedure for the transfer of personal data on air passengers which is collected by airlines and their handling by the relevant authorities andit identifies the institutions that seek and receive, process and store passenger data. The bill also defines for how long those data are kept, it identifies the authority in charge of depersonalising the data, and defines sanctions for non-compliance with legally prescribed obligations.Airlines are not given any new obligations with regard to the collection of additional data that would differ fromthose which they have had so far, and they are required to forward them to theMinistry of the Interior information unit, said Minister Davor Bozinovic.Under the bill, the Ministry of the Interior forwards air passenger data and results of its processing to the relevant authorities, which may be both domestic and foreign, for further action, said Bozinovic.The cost of implementing the activities related to the bill will be covered with budget funds in the amount of slightly more than HRK 21 million as well as EU funds, said Bozinovic.Gov't puts forward final bill on vocational educationThe government also forwarded to parliament the final bill on vocational education which envisages the establishment of regional competence centres for vocational education which would be linked with the labour market, in line with the national education, science and technology strategy.The bill will enable the drawing up of a national curriculum for vocational education, sector curricula and curricula of vocational education institutions.It also envisages methods of improvingpractical training in vocational schools.Airlines may be fined up to HRK 750,000 if they fail to submit passenger manifestZAGREB, Feb 15 (Hina) - Airlines may be fined up to HRK 750,000 should they fail to submit a passenger manifest to the Interior Ministry, which they will be obliged to do under a billon the transfer and processing of air passenger data, which is aimed at preventing, discovering, investigating and processing terrorism-related and other severe crimes andwhich the government sent to parliament on Thursday.If an airline fails to submit a passenger manifest to the ministry, it will be fined between HRK 150,000 and HRK 300,000,while the official in charge will be fined between HRK 10,000 and HRK 30,000. In case of a repeated offence, fines will be more severe -- between HRK 300,000 and HRK 750,000 for airlines and between HRK 15,000 and HRK 50,000 for officials in charge, Interior Minister Davor Bozinovic told the press in Government House.The EU member states are obliged to implement this law as of 25 May 2018.Bozinovic said thelaw was important for the overall efforts the government was investing to achieve its ***strategic*** objective -- entering the Schengen area.This will not mean extra work for airlines. They will forward the data they collect anyway to the ministry. Everything will stay the same for passengers, except for the fact that their information will now be available to the national unit for monitoring air security, the minister said.After processing the information, if the interior ministry suspects a passenger is involved in criminal activity, it will forward the data to the relevant agencies -- intelligence agencies, the customs administration, the tax authority and the office for the prevention of money laundering, the financial inspectorate, the prosecutor's office and courts.Police don't have info of unaccompanied child deported from Croatia, says ministerZAGREB, Feb 15 (Hina) - Interior Minister Davor Bozinovic on Thursday told reporters, in reference to an alleged case of a nine-year-old unaccompanied migrant being deported from Croatia, that no such case was identified in police records.Bozinovic told a press conference that it was odd that the public was debating a case of Croatian police unlawfully deporting a nine-year-old unaccompanied child yet there wasno information of who the child wasor when this occurred."What I do know is what I said yesterday that the chief police director wrote to the ombudswoman requesting information on this matter considering that police records do not have evidence of any such case," Bozinovic said when asked whether there was any news on thecase, after Ombudswoman Lora Vidovic warned the police about their behaviour toward migrants.Asked whether he felt responsible for this case and whether he should step down if that information is proved correct, the minister retorted, "Youreported that an unaccompanied child aged nine was deported from Croatia, what else did you report in that case, whichchild and when," he said.Asked what would he do if it was his child, Bozinovic said that it would be difficult to imagine such a situation, adding that tragic events could occur with achild beingin such a situation. However, he reiterated that no-one has proved that such a case even existed.The police director is asking "where, when and which child" because if something has been released in public then it would be proper and normal to say who and what this refers to, he concluded.Yesterday Minister Bozinovic warned that something had been released in public before it was even communicated to the ministry after which, according to the media, the Ombudswoman's office replied that all the information concerning that case had been delivered to the authorities last June.Asked how many migrants had entered Croatia since he took up office, Bozinovic said that statistics of this kind were not kept according to a timeline of appointments of office-holders.As far as legal migrations wereconcerned, he said that in 2015Croatia took on the obligation to relocate a certain number of migrants based on the principle of solidarity with Greece and Italy. Todate, 81 migrants have come to Croatia from these two countries and 76 Syrian migrants have been resettled from Turkey. There are about 500 people in migrant centres at the moment whereas last year, their number was 4,000.Defence minister talks fighter jets, NATO meetingZAGREB, Feb15(Hina) - Croatian Defence Minister Damir Krsticevic said on Thursday, when asked if there might be difficultiesif Croatia selected Israeli fighter jetsgiven the political crisis in Israel, that Croatia was considering the bids at state level, making arrangements with a state,so it did not matter who was in power."We are focused on strengthening the capability of the Croatian army. NATO too, aside from higher budgets, is asking stronger capabilities from the member states.We are in the process of adopting decisions at state level. We had a tender, opened the bids and are now conducting additional consultations in order to makea responsible andaffordable decision, taking into account all the things essential to Croatia," he told Croatian reporters in Brussels.Asked if Croatia would participate in a mission for the training of Iraqi troops, on which NATO is expected to decide at a summit in July, Krsticevic said Croatia was conducting consultations on that and that the final decision would be made by parliament.He was in Brussels today and yesterday to attend this year's first meeting of NATO defence ministers. Theydiscussed global security challenges, defence budgets, European Union-NATO cooperation, NATO's deterrence and defence posture,projecting stability outside NATO borders and NATO's role in the fight against terrorism.EU member states disagree on speed of enlargement to W. BalkansZAGREB, Feb15(Hina) - European Union foreign ministers who met in Sofia for an informal two-day meeting disagreedon Thursday onthe European Commission'sstrategy for enlargement to the Western Balkans, with some saying the deadlines proposed by the Commission are too long for admission of new member states,and others saying they were too short.This was the first time the ministers discussed the strategy which the Commission published last week. According to the strategy, Serbia and Montenegro, which have gone farthest in the accession process, could join the union in 2025 at the earliest.With the strategy, the Commission wants to encourage Bosnia and Herzegovina, Serbia, Montenegro, Macedonia, Kosovo and Albania to step up efforts in meeting the criteria, but also to prepare the public in the member states for furtherenlargement.Montenegro and Serbia are conducting accession negotiations, Macedonia and Albania have candidate status but have not yet begun the negotiations, Bosnia and Herzegovina has still not answered thequestionnaire based on which the Commission will assess its membership application, and Kosovo is in a special situation because five EU member states do not recognise its independence.Hungary thinks Serbia and Montenegro should join the EU in 2022."I‘m very much disappointed with that strategy, because I think that the integration and the enlargement process should be much, much, much quicker,"Hungarian Foreign Minister Peter Szijjarto said."It‘s obvious that the US has a strategy on the Western Balkans, Russia has a strategy on the Western Balkans, Turkey does have a strategy on the Western Balkans - it‘s only the European Union which is extremely slow when it comes to issues in the Western Balkans," he added.Poland, Italy and Austria are among other EU countries in favour of stepping up efforts to open the bloc to Southeast Europe, which has seen growing Russian,Chinese and Turkish influence.“Who will be first in Belgrade - China or the EU? It is that (which) we have to counteract, as it is our immediate neighbourhood,” said Austrian Foreign Minister Karin Kneissl.On the other hand, some member states such asGermany, are much more reluctant about further enlargement, pointing to rule of law shortcomings in candidate countries as well as in some ofthe newer member states.French Foreign MinisterJean-Yves Le Drian was also cautious. “It’s clear there are conditions and that those conditions are demanding.”Slovenian Foreign Minister Karl Erjavec thought that even 2025was “not realistic” as a goal, saying the Western Balkan states would need more time to settle their disputes and meet criteria for EU entry.However, the Commission says in the strategy that 2025 should not be understood as a target but as a prospect which could be achieved only ifrequirements were met.FM: Croatia is generally in favour of EU enlargementZAGREB, Feb 15 (Hina) - Croatia is generally in favour European Union enlargement, but is against changing the content of the documents that define how that process should be conducted, Minister of Foreign and European Affairs Marija Pejcinovic Buric said in Sofia on Thursday.The Croatian minister was speaking to reporters on the margins of an informal meeting of EU foreign ministers who were discussing, among other things, the recently published enlargement strategy for the Western Balkans."Croatia is generally in favour of enlargement and raising this topic to a higher level within the EU, but it is against changing the content, especially the content of some of the documents that define how the enlargement process will be conducted," Pejcinovic Buric said."A negotiating framework is given for each country. The framework for Serbia says that unless a bilateral agreement is reached on border issues, they will be taken either to an international court or to arbitration. The present document mentions only arbitration, which is unacceptable to us," the Croatian minister said.Croatia will try to resolve all its issues bilaterally, and if that is not possible, it will approach a permanent international court such as the one in The Hague, she added.Pejcinovic Buric said that Croatia considered it important that the enlargement issue was again raised to a higher level, "which is good for us and for the EU"."We think that enlargement is an important EU policy, it is important for the stability and prosperity of both Croatia and the European Union, as well as this part of Southeastern Europe. It is very important that all countries aspiring to join the EU should have a membership perspective," she said. "It is also important to preserve the credibility of the enlargement process on both sides - the EU should support it and the aspirant countries should do their homework," she added."It should be made clear that the criteria will not be lowered and that they are based on a very clear conditionality, that is that there will be no problems for those that meet the criteria and that their progress will depend on the speed of reforms that they implement," Pejcinovic Buric said.Grabar-Kitarovic congratulates Vucic on Serbia's Statehood DayZAGREB, Feb15(Hina) - Serbia is marking Statehood Day on Thursday and among thecongratulations sent to the state leaders, Belgrade media highlighted Croatian President Kolinda Grabar-Kitarovic's note to Serbian President Aleksandar Vucic and her hope that this will be a year of advanced bilateral relations and dealing with outstanding issues."I hope that in the year ahead we will work together to advance bilateral relations between our two states and find ways, together with our governments, to resolve the key outstanding issues which have been burdening us for too long," Grabar-Kitarovic said in her note.Wishing Serbia and its citizens well-being and prosperity, she underlined that cooperation between Croatia and Serbia, as two neighbours, had special significance for all of Southeast Europe."Croatia will continue to share its experience from the European integration process and support Serbia on the demanding journey to European Union membership and a common European future," the note said, according to a press release from Vucic's office.Croatian minister expects Serbia to deliver necessary documentation about war missingZAGREB, Feb15(Hina) - Croatian War Veterans' Affairs Minister Tomo Medved said on Thursday that he expected Serbia to offer concrete and operational cooperation in search ofpeople who disappeared in the 1991-1995 war and to deliver the relevantdocumentation."I suppose that these announced activities and cooperation should eventually bring about concrete effects," Medved said in his comment on the fact that Serbian President Aleksandar Vucic is about toreceive in Belgrade associations of Croatian families whose members went missing in the war."I expect that the (meeting) will result in the delivery of documents valuable for the search for missing persons," Medved said.Asked by the press to comment on Vucic's refusal to answer questions about his war-mongering speech in the Croatian town of Glina in 1995, Medved said that he had not attended the meetings involving Vucic during his two-day visit to Croatia earlier this week.The facts speak about historical events, the minister added.War veterans' widows say they were hurt by president's statementZAGREB, Feb15(Hina) - The national association of Croatian war veterans' widows has said in an open letter to President Kolinda Grabar-Kitarovic that they feel deeply insulted by her statement about "individuals from the margins of the political spectrum or margins of any thinking."Commenting on Grabar-Kitarovic's statement, made in the context of a proteststaged earlier this week against Serbian President Aleksandar Vucic's visit bythe widows' association and supported by a war veterans' association, the association's president, Rozalija Bartolic, told a news conference on Thursday that the president's statement "has deeply hurt primarily us, the Croatian defenders' widows, all Croatian female and male defenders, all Homeland War victims, as well as all those who care about Croatia's national interests."Bartolic went on to say that Grabar-Kitarovic had grossly disregarded her duties as president of all Croatian citizens because she divided Croatians into "marginal and elite ones."At the protest staged on Monday, the widows only presented indisputable and hard facts, said Bartolic."We have said on many occasions that we are for peace and dialogue, but how can we talk with an unrepentantcriminal who has not distanced himself in the least from the ideas that have caused us so much evil," she wondered.She noted that her association believed that Vucic's visit had not yielded positive resultsand that President Grabar-Kitarovic had evidently not been prepared for it.Vucic brought documents on only three missing persons and atsuch a pace the fate of people gone missing in the war would be uncovered only in 100 years'time, Bartolic said.Wartime humanitarian organisations send letter of support to Grabar-Kitarovic after Vucic's visitZAGREB, Feb 16 (Hina) - Members of three humanitarian organisations from the time of the 1991-1995 Homeland War sent a letter of support to President Kolinda Grabar-Kitarovic on Thursday after her invitation to Serbian President Aleksandar Vucic to visit Croatia and her reference to protesters against the visit as "individuals from the fringes of the political spectrum" caused misunderstanding and debate in sections of the Croatian public.The signatories of the letter said that the Croatian president's invitation was a step towards resolving the accumulated problems between Croatia and Serbia, and that they understood the pain of the families of Croatian soldiers and civilians killed or gone missing during the war who protested during Vucic's visit.Among the accumulated problems they singled out the issue of missing persons, the status of the Croatian minority in Serbia, records of the Vukovar war hospital, and the return of documents that could help shed light on the fate of Croatian prisoners of war.The signatories said they were aware that it was not easy for the Croatian president to invite a person who had participated in the war and who bore great responsibility, but stressed that the Serbian president was the only person who could start dealing with these issues.They said that some of the statements made by speakers during the protest in Zagreb's main square were inappropriate and missed the point, but that they were caused by the painful feelings of the loss of their loved ones. They concluded by saying that veterans and war widows should realise that they have a friend and protector in President Grabar-Kitarovic.Families of missing Croatian soldiers to meet with Serbian president next weekZAGREB, Feb 15 (Hina) - Families of Croatian soldiers listed as missing from the 1991-1995 Homeland War and associations of civilian war victims will meet with Serbian President Aleksandar Vucic next week and seek information from Serbian archives that might shed light on the fate of their loved ones, the Croatian federation of associations of families of missing soldiers and prisoners of war announced in a statement on Thursday.The meeting was arranged during Vucic's visit to Croatia earlier this week.The families of missing Croatian soldiers and civilians will ask Vucic to fully devote his attention to resolving "this most difficult humanitarian issue" between the two countries."We owe this effort to the Croatian defenders and civilians who we are still looking for, to their families and to the generations to come," the statement said.Croatian gov't acquainted with protocol on gas supplies to Bosanski Brod refineryZAGREB, Feb15(Hina) - The Croatian government was acquainted on Thursday with a protocol on cooperation in convertingthe oil refinery at Bosanski Brod into one powered by natural gas, with the Croatian privately-owned supplier Crodux Plin being engaged in this project.The project is aimed at dealing with the problem of cross-border air pollution affecting Slavonski Brod, a Croatian town on the other bank of the Sava River.The document was signed on 31 October 2017 by Croatia's Environment and Energy Minister Tomislav Coric and the Minister of Industries, Energy and Mining in the Bosnian entity of the Republic of Srpska, Petar Djokic.Coric said on Thursdaythat the protocol confirmed the intention of the parties concerned to set up cooperation so as to create technical prerequisites for the implementation of the project.The protocol will helpupgrade the Bosanski Brod Refinery and pavethe way for the reduction of air pollutionthat has been affecting the health of residents of Slavonski Brod.The conversion will be conducted through the direct connection of the refinery to the pipeline Slobodnica-Brod that will be used exclusively for the delivery of gas supplies to the refinery.The buyer of the gas, thatis the refinery, has selected the gas supply provider and that is the Crodux company, according to Coric's explanation.Plenkovic: Croatia and Slovenia don't need Brussels' assistanceZAGREB, Feb15(Hina) - Croatian Prime Minister Andrej Plenkovicsaidin an interview with the European online news portal Politico on Thursday that the dispute between Croatia and Slovenia about Piran Bay was not a major one, adding that the two countries couldresolve it on their own, without the European Union's help.Certainly we are open to friendly suggestions. But from our point of view this is a bilateral issue that we have to deal with on our own, notably if we take into account the fact that Croatia and Slovenia had never in history been in conflict, the Croatian PM said.We hope to find a solution and "dedramatise" the entire situation. This is not a major issue which is why it should remain a bilateral issue, Plenkovic said, asking Slovenia to show more flexibility, Plenkovic said.In 2009 the European Commission paved the way for an arbitration procedure from which Croatia had withdrawn, Plenkovic said, adding that this fact alone should not be interpreted as an invitation to European Commission President Jean Claude Juncker to get involved in the dispute.We will resolve this on our own eventually, Plenkovic said.Plenkovic: Solution to border dispute with Slovenia closer than it appearsZAGREB, Feb 15 (Hina) - In an interview with the Austrian Kurier daily published on Thursday, Croatian Prime Minister Andrej Plenkovic said that Croatia is open to the aspirations of all countries in the Western Balkans to join the European Union and that a solution to the border dispute with Slovenia is closer than it appears."I am pleased that the European Commission is now pursuing an open strategy with regard to enlargement," Plenkovic said. He added that the year 2025 mentioned in the strategy as the year for possible accession of some of the Western Balkan countries to the EU is just a framework date and that it is "better than no date at all."He also underscored that all countries have to meet the required criteria for membership and stressed that Croatia has the most recent experience with the EU accession process and that it is prepared to share its knowledge with others. He in particular singled out Bosnia and Herzegovina."Bosnia and Herzegovina is a priority for us. A historical responsibility exists and we want to help," Plenkovic said.With regard to cooperation with Serbia, Plenkovic said that Croatia is the fourth largest investor in Serbia and that it is high time to resolve problems that have existed between the two countries for the past 25 years. At the same time he noted that the historical burden is still great."It is a fact that Croatia was a victim of Milosevic's regime which significantly slowed us down on our EU journey. Had there been no war, we would probably have become a member of the EU in 2004. That prevented a generation of Croatians from catching up with Western Europe," Plenkovic said.Plenkovic described the Croatian-Slovenian border dispute as serious but also emphasised that it need not be overdramatised."We are much closer to finding a solution to this problem than it appears," he said.In conclusion, Plenkovic underscored that before the end of the year Croatia will have satisfied all the criteria to enter the Schengen Area.Croatian education minister, EU commissioner talk curriculum reformZAGREB, Feb15(Hina) - Croatian Education and Science Minister Blazenka Divjakattended a meeting of the European Education, Youth, Culture and Sport Council in Brussels on Thursdayand held talks with other education ministers and Education CommissionerTiborNavracsics.She told Croatian reportersshe andNavracsics talked about Croatia's curriculum reform and that she thanked him for the European Commission's help in the experimental stage of the reform as of next autumn in 60 to 70 elementary and high schools.The meeting discussed, among other things, the Erasmus+ ***programme***. Divjak said she pushed for giving more opportunities to less included countries and students coming from underrepresented areas.Treatment of children with malignant diseases satisfactory in CroatiaZAGREB, Feb15(Hina) - On the occasion ofInternational Childhood Cancer Day, observed on 15 February, the Croatian parliamentary committeeon health and social welfare on Thursday organised a panel discussion at which it was said that in Croatia between 150-180 children are diagnosedwith leukaemia,malignant brain tumours andlymphoma.One of the participants in the debate who gave a keynote speech, Dr. Ernest Bilic,head of haematology and oncology of theDepartment of Pediatrics at the Zagreb University Hospital Centre, informed the committee that the incidence of malignant tumours among children accounted for 0.5% of malignant diseases inthe whole population.Developments in medicine helpefforts to treat diseases successfully, and now the survivalrate is77%. In this context, Croatia is inthe upper part of the medium section of European rankings, Bilic said, adding that treatment of such diseases among children was satisfactory in Croatia.He spoke about the importance ofcoordination in the treatment and rehabilitation of childpatients.Cancer is the second most frequent cause of disease-related mortalityamong children aged 1-14.It is believedthat 70% of children suffering fromleukaemia, malignant brain tumours and lymphoma can be cured if they are diagnosed in timeand are provided with appropriate treatment.However, only one in five children has access to up-to-date medicaltreatment.Farmers to get an additional billion kuna as of next weekZAGREB, Feb15(Hina) - Prime Minister Andrej Plenkovic said at a government session on Thursday that the ***Agriculture*** Ministry and the Paying Agency for ***Agriculture***, Fisheries and Rural Development would start paying, as of next week, an additional one billion kuna to 100,000 farms, as an efficient way of managing farmgrants with which he expected farmers to be satisfied.Farmers will get additional funds after last November they received advance payments in the amount of HRK 950 million, said Plenkovic.He announced that the Council for Slavonia, Baranja and Srijem would hold its fourth session in Virovitica next week to coincide with the local Bioexpo fair, which increasingly attracts foreign partners.Plenkovic said the Council session would focus on ***agriculture*** and the economy.PM underlines faster rate of exportsHe also noted that exports in 2017 increased 13.9% from 2016 while imports increased 11%.EU countries account for 65% of Croatia's exports while 70% of imports come from EU countries, he said, adding that thisproved that Croatia's wish to adopt the euro was more than a logical choice given the national economy's orientation.Speaking of criteria for accession to the Schengen area of passport-free movement, the PM said that it was important for Minister of the Interior Davor Bozinovic to continue working on preparations for accession."It is our wish to meet the necessary criteria this and next year and that positive decisions are made at the time of Croatia's presidency of the EU (in the first half of 2020) at the latest," said Plenkovic.He noted that everything that was being done in that regard showed that Croatia was a mature and responsible member that would be capable of efficiently controlling its borders in line with the Schengen criteria.21 deer released into forests in eastern Croatia as part of EU-funded projectZAGREB, Feb 15 (Hina) - Twenty-one deer have beenreleased into the forests managed by the Vrbanja forest management company in eastern Croatiato replenish the local deer population after a disastrous flood hit the area in the spring of 2014.A total of 41 deer, valued at 550,000 kuna, will be released into the forests in eastern Croatia as part of the EU-funded Croatia-Serbia cross-border project ForestFlow. An additional 38 will be releasedon the Serbian side of the border.After their adaptation to the new habitat, the deer will be monitored by tracking bracelets and field observation as they roam theSpacva and Bosut forests spanning the border between Croatia and Serbia.A total of 258 deer were killed in heavy flooding that struckeastern Croatia in May 2014.ForestFlow is a two-year Croatia-Serbiaproject worth 1.4 million euros. Its purpose is to establish a cross-border flood prevention and protection system and draw up an action ***plan*** for future cross-border cooperation in protecting the environment and people against flooding.The project was launched a year and a half ago. Two game shelters stretching over 12 hectares and two watering holes have been built on the Croatian side of the border. Two major canals of seven kilometres in length have been rebuilt, while minor canals will be reconstructed in the coming months.The disastrous flood caused 30 million euros in damage in Croatia and 64.8 million euros in Serbia, affecting 250 square kilometres of land in Croatia and 300 square kilometres in Serbia. It left 180 tonnes of wild game killed in Croatia and 288 tonnes in Serbia.PBZ reports 10% drop in net profitZAGREB, Feb 15 (Hina) - Privredna Banka Zagreb (PBZ) earned a net profit of HRK 1.44 billion in 2017, which is 10.1% less than in 2016, the bank's financial statement shows.PBZ reported an interest income of HRK 2.69 billion and interest costs of HRK 373 million. "The trend of declining average active and passive interest rates continues, which affected interest results last year," the bank said.In 2017, PBZ generated HRK 685.1 million in net income from commissions and fees, which made a stable contribution to non-interest income. The PBZ Group set aside HRK 303.6 million for loss provisions.Based on the business results achieved, the bank decided to pay a dividend of HRK 15.19 per share. Last year the dividend was HRK 25.33 per share.AHF forum: Hotel&Tourism industry has to brace for GDPR regulationZAGREB, Feb 15 (Hina) - The sixth two-day regional Adria Hotel Forum (AHF) ended in Zagreb on Thursday, with a recommendation that theGeneral Data Protection Regulation (GDPR) will have to be implemented at the EU level. The regulationenters into force at the end of May and the hotel&tourism industry has to prepareitself well for it.AHF, the largest hotel investment conference in southeast Europe, attracted 350 participants who discussed many topics, including the sector's readiness for GDPR in the tourism sector."The hotel industry, which often uses data about their guests, will have to prepare well and convince its associates to respect the GDPR regulation. The problem isn't in collecting data but the way that data is used and with whom it may beexchanged," attorney Marija Zrno advised.One of the topics discussed on the last day of the forum wasthe current global topic of the industry - the lack of qualified workers.Haris Neofytidis from the Metropol Palace compared the wages of waiters in five-star hotels saying that they earned 700 to 800 euros a month in Greece, 400 eurosin Bulgariaand 250 euros in Serbia."Greece is a very mature tourist country with one millionpeople working in that sector, however, it is difficult to find workers in resorts," Neofytidis added.It was heard that there is a lot of talk of investing in rooms andpremises yet there was little mention of investing in people and their development, and some countries like Bulgaria and Croatia felt the problem in finding workers when they joined the EU.Bulgaria has since introduced more practical training and less higher education in tourism as it needs more people on the ground than managers.On Wednesday, the first day of the forum, Tourism Ministry State Secretary, Frano Matusic, said that some 950 million euros ofinvestments in the hotel industry was ***planned*** in Croatia for 2018, which would be 13% more than in 2017. This should result in 40 new hotels.Exhibition of Italian designer lamps opens in Zagreb's Museum of Arts and CraftsZAGREB, Feb 16 (Hina) - An exhibition called "Italian Light - Sixty Designer Lamps from 1950 to 1990" opened in the Museum of Arts and Crafts in Zagreb on Thursday evening.The exhibition is curated by Studio Archeo 900 from Ferrara and features exhibits from the Cortopassi Collection. It was opened by Mayor Milan Bandic.Paolo Cortopassi, the owner of the collection, said at the opening ceremony that all the lamps were original from their respective periods and that most of them were no longer ***produced*** and existed in very small quantities.Italian Ambassador Adriano Chiodi Cianfarani said that the exhibition was part of the Italian Way of Life project conducted by the Italian Ministry of Foreign Affairs to promote Italian culture in the world.The exhibition is a prelude to the International Day of Italian Design which will be held in Zagreb on March 1, when a number of events will take place to promote design as one of the most innovative and most creative aspects of art.The exhibition gives a chronological overview of Italian design through three key periods: from 1950 to 1965, from 1965 to 1980, and from 1980 to 2000. The lamps on show in Zagreb have been displayed in the world's prestigious museums such as New York's MoMA, the Victoria & Albert Museum in London and the Louvre in Paris.The exhibition was organised in cooperation with the Italian Culture Institute in Zagreb and will be open until March 18.ZSE indices closed mixedZAGREB, Feb 15 (Hina) - The main Zagreb Stock Exchange (ZSE) indices closed mixed on Thursday, with the Crobex gaining 0.13% to end at 1,853.53 points and the specialised Crobex10 dropping by 0.07% to 1,070.91 points.Turnover at the close of regular trading was HRK 7.3 million, about 2.2 million higher than on Wednesday.The stock of the Adris tourism and insurance group generated the highest turnoverof HRK 1.8 million. It closed at HRK 427 per share, down 0.70% from Wednesday.The only other stock to turn over more than a million kuna was that of the HT telecommunications company, turning over HRK 1.3 million. The price of its share fell by 1.19% to HRK 165.50.(EUR 1 = HRK7.444637)THIS BULLETIN INCLUDES ITEMS RELEASED BY 0830 HOURS FRIDAY. (Hina) vm Masthead Brief News Bulletin is published by the Croatian News Agency HINA Marulićev trg 1610 000 ZagrebCroatia web:[*www.hina.hr*](http://www.hina.hr) mail: [*hina@hina.hr*](mailto:hina@hina.hr) phone: (+385 1) 48 08 660; fax (+385 1) 48 08 822 Publisher: Branka Gabriela Valentić, DirectorEditor in Chief: Serđo Obratov Bulletin Editor: Marija Šestan

ZAGREB, Feb15(Hina) - The emergency administrator in the ailing Agrokor conglomerate, Ante Ramljak,said on Thursday that he was ready to bear the consequences and assume the responsibility if lawmakers and the government assessthat he had undermined the process of emergency administration.

ZAGREB, Feb15(Hina) -While presenting the course of the emergency administration in the private ailing conglomerate Agrokoron Thursday, emergency administrator Ante Ramljak said that he had asked for a three-month prolongation of the administration, which is supposed to be brought to a conclusion on 10 April 2018under the Law on Extraordinary Administration Proceedings in Companies of Systemic Importance of Croatia.

ZAGREB, Feb15(Hina) - Economy Minister Martina Dalic said on Thursday she was the main author of the law on emergency administration in the Agrokor conglomerate and that it had been her job to do something instead of crossing her arms and waiting.

ZAGREB, Feb15(Hina) - The government sent to parliament on Thursday a final bill on ***strategic*** projects aimed at accelerating the process of obtaining documentation necessary for the implementation of strategicinvestment projects and halving the investment value criterionfrom HRK 150 million to HRK 75 million.

ZAGREB, Feb15(Hina) - The Croatian government on Thursday forwarded to parliament a bill on the transfer and processing of personal data on air passengers for the purpose of preventing, discovering, investigating and prosecuting crimes of terrorism and other grave types of crime, thus transposing into national law an EU directive designed to make the prevention of international crime more efficient.

ZAGREB, Feb 15 (Hina) - Airlines may be fined up to HRK 750,000 should they fail to submit a passenger manifest to the Interior Ministry, which they will be obliged to do under a billon the transfer and processing of air passenger data, which is aimed at preventing, discovering, investigating and processing terrorism-related and other severe crimes andwhich the government sent to parliament on Thursday.

ZAGREB, Feb 15 (Hina) - Interior Minister Davor Bozinovic on Thursday told reporters, in reference to an alleged case of a nine-year-old unaccompanied migrant being deported from Croatia, that no such case was identified in police records.

ZAGREB, Feb15(Hina) - Croatian Defence Minister Damir Krsticevic said on Thursday, when asked if there might be difficultiesif Croatia selected Israeli fighter jetsgiven the political crisis in Israel, that Croatia was considering the bids at state level, making arrangements with a state,so it did not matter who was in power.

ZAGREB, Feb15(Hina) - European Union foreign ministers who met in Sofia for an informal two-day meeting disagreedon Thursday onthe European Commission'sstrategy for enlargement to the Western Balkans, with some saying the deadlines proposed by the Commission are too long for admission of new member states,and others saying they were too short.

ZAGREB, Feb15(Hina) - Serbia is marking Statehood Day on Thursday and among thecongratulations sent to the state leaders, Belgrade media highlighted Croatian President Kolinda Grabar-Kitarovic's note to Serbian President Aleksandar Vucic and her hope that this will be a year of advanced bilateral relations and dealing with outstanding issues.

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ZAGREB, Feb15(Hina) - Croatian Education and Science Minister Blazenka Divjakattended a meeting of the European Education, Youth, Culture and Sport Council in Brussels on Thursdayand held talks with other education ministers and Education CommissionerTiborNavracsics.

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[***‘The Oil is Drilled in Takoradi, but the Money is Counted in Accra’: The Paradox of Plenty in the Oil City, Ghana***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:6BH2-VXY1-JBMY-H41C-00000-00&context=1516831)

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**ABSTRACT**

Recent scholarship on Ghana’s oil industry has focused primarily on its grand contributions to the national economy while its intra-city impact has received less academic attention. Borrowing from Terry Karl’s interpretation of the paradox of plenty, and drawing on empirical evidence from 25 purposefully selected interviewees, the study examines how the oil production off the shores of Sekondi-Takoradi is creating complex processes of accumulation, contradiction, and displacement in a low-income community—New Takoradi. The results point to the accentuation of socio-economic risks in the community following the inflow of oil revenue which is shaping government’s macro-level policies. The paper opines that without attention to place-specific contexts, understanding its socio-economic risks and decadence, and its semblance of strong resilience becomes deceptive. The paper concludes that context and situation are significant for how and to what degree the oil boom matters in the oil city.

**FULL TEXT**

**The euphoria**

In the last 10 years, technological advances have fuelled a flourishing oil industry in Ghana. The first commercial oil began to flow in 2007 and the ‘hallelujah chorus’ that greeted the event from civil society organizations, government functionaries, and even presidents, was deafening (McCaskie, 2008; Gyampo, 2011; Obeng-Odoom, 2012, 2015). Breaking the news shortly after the oil taps were turned on, an elated government minister stated: “We were informed by Energy Kosmos Group . . . that they have discovered oil . . . we should have oil in commercial quantities” (Clottey, 2007). An equally excited President of Ghana told a BBC interviewer that day: We’re going to really zoom . . . You come back in five years, and you’ll see that Ghana truly is the *African Tiger* . . . My joy is that I’ll go down in history as the President under whose watch oil was found. (BBC, 2007)

Touting the virtues of the discovery in 2010, another President remarked: “The Western Region where the oil and gas is located will be given the pride of place as far as development is concerned . . . to reap the benefits of this God-given asset” (Adogla, 2010). US President Obama also chimed in: “it is important to also focus on the good news that’s coming out of Africa, and . . . Ghana continues to be a good news story” (Growth Green ***Agriculture***, 2013: 8).

If the official reactions to the discovery of the *black gold* discovered and being mined 60 kilometers from the coast of Takoradi were euphoric, then its research attractions have been phenomenal. In the main, Obeng-Odoom (2015) systematizes the plethora of studies on the discovery from within, between, and across disciplines between 2011 and 2015. The researchers come from various disciplines and include economists (Asafu-Adjaye, 2012), political scientists (Gyampo, 2011), business management scholars (Hilson, 2014), political economists (Obeng-Odoom, 2014), geographers (Ablo, 2015), sociologists (Darkwah, 2013), historians (McCaskie, 2008), and anthropologists (Chalfin, 2015). Also included are multi-disciplinary researchers (Panford, 2014) and those whose work defies simple categorization (Kwawukume, 2012). Significantly, these studies focus strongly on direct social ***interventions***, including the Local Content Bill (L.I. 2204) passed in July 2013 (Government of Ghana (GOG), 2013: 4) to promote value-addition and job creation (e.g. Darkwah, 2013; Panford, 2014; Arthur and Arthur, 2015). These studies highlight valuable insights into the emerging industry. The anecdotal evidence is that the oil has been the catalyst for investment, reviving Sekondi-Takoradi’s fortunes as an export hub for Ghana’s many resources (Jones, 2014). In addition, Sekondi-Takoradi, a once sleepy coastal town, has now become the hub for the new industry, or the oil city as it is known locally, the first city in Ghana to host the oil industry. Most of the oil companies have premises there and it provides a base to move workers to and from the drilling platform, thus making it one of the fastest urbanizing cities in Ghana. (Walker, 2011).

Beyond the broad ramifications, these macro-level studies simultaneously blur our appreciation of the intra-city impact of the industry, which seems to be firmly dividing the city into two: first, by reversing the decline of the affluent neighborhoods; and second, leaving the informal settlement virtually unrecognised. As Jones (2014: 1) rightly puts it, for the ordinary resident or casual visitor, “reports of Takoradi’s ‘booming economy’ appear greatly over-stated”. In other words, the net gains of the oil economy, particularly among those who live and work informally, are somewhat less dazzling than generally assumed and hyped, yet these have been so far typically overlooked, understudied, and often misunderstood. This paper attempts to fill this knowledge gap by exploring the fate of residents of New Takoradi, an economically challenged community three kilometers from the city Central Business District (CBD), which serves both as ‘a dormitory town’ in Sekondi-Takoradi Metropolitan Assembly (STMA). More widely, the paper explores the effects of the black gold on the livelihoods of those at the lowest ebb of the city’s economy by addressing two major questions. First, are the gains from the oil industry physically and visibly felt across the oil city? Second, how is the trickle-down effect (if any) of the oil proceeds perceived among pre- and post-oil boom residents in New Takoradi?

This paper tackles these questions by arguing that though earlier studies have focused and alluded positively to the broader outcomes of the oil industry, its management can breed disproportionate and negative impact on ‘endangered’ communities if conscious and appropriate policies are not adopted, implemented, and monitored. Put differently, the paper maintains that without proper ***planning***, the structures and incentives an oil-dependent society creates can lead to what Terry Lynn Karl of Stanford University terms the “paradox of plenty,” literally referring to a situation where a city is rich in natural resources but the poor segment of that society is bedevilled by myriad of problems. This reflects perverse linkages between economic performance, poverty, bad governance, injustice, and conflict (Karl, 2007). The paper is organized as follows: In the next section, the conceptual approach of the study is briefly outlined, followed by an introduction to the case study community. Attention then shifts to a description of the methodology. The research results are subsequently presented and discussed. The paper concludes by highlighting its contributions to the debate and by reflecting on what the findings mean for livelihood opportunities in disadvantaged communities in the oil city.

**Poverty and social exclusion: A relational perspective**

The importance of black gold to the Ghanaian economy is not in question. The industry is one of the biggest to be found in Africa since the millennium, with the oil companies pumping 110,000 barrels of oil a day from the seabed (Hilse, 2014). The sudden inflow of dollar-dominated revenues has undoubtedly provided an immense economic respite for the government, increasing the country’s annual Gross Domestic Product (GDP) from 3.9% in 2009 to 14.4% in 2011 (Aryeetey and Kanbur, 2008; World Bank, 2009; BOG, 2013; Ghana Statistical Service (GSS), 2014). But for the recent drop in crude oil prices from US$75 per barrel to below US$30 in 2015, the country was expected to earn approximately US$ 1 billion per year for the next 10 years (World Bank, 2009; Asafu-Adjaye, 2010). This would have facilitated the country’s quest to ameliorate its infrastructural deficit, which in the case of housing, for example, stood at 1.3 million in 2015 in absolute figures, demanding an annual investment of approximately US$1.6 billion to remedy the situation. The government has also implemented a single spine salary policy, which has increased its public sector wage bill to 11.3% of GDP in 2008 (GOG, 2013; Eduful and Hooper, 2015). Thus, the influx of oil money could hardly have been a better “God-sent coincidence.”

The global challenge confronting oil marketization notwithstanding, the industry continues to manifest significantly in the Ghanaian economy, particularly in the area of foreign direct investment (FDI). In 2010, for example, oil-induced FDI totaled US$2.27 billion, an amount 19 times greater than the average annual FDI in the country between 2000 and 2005 (Hendrix and Noland, 2014: 53). In terms of infrastructural development, the €160m (US$182.1m) civil and dredging works at Takoradi Port, US$1.5m Tema Port expansion, US$622m Bui power project, €1.8b (US$2.05b) eastern corridor roads, €74m (US$2.05m) Kwame Nkrumah Interchange projects (Oteng-Ababio, 2016), and US$3b thermal plants at Atuabo are but a few that have been initiated and sustained courtesy of the black gold (BoG, 2013; GSS, 2014). Hendrix and Noland (2014) also highlight the correlation between the oil boom and the hospitality industry, with Accra and Sekondi-Takoradi witnessing unprecedented increases in 5-star hotels (e.g. US$100m Ambassador Hotel) and the erection of skyscraper edifices. Building a portrait of a society in transformation, a BBC reporter, Rob Walker, who had once described Takoradi as “a dusty, run-down port city,” narrated how newly built villas with wide verandas are rapidly eating into green forest and farmland (Walker, 2011: 2). Quoting one Alfred Fafali Adagbedu, the owner of a local company set up to service the oil industry, Walker writes: But it is not just international oil companies that are booming here. In five years time, I see Takoradi becoming one of the modern cities of the world. I can imagine skyscrapers, six-lane highways and malls. . . . The transport industry is going to improve, because workers on the rig are going to need to be transported. ***Agriculture*** is going to see a boom because all those people on the rig will need to be fed. Even market women are going to see more business, because a lot of workers are going to have very fat paychecks. Everyone in this city is going to gain in business

What remain unexplored are the industry’s micro-level (intra-city) ramifications including the hardship that befell those in the informal settlement and economy after the oil discovery, which relates more to how vulnerability (poverty) is conceptualized by city authorities and how they effectively respond to emerging dynamics. Avoiding a situation where the industry disproportionately favours or disadvantages a section of the society (as in Karl’s paradox of plenty) requires a deeper reflection on how people’s livelihoods have changed or are changing in tandem with the oil boom. This calls for inclusivity and a relational approach to poverty, both of which offer an effective conceptual toolkit for such analysis. Rooted in an interdisciplinary lens of developmental studies, proponents argue that “the market” alone is not sufficient to guarantee progress in economic systems, much less the well-being of all citizenry (Adamovsky, 2014; Bachalet, 2014). For Bachalet: development is not defined solely by a high GDP per person. Rather, true development involves sustainable growth, inclusion, social cohesion, governability and the broadening of democracy. (2014: 2)

As an analytical toolkit, this approach contradicts conventional wisdom or the non-relational approach, which makes who is poor, why he/she is poor, and how to act on poverty a personal choice. A non-relational approach makes poverty only “a problem of the poor, who lack skills, ambition, social capital, and/or have personal shortcomings—lazy, criminal, brutish” (Adamovsky, 2014: 3). In this sense, the poor are erroneously blamed for being personally responsible for their plight, and therefore their condition has nothing to do with the (in)actions of the wealthy and powerful. And thus, what the State can do for the poor (if anything) is to help them overcome their own inefficiencies, by offering palliatives including education, micro-credits, and incentives (Chen, 2016).

Contrary, a relational approach sees poverty as ‘over-determined’, arising from a set of interlocking processes including the workings of materialist capitalism (Bachelet, 2014). The framework involves social policies that allow increased access to opportunities for everyone and creates a citizenry that is well-informed, engaged, and has its own opinions (Chen, 2016). Moses (2007) highlights a number of recent empirical innovative studies, which borrowed the framework, including his personal study which highlights poverty and inequality as effects of social categorization and identity, drawing specifically on the experience of *adivasis* (tribals) and *dalits* (untouchables) subordinated in Indian society. His approach follows Charles Tilly’s *Durable Inequality*, which combines Marxist ideas of exploitation and dispossession with Weberian notions of social closure (Tilly, 1998). He also draws on the work of Lukes (2005) and Appadurai (2004) to argue for the need to incorporate a multi-dimensional conception of power, which sets the terms in which poverty becomes (or fails to become) politicized.

This paper builds on these scholarly works to unpack how the inflow of the oil bounty is shaping livelihoods in New Takoradi, one of the most deprived communities in STMA. The paper argues that in a situation where the government’s orgy of domestic spending has left the country with a number of white-elephant projects, huge foreign debts and declining social spending can also impact negatively on poverty alleviation. As already indicated, though much has been written about the black gold in the oil city, relatively few studies have paid nuanced attention to how the “bottom of the barrel” is felt and perceived by all those (near and far) whose socio-economic characteristics and circumstances complicate their path to successfully join the oil revolution. In order to set the background for the discussion, the paper interrogates the study area’s socio-economic dynamics from a historical perspective.

**Overview of the research location**

**Background of New Takoradi**

As already indicated, Ghana’s oil fields are about 60 kilometers off the coast of STMA. However, the industry’s administrative activities—offices, recruitment, and training of staff—as well as other socio-economic activities and infrastructure (residential, recreational, hospitality, etc.) take place in Takoradi,1 a town traditionally called *Toworase* (a large tree where people sit to take decisions), a name corrupted by mispronunciation by Europeans. Covering a land area of 34,571 square acres (see Figure 1), and with a current population of 76,665 (GSS, 2014), the indigenous residents are said to have migrated from Techiman in Brong Ahafo region, led by one Nana Yaw Nketsiah I, in the early 15th century, settling first at Apollonian and then Princes Town, before finally settling at the present location due primarily to its artisanal fishing potential (Amankwah et al., 2015).

**Figure 1.**

Location of the study area.

Source: Map drawn by author (2015).

The research location, New Takoradi (also known as New York), one of the neighbourhoods in Takoradi, was chosen due to its peculiar characteristics. Aside from its low-income status, the area is the eighth largest community (with 21,924 people) in STMA after Takoradi (76,665), Effiakuma (60,101), Kwasimintim (40,542), Kojokurum (37,722), Tanokorum (35,616), Anaji (31,669) and Sekondi (30,453) (GSS, 2014). It is also a microcosm of informal urbanism with 5735 households and the most blighted and densely populated area in STMA (74,672 persons/km2), compared to Bakaekyir which has a density of only 20 persons per square kilometer (STMA, 2015). It has a relatively young, uniquely heterogeneous population, with about 35% below 15 years and 58% between 15 and 59 years as of 2010 (GSS, 2014). The young population is typically perceived as a boon, especially in the context of acquiring the needed labour force to boost growth and development. However, only 8015 of the 12,704 persons of working age (15–59 years) are working, of which about 80% work in the informal sector (GSS, 2014).

Structurally, the community can be divided into lower and upper parts, with residents in the former living in mostly improvised shacks and engaging in fishing, while those in the latter rely on other informal activities (harbor work, petty trading, driving, etc.) for survival. Typically, the inadequacy of existing regulations to address the complexities and heterogeneity of contemporary multicultural living account for the informal status of the lower section, making the place attractive to economic migrants who hope to establish their personal shacks (STMA, 2015). The upper section, on the other hand, is relatively ***planned*** but is currently undergoing intense gentrification involving office space development in response to the demands of oil and oil-related activities. The community’s proximity to the city’s CBD also makes it attractive to those who eke out a living in and around the market. The competition for space from the oil companies in particular has led to the ‘dollarization’ of transactions, creating serious consequences for the poor informal residents (Amankwah et al., 2015). Indeed, New Takoradi, which bears scars of informality and where drug peddling is “without limits”, is home to a large urban poor that is excluded from formal wage labour and housing markets and therefore has to adopt survivalist strategies including illegal ones such as robbery in order to reproduce itself (Gillespie, 2015: 66 ). It is a microcosm of notoriously challenged societies whose economy is being re-configured courtesy of the oil boom, many living with little choice but “to trade to eat” (Little, 1999: 2). The paper sees the increasing incidence of evictions in favor of oil-related facilities as clear manifestations of capital**’**s desire and ability to valorize the urban fabric, creating worsening living and working conditions for the poor and disadvantaged.

**Methodology**

The study adopted a qualitative research technique owing to its flexibility and allowing for the in-depth interrogation of interviewee experiences. The author and two local research assistants carried out the fieldwork. The team targeted 10 respondents each of first- and second-generation residents (also known as indigenes) who lived and worked in New Takoradi before the inflow of the oil revenue, and 10 post-oil discovery migrants (dubbed hustlers). The residential locations of potential interviewees were determined during the reconnaissance survey, and respondents were purposefully selected by walking through these pre-determined areas. Guided by the need for maximum variation in sampling (Kuzel, 1999; Patton, 2001), the team approached each resident who was encountered in the selected areas. The method provided greater insights into a wide range of attributes, behaviors, experiences, incidents, qualities, etc., and helped identify the common themes that were evident across the sample. This provided sufficient justification for some theoretical, analytic and/or logical generalizations to be made from the sample.

Table 1 presents the sampled population, showing diversity and considerable variation. This sample is not expected to be statistically representative; rather, the intent was to draw on a smaller but diverse sample in order to extend the relevance (or otherwise) of the notion of the “paradox of plenty” in relation to black gold and the fate of poor residents of New Takoradi. The data collection involved face-to-face, in-depth interviews using an interview guide developed after a careful review of available literature. The interviews were held in the respondent’s preferred location, which was usually their home—a location which also frequently serves as their work place. This presented a double benefit, as the process involved spending significant time with the respondents and allowed for in-depth appreciation of their livelihood strategies. On average, each interview lasted for 55 minutes (ranging from 45 to 133 minutes), in most cases after reaching theoretical saturation in the types of responses.

**Table 1.**

Respondents’ characteristics (*n*=25).

| **Pseudonyms** | **Age (years)** | **Gender** | **Status** | **Livelihood type** | **Additional notes** |
| --- | --- | --- | --- | --- | --- |
| Amina | 25 | Female | Indigene | Trader in cosmetics | Used to assist mother (fishmonger) |
| Sella | 55 | Female | Indigene | Salted fish dealer | Lifetime trader in salted fish |
| Vivian | 59 | Female | Indigene | Deals in fishing nets | Graduated from fish mongering |
| Mercy | 45 | Female | Indigene | Fishmonger | Inherited from mother |
| Six | 21 | Male | Indigene | Drinking bar operator | Professional footballer |
| Kofi | 34 | Male | Indigene | Mini cold store operator | Sells frozen fish owing to low catch |
| Beauty | 65 | Female | Indigene | Home-based enterprise | A retiree from inter-regional fish trade |
| Love | 56 | Female | Indigene | Petty trader at the CBD | Diversified from mother’s fish trade |
| Romeo | 54 | Male | Indigene | Deals in fuel and fishing lubricants | A former local authority representative |
| Kate | 23 | Female | Indigene | Sells phone recharge cards | Among the few university graduates |
| Davis | 61 | Male | Indigene | Fisherman, but also repairs fishing nets |  |
| Dan | 42 | Male | Indigene | Local ‘susu’ operator | Accepts deposits and grants soft loans |
| Alhaji | 28 | Male | Indigene | Construction worker |  |
| Bob | 73 | Male | Indigene | Fishing boat mechanic | A former fisherman |
| Joe | 64 | Male | Indigene | Local pastor, engaged in fishing | Former worker at the harbor |
| Angel | 28 | Female | Non- Indigene | Operates business with partners | Foreigner, from Togo |
| Lizzy | 35 | Female | Non- Indigene | Table-top trader in CBD |  |
| Asuo | 28 | Male | Non- Indigene | SHS graduate (casual worker) |  |
| Sam | 29 | Male | Non- Indigene | Community pupil teacher | Former bank clerk in Kumasi |
| Alaba | 35 | Female | Non- Indigene | Sells sachet water | Worked for 6 months as clearing agent |
| Fred | 39 | Male | Non- Indigene | Harbor worker (security officer) | 8 years’ experience in New Takoradi |
| Ian | 29 | Male | Non- Indigene | Deals in mobile phones and accessories | Foreigner, from Nigeria |
| Baaba | 25 | Female | Non- Indigene | Petty trading (CBD) | Foreigner, from Ivory Coast |
| Rich | 29 | Male | Non- Indigene | Private security officer |  |
| Innocent | 33 | Male | Non- Indigene | Sales clerk in Mobil Mart | Technical school graduate (welder) |

CBD: Central Business District; SHS: Senior High School.

In all, the team initially scheduled 30 interviews but recorded a refusal rate of 16.5% (with five scheduled second-generation interviewees withdrawing at later stages for “personal reasons”). All the interviews were audio-recorded with permission. These audiotapes were transcribed verbatim and added to other field notes and analyzed manually using hand coding and highlighter pens to color important texts. The thematic areas were carefully identified and the frequency of each theme was recorded, as well as the number of participants who articulated that particular theme. As a way of validating the preliminary findings and soliciting further input, feedback, and clarification, the results were used as the basis for four separate focus group discussions (FGDs) held on separate dates and at venues among the residents—and on one occasion with the inclusion of one officer from each of the metropolitan ***planning*** office and the environmental service department. The intention was to solicit the general community’s perspectives on the identified themes by examining individual responses. The feedback from these exercises led to further refinement of the results presented in the next section.

Taking a leaf from Miles et al. (2014), the results are presented in two ways. First, the emerging themes are presented in terms of the number of times each theme is mentioned and the number of interviewees who articulated each theme (see Table 2). This demonstrates the relative prominence of each theme, illustrating the impact of the oil industry on the poor. Second, seeking to record observations in terms that are as concrete as possible, we reproduce vivid exemplary quotations that serve as low-inference descriptors (see also Seale, 1999: 148). These verbatim quotations, which illustrate how participants attached meaning to each theme, represent the core findings of the study. For confidentiality and ethical reasons, the respondents are identified only by a self-generated pseudonym.

**Table 2.**

Prominent interview themes.

| **Themesa** | **Theme frequenciesb** | **Number of participants mentioning theme (n = 25)c** |
| --- | --- | --- |
| Increasing cost of living | 57 | 25 (100%) |
| Exposure to chronic housing challenges | 53 | 19 (77%) |
| Increasing job insecurity | 47 | 18 (72%) |
| Increased social disorganization | 40 | 16 (65%) |

Derived from in-depth interviews, following analytical steps by Miles et al. (2014).

**The survey results and analysis**

As alluded to above, the influx of oil money and the country’s socio-economic development are linked in complex and multi-faceted ways across diverse sectors and vary both temporally and spatially. Some of the earlier studies on STMA have increasingly depicted the city as becoming an important hub for both local and trans-national economic activities (see Debrah and Graham, 2015; Eduful and Hooper, 2015; Obeng-Odoom, 2015). The current study highlights the tangible benefits ordinary residents in STMA enjoy from the oil bounty. The findings indicate that in spite of the obvious socio-economic windfall such as massive infrastructural developments accompanying the oil boom in STMA, this positive development is yet to register any significant positive impact among the sampled population. Typically, some local initiatives are starting to shine a cold light on the murky business of oil. The local economic landscape, for example, is characterized by a patchwork of informal livelihood activities, including fishing, fish mongering, outboard motor mechanics, petty trading, as well as those of artisans, bar operators, and construction workers. Some young women also engage in trading in mobile phone credit or run table-top and container stores. These activities are concentrated and highly visible along the coast and the findings are consistent with earlier studies (Amankwah et al., 2015; Debrah and Graham, 2015).

The question, however, is whether these “diverse livelihood opportunities” make residents of New Takoradi better off now than they were before oil. Providing a fuller answer based on a single nuanced study is academically challenging. Suffice to say, however, that the study sees these fledging livelihoods as a survivalist rather than a sustainable strategy, and therefore the inherent price volatility of oil hurts the poor most as they are least able to hedge their risks. Additionally, the constant inflow of new migrants is also fast eroding the few gains. From this background, the subsequent sub-sections examine the four major challenges as identified by the respondents of New Takoradi after the oil flow.

**Increased cost of living**

From the results, the most explicitly stated concern, attracting an aggregate of 55 mentions by all respondents, relates to the perceived *high cost of living* shortly after the oil taps were turned on. While the respondents agreed that there has been an increase in foreign direct investment, which has provided a catalyst for profound, positive changes at both the city and national level, they at the same time indicated that because the resources are concentrated at the ‘top’, monies are often misdirected to huge capital investment at the peril of the day-to-day basic needs of disadvantaged communities. Within that context, the costs of the oil industry, including the rapidly increasing number of slum-dwellers, pale into insignificance compare to developments on the national scale. Crucially, most indigenes expressed frustration about the current unprecedented increases in the cost of almost everything in almost everything—food, rent, water, electricity—as reflected in the following sentiments: These days, life is hard. You go fishing at huge cost but come back empty-handed. The business [fishing] is collapsing; the others too [boat-making, cooked food vendors, net-mending, etc.]. Now landlords are also collecting 2-year rent advance. Strangely, in Takoradi today, you’ve to buy pepper when you buy *kenkey.2***“Davies” [fisherman]**I loved the spirit of camaraderie when we first came here. But these days the area is changing fast and dangerously: theft, fighting, police swoops, alcoholism, etc. These are because of increasing poverty and the quest for survival because man must live! **“Beauty” [home-based entrepreneur]**Yes, the oil has brought new things even here. But most of them are for multinationals who recruit and train their staff in Accra. The opportunities attract people from outside and we bear the scars [high rents, cost of living, crime, etc.]. The fact is, now one can shop even in supermarkets anytime because of the oil—only if one could afford the prices, that is. **“Bob” [mechanic]**The situation is unfair. They bring their workers here, pay them well, and put sand in our *gari3* . . . robbing Peter to pay Paul. They mine the oil here, create problems for us, and take the money to Accra to spend. **“Sella” [trader]**

From their responses, most indigenous respondents (12 out of 15) exhibited coherent understanding and appreciation of their predicament (decreasing revenue). Suggesting that the oil revenue has rotted democratic institutions in the community, respondents maintained that the ongoing economic growth also requires social stability, which can be greatly assisted by efficient urban ***planning*** that addresses the equitable provision of public services to all citizens. These “professional fishermen” confirmed that they now have to engage in multiple livelihoods to survive. On their part, oil-induced migrants claimed they also adopt a “suffer-to-gain” attitude, where breakfast and/or lunch are sometimes suspended in anticipation of a “heavy dinner”: Honestly, we are struggling! The market is less vibrant …. It has lost attraction. A growing number of the fishmongers are even reverting to trading in other goods at the frontage of their homes and along the streets. “**Baaba” [petty trader]**We’re really suffering these days! Initially, you could cook in the morning and all ‘brothers’ could share. Today, there is no sharing of meals. Basically, everybody virtually eats one meal a day! **“Fred” [harbor]**

Compared with life before oil, most participants in the FGDs perceived their traditional artisanal fishing as fast-collapsing owing to the activities surrounding the mining of the black gold. Their concern was not only related to the many imposed restrictions on where to operate, but more importantly, the discharge of oil into the sea by many prospecting ships. Indeed, 11 out of the 15 indigenes interviewed alleged that the release of chemicals into the sea during oil production affects the fishing industry and by extension, their livelihood.

**Chronic housing deficit**

Generally, good housing fosters good citizenship. But, according to the “New Yorkers” interviewed, a chronic housing shortage is the second major concern (attracting 53 counts from interviewees), a situation attributed to the many job-seekers trooping into STMA in search of non-existent fortunes. Seen as a dormitory town, most indigenes (10 of 15) alleged that the new migrants have brought intense competition for rooms in New Takoradi, with monthly rent for a single room skyrocketing to GH¢40 from a previous rate of GH¢10. In addition to increased rent, landlords now demand a 2-year advance payment (i.e. GH¢960), something beyond the reach of most prospective tenants as captured in the following: I see the problem bigger than people think! Accommodation has affected everything we do here. Formerly, one could give a bottle of schnapps or even a bowl of fish in exchange for a room for those who temporarily came to fish. Now, we have to pay huge rent advances; hence the proliferation of ‘container houses.’ **“Joe” [fisherman]**Now, boys are forced to put up ghettos everywhere, so spaces between houses are large enough for only one to pass through aslant. Women have also built huts on every available space to smoke their fish—creating potential fire hazards. **“Vivian” [trader]**Look! Irrespective of our poor state, new migrants continue to troop in. This tells how desperate people are. They look beyond physical environment when considering where to stay in this city. **“Romeo” [former local government representative]**Today, there are innovations galore! We have situations where boys-boys will contribute to erect a container or wooden structure that they use for their work in daytime and as a bedroom at night. **“Ian” [phones/accessories dealer]**

When asked about the possible attractions of New Takoradi, only 2 out of the 10 respondents (oil-induced migrants) detested virtually everything about “New York”. The rest (8) were motivated by the numerous opportunities. All the eight oil-induced migrants who were positive about the attractions of New Takoradi fancied the opportunity to meet their tribesmen, and six of the also liked the flexibility in rent payments. Importantly, these oil-boom migrants referred to the issue of necessity and lauded the element of affordability. One such respondent remarked: Most of us dream of having a place where we can get away, and one of the most economical options is to build a small container. No matter your lifestyle or location, you can find the small cabin you want here. Best of all, these are affordable and without skimping on comfort and style **“Asuo” [casual worker]**

Though participants in an FGD agreed in principle that the housing situation is dire, few were willing to seek accommodation elsewhere, mainly because of the settlement’s relative proximity to the CBD. The indigenes on their part also lauded the great cohesiveness and good sense of belongingness within the community. The findings further revealed gendered social risks with the oil-boom. For example, most indigenes (13 out of 15) perceived the impact of housing problems as a lot heavier on female children, particularly as large numbers of the young people were compelled to sleep outside. These sentiments were affirmed and most acutely captured by an indigene female respondent: I believe I speak for most women on this matter. Today, parental control here has broken down completely. These people [girls] have more money than us because of the men they go out with. They hardly take advice from anybody. Their brothers can also drink and smoke [marijuana] the whole day. **“Mercy” [fishmonger]**

**Increasing job insecurity**

The third most pressing challenge after the oil taps were turned on expressed by the interviewees is increasing unemployment and job insecurity (attracting 47 counts). Though respondents acknowledged visible improvements in some infrastructural services, they conceded the emerging jobs are too ‘foreign-centered’. Almost 60% of the interviewees indicated that they were optimistic about the oil industry and hoped for employment opportunities, income creation (increases) and subsequent improved living conditions. Although the oil industry has generated employment opportunities ranging from direct administration functions, including project management, procurement and finance, to direct operational functions such as civil engineering, these are mainly technical jobs requiring high levels of skills, training, and experience which they do not have. To them, even the few informal opportunities particularly in the construction industry, including masonry, carpentry, and steel bending, have become very competitive due to the influx of job seeking youth from across the country, while the high cost of living is also fast eroding any gains.

The respondents noted that due to the highly saturated labour market, employees are being compelled to accept the daily wage on offer or potentially lose the job. Some interviewees who used to work either in the flour or cement factories at the harbor emotionally described how they have been crowded out of their jobs owing to increasing competition: It’s quite heartbreaking. Wages are too low but you can’t refuse. Those looking for jobs are many. Now the question is: how do you survive? You will have to accept any wage for any job, or go hungry. **“Alaba” [sachet water seller]**

Among the indigenes, 7 out of the 15 respondents were unhappy specifically with the local content arrangement (i.e. the Local Content Bill’s call for reservation of some downstream activities for Ghanaians) of the oil industry. Alleging that the oil money flows directly from the oil companies to “the big men”, and the fact that the wealth passes through few hands and is therefore susceptible to misdirection, they claim authorities tend to have few incentives to “follow what bedevils poor neighborhoods.” Displaying some vague understanding of the arrangement, they maintained that the criteria set by the local content bill are beyond their reach. This, to them, explains why poverty has become their lot: I don’t see any hope in the oil business. The opportunities so far favor outsiders who have the certificates . . . and in the harbor too. Gradually, we are being pushed from the coast to the courts, as many who lose their work end up in illegitimate activities and, perhaps, eventually in jail. Many guys here are now being convicted. **“Alhaji” [construction worker]**

The interviewees’ comments here bring up an important issue that seems endemic to most informal settlements. That is, there is certain error in the city authority’s conceptualization of informality and its subsequent ***planning*** policies and ***interventions***. While admitting that not all informal workers are vulnerable, under the circumstances, the indigenes are not only confronted with much poverty with the influx of oil-induced migrants saturating the market (Kabeer 2008: 88) and the ‘erosion of income and job insecurity’ (see Virtanen et al., 2005: 610), but they can also “be laid off without incurring statutory redundancy payments” (see Booth et al., 2002: 189). Appreciating that those whose jobs are unskilled and physically demanding, and who live and work informally on “sidewalks, construction sites, market places,” face problems including “pollution, noise, inclement weather and harassments of various kinds” (Kabeer, 2008: 90) will perhaps help rekindle and reinforce Meagher’s assertion that “Africa informal economies are as much about Africa commercial organization and accumulation strategies as they about price distortion” (2010: 299) and this should be well appreciated and recognized.

**Increased social disorganization**

The upsurge in social disorder emerged as the fourth prominent concern (attracting 40 counts). Most indigenes (10 of 15) attributed the situation to the unprecedented inflows of job-seeking youth including those from Nigeria and Côte d’Ivoire. This is said to have increased the use of illicit drugs, which, by their very nature, evade monitoring and documentation and operate beyond the reach of typical information-gathering methods. Such co-habitation of heterogeneous desperate job seekers routinely fosters alliances that are not always socially healthy, a process that either exposes the teens to abuses or brings them into close contact with socially repugnant behavior. Specifically, most participants at the FGDs confirmed and decried the infiltration of drug barons and sex workers from Nigeria and Côte d’Ivoire, respectively: I hate to say this, but the drug business has really increased these days. We knew it existed . . . but today it is an open trade by the *Anagos* [Nigerians]. They are really masters. **“Angel” [A Togolese businesswoman]**The rise in child prostitution and drug use are central to understanding the linkages between the oil and its impact on the community. You must just visit European Town at night! You will see 12-year girls busily persuading adult clients. **“Joe” [local pastor]**If we knew what we know today, we wouldn’t be where we are . . . Our expectations were heightened by the political rhetoric, but now the reality is that “the oil is mined in Takoradi but the money will be spent in Accra”. **“Bob” [mechanic]**

The situation further manifests itself in increases in petty crimes such as pilfering, car break-ins, and drug-related violence. Indeed, petty crime signifies a reprehensible social decline, particularly regarding how night life is changing which Obeng-Odoom (2014: 69–70) succinctly describes: “migrants in sex work . . . busily working, negotiating, persuading, or inviting . . . sometimes through their great dance moves and good looks in a theatrically impressive setting.” Apart from the uncontrolled influx of job-seekers, participants in FGDs unanimously blamed the continuous neglect of the area in the city’s ***planning*** processes. To these interviewees, the community has not received any social ***intervention*** in the past five years. They also linked the increasing sophistication of the child sex trade to increasing hardships accompanying the influx of oil induced economic migrants. Some respondents recounted daring scenes: Takoradi has completely changed. Now the thieves operate without borders. In June [2015], the police in Sekondi woke up only to realize the batteries on their personal vehicles [13 cars] had been removed with impunity. This happened in a police barracks! **“Kofi” [bar operator]**We should not behave as if there are no rules [structured ***planning***] that govern a city like Takoradi. The discrimination must stop. All must stand up against the emerging sex business, or we will soon be caught pants down! Our children’s future is at stake. **“Davis” [fishermen]**The current development can sometimes be a great embarrassment. You come out of a car with your family only to be greeted with calls from sex workers, some as young as 12 years. How? **“Fred” [harbor security officer]**

According to some indigenes, the current negative social outcomes have compelled the few wealthy New Yorkers to out-migrate to rent or build elsewhere, while retaining their rooms in the family houses. Often, these absentee New Yorkers rent out such rooms to generate extra income toward occasional maintenance or to acquire new property elsewhere. The comments by Kofi, Davis, and Fred raise issues of increasing social disorganization and unhealthy practices. The critical lesson is that without comprehensive attention to a community’s historical context, it will be difficult to appreciate how and why the residents behave the way they do. Connecting a community’s emerging coping strategies and decisions to its broader socio-economic context is necessary to understanding the level of social risk and decline accompanying the oil boom and the underpinning realities of the community’s seemingly strong resilience.

**Discussion of results**

The findings exhume the importance of inclusivity in city governance. Though many studies have examined Ghana’s oil industry, most were undertaken at the macro level, independent of intra-city representation of socio-economic risks associated with the oil industry. Through in-depth interviews and using a livelihood lens, the study explores the risk amplification (attenuation) resulting from the oil boom. New Takoradi was used as a test bed, and constitutes a reasonably representative sample. In general, residents cannot easily secure “homes” or jobs while some also find their informal livelihood opportunities declining in the face of increasing oil revenue: *the paradox of plenty*. Put differently, in spite of increased public expenditure on infrastructural development including building new hotels; increased road construction and port expansion, among others (Eduful and Hooper, 2015; Obeng-Odoom, 2015), New Takoradi remains notoriously underprivileged and distressed.

This development raises the question as to whether city authorities also ***plan*** for the have-nots. The evidence for now seems to suggest that the city’s ***planning*** regulations work only for the better-offs and against the urban poor. The oil-sector minister, speaking at a stakeholders’ forum in Takoradi in 2013, touted how government had judiciously invested the revenue (US$1.4b)from oil exports between 2011 and 2013 for agreed purposes (Buah, 2013). At the city level, the STMA multi-million dollar spatial development ***plan*** in part acknowledges that: upgrading of the city’s infrastructure including transport [and] the provision of housing options within the larger natural environment will contribute to the city’s economic dynamism. (STMA, 2015: 1)

Without contesting the fact that the oil bounty has served as a catalyst for several capital investments, the findings from this study show that the dividends of these investments have not yet reflected on all segments of society in the metropolis, as poverty and inequality are still glaringly evident in the research location. Indeed, the hollow eyes and distended bellies of some starving children in the area observed during the field survey, which have already attracted the attention of some NGOs, give credence to the hardship residents are enduring. The respondents unequivocally spoke of the unprecedented increased cost of living, instigating an upsurge in child prostitution and illicit drug trading. Entwined with these phenomena is increased alcoholism as an unconventional strategy for coping with their frustrations and economic hardship, something that has already appeared in parallel findings from prior studies (Amankwaa et al., 2015).

In consonance with literature, the disproportionate social impact of the oil economy within the urban space of STMA appears to have gone largely unnoticed at the higher level. This could be due to the non-relational conceptualization of poverty, which makes city authorities see the poor’s social risks adaptive mechanism as rather built resilience. The STMA has today earned the enviable title of ‘Oil City,’ yet the formal sector, which tends to be the direct beneficiary of most capital investments, currently accounts for less than 5% of the metropolis’ economy (STMA, 2015: 1). Rather ironically, the neglected survivalist economy, which remains unregulated, unprotected, and unrecognized, contributes between 60 and 70% to the local economy. The evidence suggests that the social ***interventions*** and investments propelled by the oil revenue do not offer sufficient reason for all—especially those in the most deprived communities—to celebrate. Illuminating this discrepancy is the main contribution of this paper.

In this regard, we appreciate Lawson and Elwood’s (2014: 213) caution to policy makers to understand poverty “as arising from a set of interlocking processes including . . . processes of governing, and of making common sense.” This is a lesson city authorities are unlikely to accept graciously, but it will be an issue those responsible for risk management in urban areas will have to address in its full complexities and social context (Chen, 2016). Allowing “the rich to pursue their businesses as they please, while offering some hopes of future relief to the poor” (Adamovsky, 2014: 1) compromises sustainability. In totality, the findings show how livelihood and social risks surrounding the black gold are shaped by discriminative macro-level policies and which perhaps benefit “the rich” and “foreigners” far more than “indigenes”. This runs counter to the mission and vision of STMA, which states inter-alia that the Assembly exists to improve the living conditions of the metropolis through the provision of sustainable socio-economic development and good governance that is responsive to the needs of the people (STMA, 2015: 4)

**Concluding remarks**

To say that the hopes of many who had felt the oil boom would influence pro-poor spending both at the Assembly and central government levels are dashed, would be an understatement. Evidence available at STMA indicates that although in 2014 the Assembly spent GHC 125,525 on waste management, GHC 253,049 on social welfare and community development, and GHC 161,887 on urban roads (STMA, 2015: 12), the community leaders interviewed maintained their area is sidelined in favor of expatriate neighborhoods, a position consistent with a writer’s commentary: If the oil rush, land grab and lovely life that you can have as an expatriate in Ghana sounds vaguely familiar, it’s because it’s happened before in another era when gold was the mouth-watering lure. Africa is once again the new frontier, with land, rare minerals and physical beauty. Although many Europeans and Americans living in Ghana say they still miss aspects of their birthplaces . . . there are a number of them who at present have no desire to repatriate. (Quartey, 2012: 4)

The intertwined effects of the above “offer[s] new ideas that can reshape . . . narratives about inequality and about who is poor, why they are poor, and how to act on poverty” (Lawson and Elwood, cited in Adamovsky, 2014). The paper extends the literature on the paradox of the oil boom and presents several policy implications. Principally, most deprived neighborhoods in STMA are places where urban ***interventions*** are conspicuously absent but seriously needed, a situation which can be referred to as a “governance curse”. Such exclusions breed reprehensible social decline and problematic behavior—hence the need for good governance that promotes and counteracts existing social risks. The paper opines that the benefits of the oil economy should not be overplayed or romanticized, particularly in the context of disadvantaged neighborhoods. Invariably, the very survival of such communities is born out of their peculiar characteristics, which tend to fall outside many of the ***strategic*** ***plans*** of the oil industry.

There is therefore a strong need now for city managers to consciously ***plan*** with the residents to address the anticipated social risks and threats accompanying the oil boom, so that all residents can maximize the benefits while minimizing the negative externalities associated with the “God-given” black gold. This provides a potent opportunity to chart a path toward the inclusiveness of cities offered by Goal 11 of the UN Sustainable Development Goals. It provides a framework through which crucial urban activities and investments are seen in relation to each other, with informal settlements like New Takoradi as a centerpiece, since such settlements can be both catalyst and vehicle for the achievement of greater inclusiveness while fostering innovation, creating jobs and developing social capital.

**Notes**

FundingThe author(s) received no financial support for the research, authorship, and/or publication of this article.; 1.Takoradi is one of the Twin City (Sekondi-Takoradi) which doubles as both the capital of the western region and Sekondi-Takoradi metropolitan assembly. Sekondi and Takoradi are two different cities which over the years grew to join one another- hence the twin city.; 2.*Kenkey*, also called *kormi* or *dorkunu*, is a staple and popular dish among the Ga community in Accra, Ghana, and their compatriots in the West African sub-region. It is similar to sourdough dumpling.; 3.G*ari* is a starchy carbohydrate made from cassava tubers, and very popular in West African countries including Ghana.

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**Section:** NEWS IN BRIEF

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Europe

OMV Petrom mulls return to petrochemicals

OMV Petrom is looking at reestablishing petrochemicals as part of its production portfolio, the Romanian company said on 23 March. In line with the strategy to 2025 announced by Austrian parent company OMV on 13 March, OMV Petrom said it had adopted its own “2021+” strategy that would examine pursuing investments in niche petrochemical and aromatics plants.

INEOS starts FEED studies for European VAM plant

INEOS has started up front end engineering design (FEED) studies for its ***planned*** 300,000 tonne/year vinyl acetate monomer (VAM) plant in Europe, the chemical major said on 23 March. The company said it had signed a memorandum of understanding (MoU) with an “as yet unnamed commercial partner” for the VAM plant, which will be located either at its facilities in Hull, UK, or in Antwerp, Belgium.

Stalling growth, costs may trouble chems

Rising staff costs as a percentage of revenue is a cause for concern for chemical firms at a time when lead economic indicators are starting to stumble, according to analysts at investment bank UBS. According to UBS, employee costs as a percentage of revenue have increased 120bps between 2014 and 2017, a period benefiting from a strong macroeconomic backdrop. However, with lead macro indicators falling, UBS expressed concern that wage costs as a percentage of sales are at the highest level for at least four years.

New Tikkurila CEO to begin duties in April

Elisa Markula, Tikkurila’s new president and CEO, will assume her duties on 12 April, the Finland-headquartered chemicals ***producer*** said on 26 March. Markula, who was named as the company’s new chief last month, joins from local coffee and cocoa maker Paulig. She replaces Jukka Havia, who has served as interim CEO since September 2017, following the sudden departure of chief Erkki Jarvinen after nine years in the role.

Arkema and Hexcel pair for thermoplastics

Arkema has signed a ***strategic*** alliance agreement with US advanced composites firm Hexcel to develop thermoplastic composite solutions for the aerospace sector, the French specialty chems company said on 26 March. The partnership will combine Arkema’s expertise in poly-ether-ketone-ketone (PEKK) and Hexcel’s in carbon fibre to develop carbon fibre-reinforced thermoplastic tapes to ***produce*** lightweight parts for future generations of aircraft, Arkema said.

AkzoNobel introduces safer peroxides for PVC

AkzoNobel is to start supplying emulsion-based organic peroxides in the US for the manufacture of polyvinyl chloride (PVC), which are said to be safer alternatives to solvent-based peroxides, the Dutch specialties ***producer*** said on 26 March. Akzo polymer chemistry division’s director of sales for the Americas Rob van de Graaf said that the emulsions contain water, which significantly reduces the chance of combustion, thus increasing the safety of transport, storage and handling.

Unipetrol starts turnaround after blast

Unipetrol said on 27 March that it has without delay commenced a scheduled major turnaround of its refinery and petrochemical complex at Kralupy nad Vltavou refinery north of Prague following the deaths at the site of several workers in an oil storage tank explosion. The maintenance and upgrade stoppage, which will apply to the refinery and plants including a 60,000 tonne/year polymer-grade propylene unit, is expected to last until 9 May.

ADM suspends Mainz, Germany, biodiesel for Q2

Archer Daniels Midland (ADM) is halting biodiesel production at its plant in Mainz, Germany, for the second quarter of 2018, the company confirmed. A company statement attributed the suspension of production to increased biodiesel imports into the European Union in recent months. It said: “Since September 2017, the European Union has seen an influx of imported biodiesel which has placed significant pressure on the local market, impacting profitability for European-based ***producers***.

ammonia off line on technical issues

Croatian fertilizer manufacturer Petrokemija Kutina on 27 March announced an unscheduled temporary shutdown of its ammonia plant due to a “technical failure”, adding downstream production units remain in operation. The 450,000 tonne/year facility in central Croatia went off line, but “is expected to resume operation following the technical fault assessment and repair”, the company said in short filing to the country’s stock exchange.

Stolt-Nielsen appoints new CFO

Stolt-Nielsen has appointed Jens Gruner-Hegge as its new chief financial officer, with effect from 2 April, the Norwegian firm said on 27 March. Gruner-Hegge, who was vice president of corporate finance since 2007, succeeds Jan Engelhardtsen, who has been appointed to the company’s board of directors. “Having worked in our corporate finance division since 2007, and given his extensive experience with Stolt Tankers and knowledge of the Group, Jens comes well prepared for his new position as CFO,” said CEO Niels Stolt-Nielsen.

americas

Fluor awarded contract for Freeport MEG

Fluor received the mechanical construction contract for MEGlobal’s new monoethylene glycol (MEG) facility in Freeport, Texas, the engineering firm said. The scope of Fluor’s project includes equipment installation, steel and piping for the MEG process unit. The contract was awarded for an undisclosed value. About a 1,000 of Fluor’s workers are expected at peak construction of the project. MEGlobal has begun construction of the 750,000 tonnes/year plant. Start-up is expected in the second half of 2019.

Mallard Creek acquires Ecronova Polymer IP

Mallard Creek Polymers (MCP) has agreed to acquire the intellectual property of Ecronova Polymer GmbH for an undisclosed sum, the US water-based specialty polymers company said. Mallard Creek said it will offer a limited number of products based on Ecronova recipes, adding it ***plans*** to reestablish the broad product line in the long-term for customers across Europe. It also ***plans*** to add its North American products to its European portfolio and introduce Ecronova grades for customers in North America.

TOPAS merging with Polyplastics USA

TOPAS Advanced Polymers will be merged into Polyplastics USA effective 1 April, Polyplastics said. The merger will add TOPAS cyclic olefin copolymer (COC) resins to Polyplastics USA’s existing portfolio of POM (acetal), polybutylene terephthalate (PBT), and polyphenylene sulfide (PPS) engineering polymers, the company said. The combined business will be headquartered at Polyplastics USA’s offices in Michigan, the company said. Polyplastics noted it has had an ownership stake in TOPAS Advanced Polymers GmbH (TAP GmbH) for over a decade.

Economic growth to pick-up through 2018

Economic forecasters are more optimistic about the US economy in 2018 than they were three months prior – particularly for industrial sector, based on a survey by the National Association for Business Economics (NABE). In addition, 76% of panelists believe that risks are weighted to the upside NABE vice president Kevin Swift said. The median forecast for the end-of-year 2018 midpoint for the federal funds target range is 2.125%, the survey said, with 2019 forecasts split between two and three rate hikes and a year-end rate of 2.75%.

Ethylene could remain long through much of ‘18

Length in the US ethylene market due to cracker start-ups and downstream disruptions will likely continue through much of 2018, a market source said. With ethylene production strong and more new capacity coming online, ethylene length could continue through the second and third quarters, the source said. The ethylene market may become more balanced in the fourth quarter once new polyethylene (PE) capacity has ramped up and once PE projects ***planned*** for this year have started and ramped up, the source said.

Koch Supply and Trading exits US aromatics

Koch Supply and Trading has exited the US aromatics markets, multiple sources confirmed. Koch Supply and Trading is the trading arm of Koch Industries and is active in a variety of markets including crude oil, refined products, ethanol, olefins and natural gas liquids (NGLs). Koch Industries subsidiary Flint Hills Resources (FHR) is independently marketing aromatics products ***produced*** at their facilities. FHR can ***produce*** 4.9bn lb (approximately 2.2m tonnes) per year of aromatics and derivatives at its facilities in Corpus Christi and Port Arthur, Texas. These products include benzene, toluene, xylenes, cumene, paraxylene (PX) and orthoxylene (OX).

Adams receives Petro-chemical Heritage Award

Gary Adams received the Petrochemical Heritage Award, in recognition for his years as a consultant. Adams started his career at Union Carbide, where he worked for 15 years before becoming a partner at CMAI in 1994. He became president of the company in 1997 before joining IHS in 2011 after it acquired CMAI. Adams has seen profound changes in the North American petrochemical industry throughout his career.

Stepan completes acquisition of BASF

Stepan Company has closed on the acquisition of BASF Mexicana’s surfactant production facility and a portion of their associated surfactants business, the US-based specialty and intermediate chemicals manufacturer said on Tuesday. The facility near Mexico City has more than 50,000 tonnes of capacity, the company said. The acquisition is expected to be slightly accretive to earnings during the remainder of 2018, CEO F Quinn Stepan Jr said.

asia

Alpek, Indorama acquire M&G PTA-PET

A consortium led by Alpek and Indorama Ventures has agreed to purchase M&G USA Corp’s purified terephthalic acid (PTA) and polyethylene terephthalate (PET) plant in Corpus Cristi, Texas, for a purchase price of $1.125bn. Expected to be the largest integrated PTA-PET plant in the world when construction work is completed, the plant is to be acquired by a newly-formed joint venture known as CC Polymers, including Alpek, Indorama and partner Far Eastern Investment, a subsidiary of Taiwan-based polyester ***producer*** Far Eastern New Century.

Saudi Aramco completes talks with PETRONAS

The negotiations on Saudi Aramco’s $7bn investment in PETRONAS’ Refinery and Petrochemical Integrated Development (RAPID) project at Pengerang in southern Malaysia have been concluded. Minister in the prime minister’s department Abdul Rahman Dahlan was quoted by state news agency Bernama that the investment is expected “to be in by the end of this month”, but did not elaborate further. Saudi Aramco had earlier in February 2017 signed a deal with PETRONAS for a 50% stake in the Rapid project.

Borealis, UCC to build cracker, Kazakhstan

Borealis ***plans*** to build a joint venture world-scale polyethylene (PE) project with an integrated ethane cracker in Kazakhstan, with local firm United Chemical Company (UCC). The project involves the building of an ethane cracker and two Borstar PE plants with 1.25m tonnes/year in total capacity. The final investment decision is expected to be taken in 2020 and start-up would be scheduled for 2025.

China launches its crude futures

Business was brisk on the first day of trading of China’s new crude futures contract on Shanghai International Energy Exchange (INE) on 26 March. The new contract, which is denominated in Chinese yuan rather than the US dollar, is for crude delivered to selected bonded storage facilities mostly in eastern China.

tariff on US ethanol threatens supply

China’s latest proposal on hiking tariffs on US ethanol has raised supply concerns on the product as the US is currently one of China’s top ethanol suppliers, industry sources said. In responding to US tariffs ***plans***, which are targeting up to $60bn in Chinese goods, China’s Ministry of Commerce on Friday last week said that it would consider increasing tariffs on 128 US products, including fruit, pork, steel pipes and modified ethanol, among others. The tariff on US ethanol is proposed to rise to 45% from the present 30%.

BASF lifts Chongqing MDI force majeure

BASF has lifted the force majeure on its methylene di-phenylene isocyanate (MDI) production in Chongqing, China, in the week of 19 March. The 400,000 tonne/year Chongqing unit was restarted on 22 March following the resumption of natural gas supply from its syngas supplier, BASF said. The force majeure on its Chongqing MDI supply was declared on 12 December 2017 due to natural gas shortage from its supplier.

Evonik completes TAA expansion in China

Evonik has expanded its production capacity for triacetonamine (TAA) derivatives in Liaoyang, China, by 50%. The company did not disclose the expanded TAA capacity at Liaoyang. TAA derivatives are essential precursors for the manufacture of hindered amine light stabilizers (HALS), which are used in plastics and polymers. Construction work for the expansion began in 2017 and was successfully completed in March 2018.

China begins ADD probe on phenol

China has started investigations for antidumping duties (ADDs) on phenol imports from the US, the European Union (EU), South Korea, Japan and Thailand from 26 March, the Ministry of Commerce said on 26 March. The step was taken in response to requests from representative domestic ***producers***, including Petro-China Jilin Petrochemical, Changshu Changchun, CEPSA Shanghai, Sinopec Mitsui Chemicals, Bluestar Harbin Petrochemical, Yangzhou Shiyou and Huizhou Zhongxin.

Shanghai Petrochemical restarts LDPE

Shanghai Petrochemical has restarted its 100,000 tonne/year Low density polyethylene (LDPE) plant located at Shanghai, China. Regular maintenance took place from 26 February until 26 March.

Matthew Chattle/REX/Shutterstock

US economy set to grow

JOURNAL : Farmers Weekly

UK dairy processor Müller has hinted at introducing a fixed price element to its existing milk contract after signing a three-year milk supply deal with retailer Lidl.

The fixed price option was alluded to by managing director of Müller Milk & Ingredients’ Andrew McInnes in a statement following the Lidl deal.

See also:  Dairy farmers are heading for cashflow crisis again

Mr McInnes said: “Locking a portion of [***producers***’] milk supply at a fixed price will significantly lower exposure to milk price volatility and we are confident that this move will be welcomed.”

Farmers Weekly understands that the deal could allow Müller’s 650 Muller Direct suppliers to lock in a proportion of milk at 28p/litre for a three-year period.

(function(d,s,id){var js,fjs=d.getElementsByTagName(s)[0];if(d.getElementById(id))return;js=d.createElement(s);js.id=id;js.src='[*https://embed.playbuzz.com/sdk.js*](https://embed.playbuzz.com/sdk.js)';fjs.parentNode.insertBefore(js,fjs);}(document,'script','playbuzz-sdk'));

At present, UK processor Lactalis offers its 140 ***producers*** a 12-month fixed deal at 27.5p/litre, while Irish processor Glanbia has a five-year fixed price offering for its ***producers*** worth around 28p/litre.

Substantial announcement

NFU national dairy board chairman Michael Oakes said that the deal looks like a substantial announcement by Lidl and Müller.

“It’s the first time a milk buyer and retailer have brought in a long-term fixed price option,” he said.

“However, we need to see more detail to be able to comment further as to what this actually means as so far there is no data on the actual fixed price or fixed term.

“The NFU has been urging milk buyers and their customers to look at ways of helping farmers manage milk price volatility, as not many farmers want to ride the extreme rollercoaster that we have been on in recent years.”

Mr Oakes said that more price stability is good for farmers, milk buyers and, ultimately, consumers.

“We will be meeting with Lidl and Müller in the near future to discuss this new partnership and what it means for suppliers going forward.”

Graham’s deal

Lidl also announced a three-year deal with Scottish processor Graham’s Family Dairy, which will supply all of the retailer’s Scottish stores with fresh milk and cream until 2021.

However, Graham’s said it is not in a position to give out information as to whether its deal with Lidl involved a fix priced element.

JOURNAL : Farmers Weekly

Almost half of Scotland’s horticultural businesses say they will have to downsize their farming operations if they do not have access to the same migrant labour pool after Brexit.

A report by Scotland’s Rural College, which investigated the use of seasonal workers in Scotland’s soft fruit and vegetable sector, estimates 9,255 migrant workers were employed during 2017 to help pick and pack ***produce***.

Employers report there has been a long-term decline in the availability and willingness of the local Scottish and wider UK labour pool to work seasonally on farms, so they have substituted with non-UK workers.

See also: NFU tackle labour shortfall with 10-point ***plan***

Almost 60% of these workers are from Bulgaria and Romania, with this seasonal workforce generally regarded as “motivated, reliable, hard-working and honest”.

The report noted there was a shortage of seasonal migrant farmworkers last year, as the effect of Brexit started to be felt.

A survey of migrant workers showed while 40% of them intended to return to Scotland to work on farms in 2018, 46% were unsure whether they wanted to.

Switch activities

Nearly two-thirds of farmers questioned as part of the investigation said without access to their migrant workforce, they were likely to switch to other ***agricultural*** activities.

More than half said they would likely diversify their business into non-***agricultural*** activities.

Without access to migrant labour, 47% of horticulture businesses reported a high likelihood that they would either downscale their business or cease production.

More than two-thirds of farms thought there was no real opportunity to substitute labour from the local market.

‘Concerning’

Rural affairs minister Fergus Ewing said the report showed the interests of rural communities would be best served by Scotland remaining in the EU.

“Seasonal migrant labour appear to be positive about working in Scotland, but it’s concerning that our farmers are already struggling to find adequate labour, with the report finding a 10-15% shortage last year,” he said.

“It is vital that the UK government engages with migrant workers affected by Brexit, to ensure their valid concerns are reflected in ongoing negotiations.

“They must be reassured that Scotland and the whole of the UK remains an open and welcoming place to live and work.”

The report recommended that both governments made clear commitments expressing support for the horticultural industry and agreed there was an ongoing need for access to sufficient numbers of seasonal migrant workers.

To reduce future labour risks, it was also recommended that the governments, and the horticultural sector as a whole, should strongly consider measures to recruit more labour from countries other than Bulgaria and Romania.

JOURNAL : Farmers Weekly

A 575ha fell farm in Cumbria is seeking a new tenant for the first time in nearly 60 years.

The National Trust’s High Tilberthwaite Farm is located north of Coniston at the head of the Tilberthwaite valley and is being offered on a 15-year farm business tenancy (FBT).

As well as the 575ha of predominantly fell land, the farm offers a landlord’s flock of 479 Herdwick sheep, a Grade II listed three-bedroom farmhouse and a holiday cottage business.

See also: 9 ways to get into farming

John Moffat, general manager for the National Trust in the South Lakes, said: “We want to find a new tenant who is as passionate as we are about exploring nature friendly farming measures and conserving the heritage of the Herdwick breed, which is a huge part of the Lake District’s upland heritage.”

The National Trust intends the farm to be maintained as a viable working unit and the continued development of the Herdwick flock is a priority.

Viewings are by appointment only and will take place on Tuesday 10 and Wednesday 11 April, from 10am to 4pm.

Application and tender forms will be available by request after the viewing days and the closing date for tenders is Friday 11 May at 12pm.

The trust will not accept tenders from applicants who have not visited the farm on the viewing days.

For more information call 01539 435 599, email [*northwestlesttings@nationaltrust.org.uk*](mailto:northwestlesttings@nationaltrust.org.uk)  or visit [*www.nationaltrust.org.uk/features/farms-to-let*](http://www.nationaltrust.org.uk/features/farms-to-let)

JOURNAL : Farmers Weekly

Farmers should be paid to open their land to the public, maintain footpaths and encourage more people to spend more time in the countryside, says a report.

The recommendation is made by a House of Lords committee, which says more should be done to promote public access to the countryside.

Public access should form part of the new system of farm and environmental payments to be applied following the withdrawal of the UK from the EU, it recommends.

See also: Open Farm Sunday sees big surge in first-time hosts

It says: “We recommend that the government should include payments for maintenance and enhancement of public access within this new system of public funding, although we note that this could have implications for food production and the natural environment.”

The recommendation is made in a select committee report called The countryside at a crossroads: Is the Natural Environment and Rural Communities Act 2006 still fit for purpose?.

Months of scrutiny

The committee has spent months scrutinising the effectiveness of the Act, which gives government landscape agency Natural England responsibility for promoting access to the countryside.

Published on Thursday (22 March), the committee report says evidence suggests Natural England is dominated by conservation and biodiversity concerns, to the detriment of promoting access.

Diminishing funding and a reduced capacity for publicity and raising awareness has limited the part that Natural England can play in promoting public access to the countryside, it argues.

“This situation needs to be addressed,” says the committee.

But it warns that public access, which is to be “welcomed for many reasons, needs to be balanced against the needs and demands of farming practices, wildlife, natural habitats and biodiversity”.

Resources needed

The committee says it agrees with the NFU that the Countryside Code should be revised, updated and properly promoted to encourage responsible use of the countryside.

Natural England should have sufficient resources to deliver against all elements of its general purpose, says the committee.

The report adds: “It must also have the capacity to undertake effective promotional work and awareness raising activity.”

Encouraging public access to the countryside should be appropriately prioritised by Natural England, with due regard for the protection and management of sensitive wildlife sites.

“As part of this proactive, balanced and responsible approach to promoting public access we also recommend that Natural England should revise and relaunch the Countryside Code.”

JOURNAL : Farmers Weekly

It is almost a year until the UK officially leaves the EU and many questions remain unanswered about how ***agriculture*** will be affected.

Defra secretary Michael Gove has pledged to keep the £3bn of annual farm support at the same level until 2022. But rewarding farmers for taking care of the environment and capping payments for larger farmers is the direction of travel.

A Defra consultation is under way on the impact of Brexit on farming and the environment – and farmers are being urged to have their say.

See also: Video – farmers trade blows over Brexit impact

There is still great uncertainty regarding the future of British ***agriculture*** outside of the EU. What will happen to trade, labour, subsidies and red tape?

However, as an industry, the message is clear that change is coming and farmers are being advised to prepare now.

With everything that you have heard so far, how do you feel your farm business will be affected by Brexit?

Take part in our poll.

(function(d,s,id){var js,fjs=d.getElementsByTagName(s)[0];if(d.getElementById(id))return;js=d.createElement(s);js.id=id;js.src='[*https://embed.playbuzz.com/sdk.js*](https://embed.playbuzz.com/sdk.js)';fjs.parentNode.insertBefore(js,fjs);}(document,'script','playbuzz-sdk'));

JOURNAL : Farmers Weekly

UK dairy co-op, First Milk has dropped its April milk price amid a restructuring of how its farmgate milk prices will be reported.

The processor will harmonise its four regional pools into one standard litre milk price, which will stand at 26p/litre from the start of next month.

See also: Arla milk price edges up due to currency smoothing

The drop equates to a fall of about 1p/litre for First Milk’s 900 UK dairy farmers.

The new standard litre will be measured with constituent contents of 4.0% butterfat and 3.3% protein and will combine a flat manufacturing price paid to the Lake District and Haverfordwest and a liquid price paid to its Scottish Mainland and Midlands and East Wales pools.

First Milk say the development was made in response to member feedback and has the full backing of the member council and board.

Disappointing drop

We know that this price drop will be disappointing news for our members and continue to do all that we can to minimise the impact of reductions,” said First Milk farmer director and vice-chairman Jim Baird.

“Whilst in recent weeks we have seen some recovery in the market, unfortunately, the overall global dairy commodity markets remain weaker than last year, which continues to impact on our returns.

“This more simplified and transparent approach on milk prices reflects the requirements of the business today and is a progressive step which unites our members across the country.”

JOURNAL : Farmers Weekly

Keeping children away from dangers at work isn't a problem in most professions, but for those who live on farms and have children, extra awareness is paramount.

It can be acceptable for children to watch farm activities when:

The task itself is not inherently dangerous

The person doing the task is not the same as the person supervising the child

The child is kept in a safe place

Particular care should be taken around equipment and machinery, and no child under the age of 13 can legally accompany their parents across the farm in a tractor cab.

The NFU’s farm safety adviser, Tom Price says that farms may also need to carry out a risk assessment.

“The law requires that employers make sure their risk assessment for young people under the age of 18 takes full account of their inexperience, immaturity and lack of awareness of relevant risks.

See also: Farm fined £10,000 after child loses leg

HSE rules and risks reminder

Machinery

No child under 13 may drive or ride on tractors and other self-propelled machines.

Before allowing over 13s to operate a tractor, conditions must be met which are set out in a free leaflet Preventing accidents to children on farms (PDF)

Children under 16 must not drive, operate, or help to operate:

Towed or self-propelled harvesters or processing machines

Trailers or feed equipment with conveying, loading, unloading or spreading mechanisms

Power-driven machines with cutting, splitting, or crushing mechanisms or power-operated soil-engaging parts

Chemical applicators – mounted, trailed or knapsack sprayers

Handling equipment such as lift trucks, skid steer loaders or all-terrain vehicles

If you carry children or adults on trailers secure seating must be provided along with guard rails

You arrange safe mounting and dismounting

Children are supervised by a responsible adult.

If any machine is left unattended:

Remove the keys

Lock the cab

Leave the controls in neutral

Lower foreloaders to the ground

Apply the parking brake or chock wheels.

Livestock

Check that children or other members of the public:

Cannot enter any yard or pen occupied by potentially dangerous animals.

Do not have access to or use any form of chemicals or veterinary medicines and products, for example, hypodermic syringes. Lock them away.

Do not look after animals or poultry without competent supervision.

Workplace

Make sure you exclude children from potentially dangerous areas, such as:

Chemical stores

Slurry pits and lagoons

Reservoirs or sheep dips

Grain intake pits and grain bins

Stacks of hay or straw

JOURNAL : Farmers Weekly

At last planting has got under way. Conditions in Cheshire are surprisingly good considering the amount of rain the West has had over winter.

Cover crops and using the plough to start the drying process seem to be aiding soil workability.

A check of soil temperatures in mid-March, under fleece, of a small area planted some weeks ago, recorded 8.5C with open ground at 6.5C. With reasonable sunshine along with increased day length, soils should soon warm up.

See also: Tips for controlling weeds without linuron in potatoes

I like to get the fleece on soon after planting, leaving the ridges to settle for a couple of days then applying a residual herbicide, favouring Artist (flufenacet + metribuzin) plus pendimethalin, now linuron has gone. Remember, remaining stocks of linuron must be used by 3 June.

Where possible I like to include some metribuzin in my herbicide ***programmes***, usually with prosulfocarb or pendimethalin, aiming to apply to moist ridges within two weeks of planting, following up with diquat and/or carfentrazone/pyraflufen just prior to emergence.

Where metribuzin cannot be used then metobromuron is preferred, although at 2.5-3 litres/ha, the rate required to be effective, is expensive.

In the north-east, soils are still very fragile, patience will be a virtue if compaction is to be avoided.

I understand planting in other parts of the country has been slow particularly in traditional early areas such as Cornwall, South Wales and Suffolk.

JOURNAL : Farmers Weekly

The Tenant Farmers Association (TFA) has criticised a small minority of land agents for pressing for substantial rent hikes ahead of the UK’s exit from Europe.

The organisation’s chief executive George Dunn said most landlords appreciated it was wrong to negotiate rent rises in the climate of uncertainty surrounding Brexit.

See also: Tenants urged to take the lead on rent negotiations

“With Brexit now just a year away, the right time to be looking at farm rents would be autumn 2019 or spring 2020,” Mr Dunn said.

But some were taking the opposite view and looking to secure long-term rises of as much as 10-15% before Brexit hit, he said.

Many of these are looking to tie in tenants to high rates until 2021.

‘Unsustainable’

“They are basing claims on increases in residential values but the level is completely unsustainable,” Mr Dunn said.

He also claimed in a small number of cases land agents had been driving a wedge between tenants on large estates by agreeing a rent rise with one and then using it as a comparable figure for the rest.

“It is hugely important for all tenants on an estate to stick together in these circumstances or they will find they are all increasingly pressured to accept rent rises,” Mr Dunn said.

It is hugely important for all tenants on an estate to stick together in these circumstances or they will find they are all increasingly pressured to accept rent rises George Dunn, TFA

He advised anyone faced with a claim for a comparable rent to obtain all the information they could about the other farm.

The TFA has heard some landlords are reluctant to divulge details of the other farm in the comparison.

“But this is unacceptable. It has to be like-for-like to make it a worthwhile comparison and otherwise cannot form the basis of a negotiation,” Mr Dunn said.

Looming dates

The TFA is also urging members not to be pressured into making deals because of a looming rent review date.

“The rent review date is only the point at which either the landlord and tenant have to agree or an application has been made for the appointment of an arbitrator,” Mr Dunn advised.

The application for an appointment of an arbitrator does not mean the dispute will proceed to arbitration.

In well over 90% of the cases where an arbitrator is appointed, rents are still agreed between the parties. The application for the appointment merely extends the time available for thorough negotiations, he suggested.

JOURNAL : Farmers Weekly

The Farmers Weekly ultimate guide to telescopic farm handling and loading machines has been published online for 2018, with many changes from last year’s edition.

The guide provides a quick-reference summary of essential specs and list prices for all makes and models available in Britain, from the smallest to the largest, and whether skid, bendy chassis or multi-wheel steering  gives them the manoeuvrability farmers need.

See also: Pickup buyers guide 2017

A telescopic skid-steer loader is listed in the guide for the first time now that JCB has introduced its Teleskid loader with extending boom, and Manitou has returned to the articulated handler fold with its single MLA-T model – a sector that JCB is also tackling with the TM420 addition to its range.

Kramer now has a full line-up of four-wheel-steer telescopic handlers following the cutting of ties with Claas, whose listing features the initial models of a new Scorpion range built by construction giant Liebherr.

The Case IH, Massey Ferguson and New Holland listings all feature new and uprated models with added performance and refinements, while distributor Finning has slimmed its Caterpillar offering.

Merlo has also presented a much-simplified farm telehandler range, but one that still includes the unique Multifarmer with fully integrated rear three-point linkage and pto for field duties.

For "green" electric drive, the Avant range is the place to look, while for sheer power the new Merlo machines with 170hp FPT engines are the ones to beat.

Download the 2018 telehandler spec table (PDF) or grab a copy of the 30 March edition of Farmers Weekly for a printed version.

JOURNAL : Farmers Weekly

Good levels of early weed control can still be achieved in potato crops despite the loss of a key early-season herbicide, by picking the right mix of alternatives.

Linuron, which has been a significant building block of potato weed control ***programmes*** for more than 25 years, was withdrawn from sale last year, with its on-farm use-up period coming to an end on 3 June 2018.

See also: Why potato blight strategy will need to change in 2018

Without it, growers have to consider other ways of getting the same results from their pre-emergence weed control ***programmes***, something they had plenty of warning about, agronomists say.

“The writing has been on the wall for a while,” says Kevin Knight, an agronomist with Zantra in Kent.

“Ever since the rate was reduced seven years ago, we knew linuron was likely to disappear sooner rather than later.”

Trials work done to assess the replacements and their compatibilities shows that far from being left high and dry, growers can still get good results with the right combination of other products.

“There is life after linuron, but the trade-off is that it comes at a cost,” Mr Knight adds.

“A number of the alternatives have a heftier price tag – in some cases it will be significantly more for a ***programme*** with comparable performance.”

When considering their use, the challenge is making sure that safe levels of the remaining active ingredients are being targeted at the expected weed spectrum, he advises.

“Linuron was always used in mixes and it is still fair to say that three-way mixes will provide the broadest spectrum of weed control. Of course, weed spectrum, soil type and variety have to be accounted for – there won’t be a standard ***programme*** for all situations.”

Mr Knight highlights the active ingredient metobromuron, which has performed well in pre-emergence mixes since it arrived on the scene three years ago, having been resurrected by Belchim.

“We’ve seen very good results with it, but it does need a residual tank-mix partner,” he says.

“In particular, when put in a mix with prosulfocarb, it has done everything that was asked of it. That combination is also a very safe mix.”

Budget mix

For those who don’t want to pay extra, he points out that there is a budget treatment mix option, comprising 3 litres/ha of pendimethalin, 2-3 litres/ha of prosulfocarb and up to 250g/ha of clomazone.

Actives

Artist metribuzin + flufenacet

Defy prosulfocarb

Gozai pyraflufen-ethyl

Praxim metobromuron

Shark carfentrazone

Shotput metribuzin

Stomp Aqua pendimethalin

Titus rimsulfuron

“It’s a fairly good, robust starting point, but doesn’t blow the herbicide budget,” he says.

“If the variety and weed spectrum allows – so no chickweed or shepherd’s purse – there’s also the option of replacing the clomazone with Shotput [metribuzin] to further reduce the cost.”

This then makes the follow-up with rimsulfuron a bit less painful on the purse, he says. “Despite best intentions, the residuals often need help to tidy up cleavers, groundsel, mayweed and grassweeds.”

He also recommends using an adjuvant designed for residual herbicides with the pre-emergence treatment, so that the actives are held in the soil and their efficacy is prolonged.

Lancashire-based agronomist John Ball of Agrovista points out that metobromuron is not a like-for-like replacement for linuron, but it is capable of filling the hole left by the older product’s withdrawal.

“It doesn’t have as much contact action as linuron, but offers more residual activity and comes with no aquatic buffer zone. It is also dose-responsive, but experience has shown it’s not worth dropping the rate below 2.5 litres/ha.”

At lower rates, you start running into problems with weeds such as groundsel and knotgrass, he warns.

“Given that it’s going to cost you more this year, you need the pre-emergence treatment to work very hard for you. So use it at 2.5-3litres/ha.”

He has also had very good results with a metobromuron/prosulfocarb mix and has included metribuzin where variety choice has allowed.

“The key is to get the residuals working well, so that you are not reliant on contact action later on. In last year’s dry spring, we found the metobromuron was activated once moisture arrived.”

The Scottish experience

In Scotland, Andrew Sprunt of Agrii is of much the same opinion, pointing out that the most direct replacement for linuron is metobromuron.

“It is very mobile in the soil and it can be used as a partner to other herbicides,” he says.“Of course, it is considerably more expensive.”

He has found that using metobromuron with metribuzin does a good job, covering a whole range of weeds and working well in dry conditions.

“It’s a good foundation. It allows you to control fat hen, redshank and annual meadowgrass, which can be problematic in this part of Scotland. Where there are varieties that prevent the use of metribuzin, it’s a good mixer with prosulfocarb and pendimethalin too.”

While much will depend on the farm and the soil type, there are strengths and weaknesses with the different ***programmes*** and some will struggle in dry conditions, he warns.

“Fortunately, metobromuron is more mobile in the soil than some – it also comes with no varietal or soil type restrictions, so it offers flexibility.”

He believes the extra £25-£35/ha is nothing compared with the total production costs for the potato crop.

“If you have to use a post-emergence treatment of Titus, it wipes out the saving you would have had anyway.

“It is better to achieve the required weed control at the pre-emergence stage and Praxim helps greatly with this, in a mix.”

What about diquat?

Rumours that another mainstay, diquat, will soon be following linuron into the history books mean other products must be assessed and compared, to see where they might fit.

All three agronomists highlight Gozai (pyraflufen-ethyl) and Shark (carfentrazone) as possible replacements, being as good as diquat for broad-leaved weed control.

“Gozai is slightly better on some weeds,” says John Ball. “On its own, it has done well, with the exception of controlling cranesbill and fumitory.”

“There’s still time to look at your pre-emergence ***programme*** and find ways of filling the gaps that Gozai would leave, he points out.

“It’s worth ***planning*** ahead by understanding what your weed challenges are.

“Matching products to known issues and having a fallback position is important – the linuron situation has taught us that.”

Burndown

Losing diquat would give challenges for both weed control and burning off, stresses Andrew Sprunt.

“At this stage, we don’t know what is going to happen. It may not be removed completely, but its use could be restricted.”

He agrees that Gozai has looked promising, but highlights annual meadowgrass as a gap that would need plugging.

“It’s a contact herbicide that has to be used on emerged weeds. Residual partner products will still play an important role in controlling annual meadowgrass.”

Diquat’s withdrawal at the desiccation timing would be a bigger loss, he believes.

“That would be a much steeper learning curve, as neither Shark nor Gozai can burn the foliage down as quickly and effectively as diquat does.”

AHDB Spot Farm East – herbicide results

Two tank mixes stood out in the herbicide trial conducted on a sandy soil type at the Elveden Spot farm East site, but both cost more than the standard treatment.

Using 3 litres/ha of Praxim (metobromuron) and 1kg/ha of Artist (metribuzin + flufenacet) gave control of a wide weed spectrum, as did the three-way mix of 2 litres/ha Praxim, 3 litres/ha Defy and 200g/ha of Shotput.

The first mix cost £83/ha, while the second came in at £61/ha.

They were compared with the standard treatment of 1.35 litres/ha of linuron, with 2.2 litres/ha of Stomp Aqua and 200g/ha Shotput, which cost just £34/ha.

JOURNAL : Farmers Weekly

British farmers have nothing to fear from a trade deal between the USA and UK after Brexit, says an adviser to the Washington government.

USDA Foreign ***Agricultural*** Service adviser Steve Knight made the comments during a Deben Farm Club meeting at Ufford, Suffolk, on Thursday (22 March).

Trade was a “two-way street” and the USA wants strong trading partners – including the UK, Mr Knight told the farmers’ meeting at the Ufford Park Hotel.

The way to achieve this was to make sure any relationship was mutually beneficial, he added.

See also: Cheap food imports ‘inevitable’ post Brexit

The US and the UK are the largest investors in each other’s economies – and trade was almost perfectly balanced with goods and services worth $54bn annually flowing in each direction between the two countries.

Transatlantic trade

Of this, the UK imported £3bn of ***agricultural*** products from the USA and £1bn of ***agricultural*** products flowed back across the Atlantic in the other direction, said Mr Knight.

Products traded included wine, snack food, salmon, grain-based products such as animal feed and bread-making wheat, as well as wood pellets.

“As a standalone country, the UK is the fifth largest economy in the world and a significant trading partner,” said Mr Knight.

The USA is seeking to allay concerns that UK farmers could be exposed to food imports ***produced*** to lower standards after Brexit, Mr Knight said.

On the subject of chlorine-washed chicken, the USA was not in the game of “pushing certain products”, but it would be seeking to better communicate what it does.

Food safety

Both the USA and the UK have high food standards, said Mr Knight. “The suggestion that US food safety is not as high as the UK is wrong.”

Chlorine wash was a useful tool against issues such as campylobacter, said Mr Knight – but, ultimately, consumers will decide.

“I am sure the USA will be looking to counter some of the negative messaging – to open up the conversation – to explain why we use some technologies,” he said.

“We need to better communicate what we do.”

Lower barriers

It was also more likely that both the USA and UK will concentrate on securing quick wins that can increase existing trade, suggested Mr Knight.

If barriers can be broken down, for example, there is an opportunity for British farmers to increase exports of UK dairy products to the USA.

Equivalency agreements between the USA and the UK – which mutually recognise each other’s standards – could get rid of some of those barriers.

There are also opportunities for the UK to export more beef, added Mr Knight. “The US can’t get enough ground beef,” he said.

Dairy farmers hopeful on cheese imports

UK dairy farmers believe exports of British organic cheese to the USA will increase after Brexit – so long as they can get the paperwork signed off.

Organic Milk Suppliers Cooperative (Omsco) says it is continuing to push governments on both sides of the Atlantic to sign a full equivalency agreement recognising each other’s organic standards so organic cheese exports can continue after Brexit.

In 2015, Omsco became the first EU dairy business to qualify for USDA certified organic status. But the agreement was signed between the USA and the EU – not the UK – and will no longer apply after the UK leaves the European Union.

Last summer, Omsco chairman Nicholas Saphir called for urgent reassurance that exports would still be allowed post-Brexit because it took 18 months for Kingdom cheddar cheese to be ***produced*** and matured in the UK and then distributed the USA.

That trade will continue – for the time being at least – following this month’s Brexit transition agreement, which means current rules will remain in place until the end of 2020, rather than ending when the UK leaves the EU in March 2019.

“We are making cheese for next year,” said Mr Saphir.

The alternative to a full longer-term equivalency agreement between the USA and UK would be to secure full American organic certification, he added. Omsco had already embarked on the process and was laying down more cheese now than last year.

JOURNAL : Farmers Weekly

Our ultimate guide to 50hp-plus tractors available in Britain has been published online for 2018 with a host of changes from last year’s edition.

With the removal of discontinued models and ranges, the addition of several new and substantially updated lines and the appearance of a new marque in the shape of the Arbos range, the guide provides a quick-reference summary of all the models available.

See also: Combine buyers guide 2018

In terms of specifics, the Case IH Farmall U range has made way for the Luxxum and among newcomers is the Maxxum with new ActionDrive 8 transmission.

All Challenger entries have been replaced by Fendt tracked tractors, the latest Claas Arion 500 and 600 models feature for the first time and there are four-cylinder additions to the Deutz-Fahr 6-series.

The John Deere, Massey Ferguson, Valtra and Zetor line-ups remain much as before; but a second-generation M7-series features in the Kubota listing and there are new and updated models pretty much across the board for Landini and McCormick.

In the New Holland family, there are new models and transmission upgrades that bring more powershift speeds for the T6 range and seamless CVT for the T9 articulated tractors.

There are also new list prices throughout and, in the topsy-turvy world of farm tractor pricing, some are up and some are down.

List prices rarely reflect the transaction cost of acquiring a new tractor, of course, because the differing amounts of margin dealers have to play with for discounts and trade-in valuations is hidden, but they do provide a starting point for negotiations.

Take a look at and download every manufacturer's offering in the tractor spec tables (PDF).

You can also get it in Farmers Weekly magazine on 30 March.

JOURNAL : Farmers Weekly

A new initiative between a Welsh fire service and farmers has been launched to help combat grass fires this summer following a spate of deliberate arson attacks.

South Wales Fire and Rescue Service is working with farmers and landowners to develop safe and effective “burn ***plans***”.

See also: Farm fires - ***planning*** a livestock evacuation

To encourage this, it held its first partnership burn on farmland in the Rhymney Valley on Thursday (22 March) – an area heavily targeted by grass arsonists in previous years.

For example, in 2017, there were 80 accidental and 1,073 deliberate grass fires across south Wales.

It has become such an issue that a multi-agency task force, Dawns Glaw, has been established to educate landowners to raise awareness of the consequences of deliberate grass fires.

Excess vegetation

The thinking behind the controlled burns is that, by asking farmers to remove excess vegetation, the fuel load for fires will be reduced.

Del Llewellyn, landowner engagement  officer for South Wales Fire and Rescue Service, said farmers were mainly being encouraged to burn land with a high concentration of a purple moor grass known as molinia.

Often, due to the amount of grass and its density, livestock get no benefit from grazing this land, he said.

“These poorer species recover quickly from burning, and the new green shoots that appear is what the cattle like.

“This will encourage them towards this land and having animals on this area will keep the grass at a controllable level.”

Benefits

Mr Llewellyn said controlled burning had benefits for both the farmer and the fire service.

He described it as a two-pronged approach - one won’t work without the other.

“The main reason for the danger aspect is that some areas have such large expanses of grass that there are no fire breaks for a considerable distance.

“If we burn and the farmer grazes in a mosaic pattern on his land then, when a fire occurs, we have a much better chance of stopping it spreading, which is both good for us and the farmer.”

The magnitude of a wildfire is determined by a number of factors, including the amount of fuel available to burn, he added.

“By removing this fuel, and working with farmers and landowners, this process can be done in a safe and controlled manner."

Controlled burning advice

Complete a burn ***plan***

Have sufficient people and equipment to control the fire

Always inform the fire service beforehand to avoid false alarms and crews being dispatched unnecessarily; this also ensures the service is ready to respond if a burn gets out of control

Check wind strength and direction, and ensure there is no risk to property, roads and wildlife

Contact the fire service immediately if a fire gets out of control, giving details of location and access

Always ensure a fire is completely extinguished before it is left and check the following day to ensure it has not reignited; it is illegal to leave a fire unattended or to have too few people to control it

Source: South Wales Fire and Rescue Service

JOURNAL : Farmers Weekly

The sheep sector is a major contributor to the UK economy and remains invaluable to the South West – but Brexit could put it in a “very vulnerable position”, a report has warned.

The Rural Business School at Duchy College was commissioned by the NFU to ***produce*** a report highlighting the value of the sheep industry to the wider economy.

The UK ***produced*** 300,200 tonnes of mutton and lamb in 2015. England has more than 15 million sheep, 45% of the UK sheep flock, which ***produce*** 66% of the UK’s total sheepmeat.

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The college’s report focused on the three largest sheep-***producing*** regions in England: the North East (including Yorkshire and Humber), the South West and the North West. Together they represent two-thirds of England’s sheep production.

See also: How to review your farm business to prepare for Brexit

The NFU’s South West team have used the report to “count the value” of their sheep industry, which remains a vital part of the region’s economy and important to the environment.

Across the South West there are 7,389 sheep farms, with a total of about 3.1 million sheep, 21% of England’s sheep. The South West ***produces*** 40,600 tonnes of sheepmeat and offal.

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These farms employ 7,000 people directly and there are almost 23,000 other jobs linked to the industry, contributing nearly £60m to the economy in terms of employment.

The report highlights how much sheep farming can help the environment. The sheep industry in the South West has provided 107,000ha of land managed under entry-level stewardship, 28,000ha of land managed under higher-level stewardship, 184ha of newly planted or restocked woodland, and 627km of newly planted or restored hedgerows.

[*https://twitter.com/NFUsouthwest/status/978534586153160705*](https://twitter.com/NFUsouthwest/status/978534586153160705)

Brexit risk

The report also warned that Brexit poses a risk to the future of sheep farming, a sector that has high reliance on support in the form of direct payments and subsidies.

According to the authors, Brexit could put the sector in a “very vulnerable position” because of the likelihood of the reduction or removal of direct subsidies, and lower prices for sheepmeat, as a result of increased domestic supply if less is exported to the EU. Exports are important to the sector and currently 95% go to EU countries.

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In order to keep the industry healthy, the report concludes, there is a need for “more transparency” further down the food chain, by encouraging a greater proportion of product to meet market specification through price incentives, and ***producers*** developing their business models on a margin-driven basis, encompassing innovation, product quality and consistency.

Colin Rowland, Devon sheep farmer and chairman of the NFU South West livestock board, said that although the report made it clear sheep farming has a great deal to offer, the sector also has the potential to be the hardest hit by Brexit.

He added: “Ultimately, we want to see a thriving and profitable sheep sector that delivers environmental, social and economic benefits.”

JOURNAL : Farmers Weekly

Having the right tool, gadget or knick-knack at hand can take some stress out of the most frustrating farm tasks.

Here the Farmers Weekly Machinery team presents 20 potential gems – some old-school, others quirky newcomers – that won’t break the bank.

Watch the video and read the report below.

Gocableties releasable cable ties

Price: £19.71 for a 100-pack of 450x9mm

There are various types of reusable cable ties on the market.

Some (like the ones we had) look very similar to a standard plastic zip and have a very small tab that needs a long nail or pen knife to lift it.

For jobs where you would like to remove them time and again, we would recommend something such as a heavy-duty Speedy Tie.

A quick Google search will find them – they’re yellow in colour and have a much bigger thumb-release tab.

They’re also a bit more expensive – £9.21 for a bag of five – but should last a long time provided you’re careful not to grind down the plastic teeth.

Most come from wholesalers so the more you buy, the cheaper they get, and they’re available in widths up to about 13mm.

See also: Six best-selling impact drivers on test

Screwfix Multi-Fix concrete screws

Price: £10.41 for a 100-pack of 7.5x100mm

Attaching timber to masonry usually involves pushing plugs or expansion anchors into the wall first.

However, you’ll now find a pretty decent selection of concrete screws from any reputable merchant – ours came from Screwfix and included a T30 driver bit.

All they require in terms of preparation is a pilot hole (usually 1mm or so narrower than the screw) before they can be wound straight in.

The tougher the material you’re screwing into, the better as the high/low threads of the screw winds themselves in but they should happily bite into concrete, brick, stone, block or wood.

We found mortar a bit loose to get a decent fix.

CK self-adjusting wire stripper

Price: £14.30

Our favourite tool is the self-adjusting wire stripper. This one is made by CK (sourced from Toolstation) and will pull the coating off flat and round wires.

It’s a doddle to use – simply slot the electrical wire across the jaws and, as you squeeze the handles, they’ll clamp the wire and whip off the plastic insulation.

Its limit is apparently 6mm, but we found it worked well on the outer of much thicker twin and earth cable too.

Once the grey outer is removed, you can also bung the live and neutral wires in the block at the same time and it will strip them both.

A depth stop can be slid in and out to determine how much of the wire is stripped and there are also crimping and wire-cutting jaws, along with a little adjustment knob for stripping really thin wire.

Halford’s assorted heat-shrink tubing

Price: £6.66

Heat-shrink tubing might have been around for years but having a decent selection in stock will mean you can finish soldered wire joins or cover small components such as resistors with a more weatherproof, insulated and longer-lasting finish than a few tatty loops of insulation tape can offer.

They’re also far more convenient than buying long lengths of tube and cutting them to size.

In case you haven’t used them before, simply slip the wire through the tube and then wave a lighter, soldering iron or heater around it – any sort of heat should be enough to make it contract.

Ours came from Halfords but it could have done with a few extra smaller tubes as they are used far more frequently. You can pick up similar kits from other retailers – a quick internet search found prices as low as £2.30.

Draper strap wrench

Price: £4.08

Strap wrenches come in all shapes and sizes.

Some use rubber bands – particularly useful for plumbing jobs – others use chains and the one we’ve picked has a nylon strap joined to an attachment for a 1/2in drive or 21mm socket.

There’s nothing high-tech about its operations; just get a ratchet on the socket drive and crank it round – the webbed strap will gradually tighten and twist the filter loose.

Nylon straps tend to work better than steel three-jaw grippers that have a habit of twisting awkwardly, or 12in adjustable oil filter pliers.

The Tyre Equipment Company heavy-duty puncture kit

Price: £49

For a quick in-field puncture fix, something like this Black Jack kit will get a tubeless tyre air-tight in just five minutes without having to take off the wheel.

You can pay as little as £5 for a string insert kit, but we’ve gone for one at the pukka end of the market.

For that, you get a spiral rasp tool that should be slid in and out to roughen and clean out the wound and a split-eye needle to insert the sticky strings.

Push them roughly two-thirds of the way in and then slice off excess material with the razor blade provided.

The kit comes with strings of different thicknesses and lengths to suit the size of the hole, which can be replaced pretty cheaply.

There’s no need for any glue either, but bear in mind that it should only be used as a temporary fix.

Evolution Rage mitre saw multi-blade 255mm

Price: £24.98 (blade only)

If you’re chopping through nail-ridden timber regularly then Evolution’s Rage blade is the tool for the job.

It runs on the British firm’s mitre saw and the same 24-tooth blade will slice its way through steel, aluminium, plastic and wood.

It carries tungsten carbide tips that can operate at much higher temperatures and spinning speeds than high-speed steel equivalents.

It comes in a few different sizes – we had the 255mm diameter blade with 25.4mm bore – and spins at about 2,500rpm to ***produce*** a burr-free finish on box-section steel.

We found the whole rig online for £112.49 and, given its versatility, we reckon it’s a shrewd investment for anyone that currently does without a regular circular saw and bandsaw.

Bosch drill bit sharpener

Price: £54.19

If you’ve got a tray-full of blunt drill bits lying around the workshop then it’s probably worth breathing new life into them with a sharpener.

Most of the cheap kits are multi-tool arrangements that spin a grinding wheel and come with different plastic attachments to sharpen chisels, scissors, knives and drill bits.

They’re a bit toy-cracker quality, come with more complicated instructions and have a reputation for burning out the motors when pushed hard, but if you can find a cheapy then it could still be considered money well spent.

We’ve gone for Bosch’s purpose-built bit sharpener, which is at the more expensive end of the market.

It slides over the spindle collar of an electric drill with an M8 bolt in the chuck to transfer the drive to the grinding wheel. Once it’s spinning, just push the drill bit into the appropriate hole the other end, twisting it quickly. It doesn’t take long to sharpen them up, but this one is limited to a maximum bit size of 10mm.

Of course, you can also use a standard bench grinder, but there’s a bit more skill involved.

Heller cobalt drill bit set

Price: £9.93

This six-piece set of cobalt drill bits from Toolstation runs from 2mm to 8mm and doesn’t cost a whole lot more than a standard HSS set.

The 135deg point angle gets going pretty easily and accurately, and should last far longer when working through stainless or high-alloy steels. In reality, we’d probably get the bigger set – expect to pay about £30 for the 19-piecer.

Teng Tools nut splitter

Price: £26.50

When a nut is rusted on and refusing to budge with the socket set, these nut splitters might be the answer.

They’re better for getting into awkward places than a grinder or hacksaw and more delicate than clumping the troublespot with a hammer and chisel.

They should also keep the bolt threads in half-decent nick if you need to wind another nut on.

This Teng Tools kit comes with two crackers – one for 5-20mm nuts and the other for 14-27mm – that use a tough blade that is wound through the wall of the nut.

Sometimes it cracks straight off under the pressure, but often it needs a bit of light encouragement.

It’s definitely worth shelling out a few extra quid for a decent brand, otherwise the blades will go blunt. If you’re doing a lot of this type of stuff then you can get hydraulic nut splitters from Sykes-Pickavant – a new one costs close to £200.

Where we shopped

We picked up all of the bits featured on these pages from our local tool shops and mainstream online retailers. We tried to shop around to find the best prices (ex VAT), but they may have changed since we assembled our collection in March.

Siegen magnetic parts tray

Price: £12.95

It may seem simple but lots of people go without magnetic trays and end up losing parts in engine bays or tractor back-ends.

This twin-magnet tray measures 240x140mm and will hold nuts, bolts, washers and sockets, even when it’s hanging upside down.

You’ll probably find far cheaper ones if you shop around – down to about £3 for a single-magnet set-up.

Trojan eight-in-one rotational socket wrench

Price: £8.33

This is far from being a top-quality tool but, with eight sockets set on one handle, it’s the ideal thing to lob into a tractor toolbox.

It means you can keep your workshop spanners where they should be while still carting around all the main sizes from 8-21mm.

Faithfull flexible drill drive shaft

Price: £26.89

The flexible, anti-kink shaft slots into the chuck of any electric drill and extends the drive by 1.1m to a second 6mm keyless chuck.

It’s potentially handy and can be threaded/poked through awkward channels, but the solid plastic handle is still 175mm long, so isn’t quite as versatile as you might imagine.

It can run all the usual items – drill bits, wire brushes and grinding wheels to name a few – but for working between joists, you might be better off getting an attachment to turn the drive on a standard drill through 90deg (or buy a specialist right-angle drill).

Irwin bolt grip sockets

Price: £15.82

When you’ve chewed a nut so much that a spanner simply won’t grip, these reverse spiral flutes bite in to give you one last chance of removing it cleanly.

Like the nut crackers, it’s worth splashing out on a decent brand for this type of thing – poor-quality metal will get mushed up pretty quickly.

We found they needed a decent tap with the hammer to make sure they grip the nut tight.

Once you’ve locked on and started turning, the spiral flutes bite down harder on the nut.

Each socket will take a 3/8in square drive for an impact driver or there are hexagonal flats for sockets and mole grips.

They’re nicely made, but there’s not a wide enough selection of socket sizes in the five-piece pack we bought (it ranged from 3/8in to 5/8in) and we reckon there are a few better options for shifting rounded-off, rusted-over or painted-on nuts.

Recoil M8x1.25 helicoil thread kit

Price: £29.99

These recoil kits solve the problem of wrecked threads by ripping out and re-building the old ridges with a nifty coil that returns the cylindrical hole to its original size.

We bought the M8 kit – a popular farm bolt – but if it’s going to be a store cupboard item then it’s probably better to get one of the multi-size packs.

To use them, clear the old threads with a drill bit, then retap the hole (both the bit and tap are provided in the kit). You can then wind the coils – made of stainless steel wire rolled into a diamond-shaped cross-section – into the threads to finish the job.

There’s a huge range of kits out there. They’re not particularly cheap but it’s a clever way of solving a headache-inducing problem and once you’ve got the tap, bit and insertion tool, you can just buy bags of inserts – they tend to be about £5 for a bag of 10.

SIP 3/16in professional air-powered riveter

£68.52

The air-powered riveter is another one of our favourites.

Obviously, you need to be doing a fair bit of tinwork to justify the expense but it’s seriously satisfying to use compared with a manual gun (which you can pick up from somewhere such as Euro Car Parts for £7).

It works quietly too, and can keep on going without a break provided there is a reliable 6.3bar (90psi) pressure in the airline.

The model we used was bought a couple of years ago but the design hasn’t really changed.

Draper Expert digital vernier calipers

Price: £28.72

Vernier calipers are a workshop essential for anyone wanting to build to a more accurate level than an old tape measure will allow.

However, on manual read-out versions the numbers aren’t that easy to read – particularly for those with poor eyesight – so for a few quid extra, you can have a digital version that spells out the measurement much more clearly on an LCD display.

Gunsons Eezibleed auto brake/clutch bleeding kit

Price: £15.40

Gunsons well-known bleeding kit has been knocking around for a few years now.

It uses air pressure – provided by a spare wheel in the case of cars – through a 2m tube to force fluid through the system.

There is a selection of caps that should fit most machines with a screw-cap reservoir and that joins via a 600mm reservoir tube to the pressure vessel.

The key is to get the cap sealing tightly to avoid spilling brake fluid everywhere and wrecking the paintwork.

Lifting Equipment Store endless lifting straps

Price: £20.38

Lightweight lifting kit isn’t as expensive as you might think and can have the sort of capacity to outdo the old-school chain and hook

The lifting straps we picked were rated to 8t but there are all sorts of sizes and lengths depending on the sorts of jobs you have ***planned***. The LES range kicks off at 1t (starting at £1.48) and goes to 15t (starting at £113.15) for the smallest circumferences.

It’s also worth bearing in mind the lift capacities vary depending on how they’re used – our set can carry up to 16t when used as a standard U-shaped sling.

Owners also have to treat the straps with far more care than you would with old chains, as pinching and tearing the webbing can seriously affect lift capacity.

Spax wood screws

Price: £17.86 for a 100-pack of 6x100mm

Star-headed torx screws make a better job of maintaining the drive from the drill without mushing-up the head. The extra ribs increase the contact area between the driver and the head and the bit uses a blunt point.

You can pick them up from most wood merchants. We got ours from Walford Timber and they came with a wirox coating to make them corrosion resistant – just the job for external timber.

Got any suggestions?

There are thousands of quirky tools out there we and many other farmers will never have thought of using (and may never have heard of). If you can think of any that are reasonably priced then please get in touch – we’re keen to run another story looking at more of these handy items.

The quickest way is to send a text to 07717 660 034 – you can do it while you’re reading this – but you can also email [*oliver.mark@rbi.co.uk*](mailto:oliver.mark@rbi.co.uk)

JOURNAL : Farmers Weekly

Farmers filling out their Basic Payment Scheme claim forms are being warned to take care not to inadvertently claim peas and beans as an ecological focus areas (EFA) if they are not using it as EFA.

Andrew Wraith, a director in the food and farming department of Savills, said the online application system is such that any land use code eligible for EFA will put a default EFA value against it within the BPS application.

This is most likely to affect farmers growing pulses using plant protection products, as new greening rules mean they are no longer eligible as an EFA.

See also: Significant errors found in BPS hedging data

“If you complete the form and include vining peas or another sort of legume then it automatically picks it up as an EFA,” he said.

“You have to actively deactivate it to stop it from appearing as EFA [if it is not eligible as an EFA because the crop will be sprayed].

“It is one of those quirks in the system that we seem to find every year.”

It is one of those quirks in the system that we seem to find every year Andrew Wraith, Savills

Mr Wraith said the danger was some growers might think they had met their EFA obligation when actually they hadn’t, which could lead to payment penalties when the claim was processed.

There was also the potential for an inspector to impose penalties because land had been incorrectly declared as eligible for greening when it was not.

Growers will need to find the “Use less EFA than available” section within their application, to check which land is being used against their EFA obligation and to remove any parcels which they do not wish to claim as EFA.

JOURNAL : Farmers Weekly

Virtually all of Andrew Robinson’s milling wheat has met breadmaking quality over the past four years, while giving bumper yields of between 11 and 12t/ha.

Managing 1,150ha across two farms, Mr Robinson of Heathcote Farms says the better returns from milling wheats convinced him to commit his entire wheat area to breadmaking varieties a few years ago.

“Our highest gross margin has consistently come from milling wheats, so that’s what we grow,” says the Bedfordshire farm manager.

See also: How to hit the right protein content for your milling wheat

Over the past four years, 96% of his milling wheat crops have made full breadmaking specification – hitting 13% protein, 76kg/hl specific weight and 250 Hagberg quality targets.

He intends to stick with milling wheats providing that there are “sensible” premiums in the future, and by sensible he means a minimum of £15/t as there are greater risks from growing milling wheats so he needs the rewards.

Varieties

On-farm variety trials, hosted on behalf of farming co-operative Openfield but managed independently, have helped to confirm this commitment, as well as allowing him to assess up-and-coming varieties and the use of different agronomic approaches.

As a result, Mr Robinson is convinced that newer varieties are playing a central role in his results.

“There’s no doubt that these quality Group 1 and 2 varieties are giving us something extra. They’ve been a step forwards,” he says.

At his Toddington heavy land site, where Group 1 varieties Crusoe and Zyatt are being grown alongside Group 2 Siskin, there is a five-year average yield of 11.49t/ha, with the 2017 harvest coming in even higher, at 11.79t/ha.

The other farm, on lighter land at Lidlington, has a five-year figure of 11.07t/ha, with the 2017 harvest hitting 11.42t/ha. In the ground this year is Siskin.

Six-point ***plan***

When it comes to the agronomy of his milling wheat, Mr Robinson has identified six key areas that make a difference.

1. Soil management

Drainage is an essential component of soil management, as everything else is compromised without adequate water removal.

“If it’s too wet, weed control is more challenging, nutrient uptake is limited and the crops are under more stress,” he says.

He follows four basic steps to ensure he gets the right results – preventing and/or removing compaction, ensuring good tillage practice, carrying out regular rotational mole ploughing in summer and field drain inspections in winter, and increasing soil organic matter with composts and biosolids.

“Since we started using compost there’s been an increase in the workability of our soils, as well as an improvement in their moisture retention. It has added to our workload, but it’s been worth it,” he says.

“We also use sewage sludge, ahead of winter oilseed rape, to help build soil organic matter,” Mr Robinson adds.

Heathcote Farming: An overview

1,150ha in Bedfordshire

Two farms, nine miles apart

930ha Toddington (heavy land)

220ha Lidlington (light land)

Other enterprises – composting, residential and commercial properties

Two full-time, fully engaged staff

Percentage of milling wheat achieving full specification – 2004-2012: 89%, 2013-2017: 96%

2. Seed and seedbed management

Seed crops are grown and treated on the farm, to ensure seed quality and remove the variability that had been creeping in with bought in seed. The aim is to have thousand grain weights in excess of 50g.

Wheat drilling commences in mid-September, so that the whole operation can be completed by the second week of October, with seed rates starting at around 325 seeds/sq m and varied according to soil zones.

“Having a good seedbed is vital. It makes a difference to germination and blackgrass control, as well as giving the crop every chance of fulfilling its potential, right from day one,” says Mr Robinson.

3. Fungicides

The introduction of varieties with better disease resistance has started to change the fungicide ***programmes*** on the farm. While good responses are seen from fungicides in most years, there was a marked difference in cost between ***programmes*** used last year.

The typical four-spray ***programme***, based on two SDHIs, worked out at £105.95/ha and was applied to Crusoe, Gallant, Siskin and Zyatt. An area of Siskin, however, received a low-input ***programme***, which still contained four sprays but cost just £41.15/ha.

“There was no yield difference between the two, but there was a £64/ha saving. Admittedly, it was a low disease year until late season, but it showed us what is possible,” recalls Mr Robinson.

4. Fertiliser and PGRs

Liquid fertilisers are used on the farms, with sulphur considered vital and added to every nitrogen application.

A total of 250kg/ha of nitrogen is applied to milling wheats, in three splits, with some varieties receiving an extra 40kg at GS71/73.

“That late application is variety specific – we find that Crusoe doesn’t need it,” he says.

The three main applications take place at GS30, GS31/32 and GS37, with 75kg, 100kg and 75kg being applied respectively.

Variable rate nitrogen work has been done, based on boom sensors, but the results have been inconclusive. Last year, Mr Robinson achieved more promising results with a different system, so he will be repeating that work this year.

Otherwise, a comprehensive plant growth regulator ***programme*** is also used, based on the three actives chlormequat, trinexapac-ethyl and mepiquat.

5. Micronutrient management

Micronutrients are considered essential by Mr Robinson, who points out that their role in plant health and disease control allows crops to maximise their potential.

Manganese, magnesium, boron, zinc and copper are applied, along with amino acids and growth stimulants.

Each wheat variety is tested four times during the growing season, so that the right trace elements can be applied according to need.

In 2017, he spent twice as much on trace elements, at £32/ha, due to the dry conditions, but in a more normal year, he spends about £16/ha.

6. Pre and post-harvest management

Storing and delivering high-quality grain relies on good grain store management, stresses Mr Robinson.

With such a large area of milling wheat, he aims for an early harvest and has no issues with combining at 24-25% moisture, to avoid putting grain quality at risk.

“That means we have been a big user of pre-harvest glyphosate. We are aware that we may not be able to continue with that approach”, he acknowledges.

Lorries entering the farm’s weighbridge are identified and cross-checked against the loading out sheet.

“It is essential that we are loading the right variety and meeting our customers’ requirements,” he says.

The future

Mr Robinson believes that the future looks very exciting for arable farmers, and with a large number of trials on the farm, he is assessing new fungicides and biostimulants, as well as looking at how varieties germinate at different rates.

He highlights that artificial intelligence also has promise for the business, as does new camera drone technology, which allows more accurate plant counts and the ability to see disease before it becomes visible to the naked eye.

He would also like to see closer liaison with local mills and the development of mutually beneficial relationships, based on a two-way flow of information.

“I’d like to see millers coming onto the farm every 4-5 years and grower groups visiting mills every year. We all need to work together,” he says.

JOURNAL : Farmers Weekly

It has been a long winter. Usually by March spring has already kicked off and the crops have started to grow again, but it’s been a different story this year.

At the end of February we experienced some of the heaviest snow we have seen for decades. Several main roads were closed and anyone without a 4x4 was left stranded.

The combination of puffy snow and high winds created massive snowdrifts and suddenly farmers became a lot more popular.

See also: More Will’s Way farming columns

Everywhere you looked, they were pulling people’s cars out of the snow and digging out roads that had become impassable.

If Michael Gove needs help identifying farmers’ contribution to the public good, then this was a perfect example.

Watch Will's video dairy update below.

Tipple goes missing

The weather hasn’t been the only recent drama on the farm. Our black Labrador, Tipple, gave us all a scare when he went missing during a walk.

We spent most of the night looking for him with no luck, but he finally turned up the next day at a vet’s about 20 miles away.

Apparently he had been picked up by a concerned couple near our house and handed in at their local vets. I was so worried about him and it was a huge relief when we found out he was safe.

He certainly seemed happy to be home and was extremely obedient when I took him for a walk. I think the experience must have given him a bit of a shock and hopefully it’ll put him off going walkabout again.

There is quite a lot of focus on dogs in our house at the moment. Very soon we’ll be adding a new edition to the family – a black Labrador puppy called Winston.

It has been many years since I’ve had a puppy in the house, so it will be interesting to see how it goes. My wife and our two-year-old daughter are very excited, so I think it’ll be good fun having him around.

One of the nicest things about living in the countryside is feeling part of a community and I’ve started to do my bit by joining the parish council.

My dad decided to step down after almost thirty years' service and luckily for me, the other councillors were happy to let me join their club.

As a local landowner, it is really important to have a voice on the council and I’m looking forward to getting stuck in over the next few months.

Society speech

I really enjoy writing for Farmers Weekly and every now and again it gets you an unexpected bit of recognition.

A few months ago I was approached by the Stoke Ferry ***Agricultural*** Society to make a speech at their annual dinner. It seems they had been reading my column and thought I might be able to offer something interesting.

They’re an active group that usually book fairly high-profile speakers, so I felt slightly under pressure to make an impression – especially when I was told more than one hundred people were going to be in the audience.

I’m pleased to say that overall I think it went reasonably well. There wasn’t any heckling and several people complimented me on the speech afterwards.

It’s always difficult to get the tone right with things like this, but I think I just about got away with it. Maybe I’ll get the chance to do some more in the future.

Will Sargent farms in south Norfolk, alongside his father, David, and uncle, Christopher. The estate covers about 800ha and is made up of arable land, a large duck-rearing site and several residential and commercial properties.

JOURNAL : Farmers Weekly

Young farmers are helping to promote British food in the run-up to Easter, using social media to get the message across about the high standards that exist in the industry.

Organised by food advocacy organisation, Love British Food, some 14 young farmers are spearheading the “My name is” campaign, posting details about themselves on Twitter and Instagram under the hashtag #BritishFoodisGreat.

The tweets include a photograph or video of the young farmer involved, a quick introduction about who they are and what they ***produce***.

My name is Georgie, I farm sheep in Shropshire, and I'm really looking forward to showing off how fantastic all that British farmers ***produce*** is. @LoveBritishFood #BritishFoodIsGreat pic.twitter.com/lJOCmqlZtk

Georgina Gater-Moore (@georgielmgm) March 19, 2018

Some participants are also using the campaign to say something about the high standards they adhere to, and to give a flavour of farming life.

[*https://twitter.com/\_hannahbinns/status/974320784419278848*](https://twitter.com/_hannahbinns/status/974320784419278848)

One young farmer taking part is Richard Bower, who recently stood as a candidate for vice-president at the NFU – the youngest farmer ever to do so.

In a video posted on the #BritshFoodisGreat twitter feed, he explains how proud he is to be part of a vibrant farming community, and urges consumers to continue to “Buy British” to secure high standards for the future.

“Great British food is quite simply some of the best quality food in the world ***produced*** today,” he says.

[*https://www.youtube.com/watch?v=5IfAcYYce\_M*](https://www.youtube.com/watch?v=5IfAcYYce_M)

The campaign was launched in London on Thursday 22 March, and was attended by Defra secretary Michael Gove, plus Love British Food ambassadors including top chef Raymond Blanc, Great British Bake Off star Candice Brown and former cosmetics entrepreneur Liz Earle.

[*https://twitter.com/woesofwellies/status/977954013986607104*](https://twitter.com/woesofwellies/status/977954013986607104)

Speaking at the launch, Mr Gove said British food was going through an “amazing renaissance”.

The fact we are exporting tea to China, chocolate to Belgium and cheese to France reflected the “incredibly high standards” delivered by British food manufacturers and farmers.

“Animal welfare and environmental quality, but also taste and provenance, are hallmarks of British food,” he said.

‘Bright future’

Mr Gove predicted a bright future for food based on quality, noting there was growing demand for British ***produce*** from pubs, restaurants, artisan shops and butchers, while farm shops and farmers markets provided further outlets.

Also speaking at the launch was Love British Food founder Alexia Robinson, who said that, if “British Food” was a brand, it would have a TV and marketing campaign to back it.

She added: “But what it does have is a network of superb, inspirational, young farmers across the country who are increasingly taking it upon themselves to do what they can to promote their industry whether via social media or through the deep reach they have in their communities.

“We want to tap into their energy and get them all to be walking, talking advertisements for British food.”

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HINA Digest

9 May 2018

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**Body**

Zagreb, 09 May 2018 (Hina) - Gov't had to intervene in case of Agrokor, says Const. CourtZAGREB, May 8 (Hina) - Expounding the Constitutional Court's ruling that the law on emergency receivership in systemically important companies, dubbed "Lex Agrokor", is in accordance with the Constitution, Courtpresident Miroslav Separovicsaid on Tuesday that when it came to the case of the ailing private Agrokor retail and food group, the Croatian government was supposed to intervene, otherwise it would have breached the Constitution's definition of Croatia as a welfare state."It would have beenagainst the Constitutionhad the government failed to intervene," Separovic said.The government is supposed to act in compliance with the Constitution that declaresCroatia as a welfare state, the judge underscoredat a news conference at which he presented the Court's judgment.The material the press received before the news conferenceshows that the Court did not sustain the objectionssubmitted by a total of 12 physical and legal entitiesthat asked for assessingthe constitutionality of the said law's regulations. The Court obtained the opinions of the government and constitutional experts of the Zagreb Law School. Three Constitutional Court judges out of the 13 gave dissenting opinions.The said law, aimed at protecting the sustainability of business operations of vital companies, was adopted by the Croatian Parliament on 6 April 2017.To be considered systemically important, a company must have more than 5,000 employees and liabilities exceeding HRK 7.5 billion.

All companies meeting the said criteria and facing financial difficulties will be given the same legal framework for further action.Separovic said that the objections could be divided into two groups: objections to formal procedures and objections about substantive issues.The Constitutional Courtjudges admit that it is recommendable that laws be adopted in fast-track procedure asseldomas possible, however, the situation surrounding the debt-laden Agrokor conglomerate required afast-track procedure for Lex Agrokor.Furthermore, an objection made by Agrokorfounder Ivica Todoric, that the passage of such law required a two-third majority, was dismissed as irrelevant.Considering substantive objections, the Courtassesses that the legislation has the legitimate purpose to protect the viability of companies of systemic importance so as to prevent negative repercussions for the overall economic, social and financial stability of Croatia, which mightoccurif such company abruptly ceases operating.The government's intent was to prevent the spillover of the Agrokor crisis, having in mind that the Agrokor Groupcompanies' liabilities exceededthree billion kuna on 31 March 2017.Apart from difficulties in the Konzum retail chain, the continuity of cattle growing and ***agricultural*** production was also at the risk of collapse due to the developments in Agrokor at the time, the Court recalls.The Court dismissed the objections of some of the plaintiffs that the law insufficiently protected the rights and interests of some of the creditors.Separovic concluded that the troubles of the Agrokor Gorup could not have been addressed through the usualofficial receivership proceedings.Justice minister says court proved Lex Agrokor was necessaryZAGREB, May 8 (Hina) - Justice Minister Drazen Bosnjakovic said on Tuesday the Constitutional Court ruling that Lex Agrokor was in line with the constitution confirmed that the law was necessary when it was adopted as it helped to save jobs as well as the economic and financial stability."I can't imagine what the situation would have been ifwe didn't have this law," he told reporters, adding that the Bankruptcy Act did not provide the legal framework required for the situation in which the indebted Agrokor food and retail group found itself.He said the law on extraordinary administration in systemically important companies, dubbed Lex Agrokor, served as a legal framework for preventing job losses and numerous bankruptcies for which Croatia's infrastructure was not ready.The law resulted in a stable state budget and jobs saved, andall objections to the law were proved to be unfounded, he added.Iranian-Croatian business forum held in TehranZAGREB, May 8(Hina) - The potential for economic cooperation between Croatia and Iranexists in the oil,gas, electric and energy sectors, shipbuilding, railways, the food industry and tourism, it was said at the Iranian-Croatian business forumin Tehran on Tuesday, the Croatian Chamber of Commerce (HGK) said in a press release.The forum was held as part of CroatianEconomy Minister Martina Dalic's visit to Iran.According to the press release, Dalic underlined that strengtheningthe two countries' relations would help the private sector exploit opportunities for economic cooperation."It is up to us to create a favourable environment and it is up to representatives of the private sector to take advantage of the opportunity," Dalic said.Dalic added she was confidentthat with a little patience, the issue of financial transactions would soon be regulated and commercial banks will be able to successfully overcome administrative obstacles and use this business opportunity.The HGK vice president in charge of international affairs and the EU, Ivan Barbaric, said that the two countries could learn a lot from one another, adding that it was necessary to strengthen the foundations for doing business.Over the past two years, Croatia and Iran have opened a new chapter in economic cooperation and today new steps were taken towards better economic cooperation -- through the business forum and a session of thejoint council of our two chambers, said the president of the Iranian trade, industry, mining and ***agriculture*** trade,Golamhossein Shafeei.Both countries have potential for joint ventures and presence on third markets in the food industry, construction, the pharmaceutical industry, the IT sector and other areas.The Iranian Deputy Economy and Finance Minister and president of the organisation for investment, economic and technical support,Mohammad Khazaei, said the two countries had qualitycooperation which existed on several levels."We are entirely prepared to expand economic and political cooperation with Croatia.I would like to particularly underline the potential for trilateral cooperation of Croatia, Iran and Austria," the Iranian official said.The forum was attended by 11 Croatian and 50 Iranian companies and institutions. Also held as part of the forum was the first session of the joint business committee of the HGK and the Iranian chamber, set up in December 2017 in order to deepen the two countries economic cooperation.Culture and Creative Practices for a Better Education conference startsZAGREB, May 8 (Hina) - An international conference -Culture and Creative Practices for a Better Education - organised by the Ministry of Culture with the support of the Ministry of Science and Education and the Agency for Education and Upbringing, opened on Tuesday in Zagreb's Mimara Museum, attracting Croatian and foreign experts."The conference shows to what degree we all recognise the importance of cultural and creative education and the development of cultural and creative practices in our society," Culture Minister Nina Obuljen Korzinek said, expressing her satisfaction with the cooperation between her ministry and the Ministry of Science.Handbook for cultural awareness and expression presentedMaja Zrncic of the Culture Ministry and the director of the Dutch Cultural Participation Fund, Jan Jaap Knol, presented a handbook for cultural awareness and expression. The European Commission published the handbook in English in 2016 and now the ministry has translated and published in Croatian.Zrncic said that the handbook contains explanations of the most important definitions in that field, as well as competencies, artistic education, education in culture, recommendations by the European Parliament and Council, lessons for the future and an appendix with examples of good practice.Knol explained that this was a special working method between EU member states that motivates creating a common understanding of problems and helps in building a consensus on the best solutions and their practical implementation, while combining joint social policy objectives of EU member states, national action ***plans*** and common indicators.Experts specialising in culture and artistic expression and creativity from around the world are participating in the conference, including participants from Scotland, The Netherlands, France and Austria.State Assets Ministry won't be abolished or merged, says ministerZAGREB, May 8 (Hina) - State Assets Minister Goran Maric on Tuesday told a conference that his ministry will remain part of the government and won't be merged with any other ministry, and that thisministry is preparing thousands of requestsfor the State Prosecutor's Office for evictions from state property and flats."The government established the State Assets Ministry and won't be abolishing or merging it," Maric said addressing a conference organised by the Lider business weekly which attracted about 200 participants from the public and private sectors toanalysewhether state assetscan be efficient and in what direction theirmanagement isheading.Maric explained that his ministry, as ashareholder, manages35 strategicand special interest companies as well as five other legal entities of ***strategic*** and special interest with a total nominal value of HRK 43 billion.The ministry manages6,098 flats, 3,708 business premises, 3,583 building sites, 332 former army barracks, 3,022 garagesand 14 camps."An analysis of the operations ofstrategic companies inthe period between 2010 and 2016 indicates that they operated positively, butthey can and must be more efficient. There is room to reduce costs and increase revenue, alongside increasing the level of professionalism and expertise in the operation ofstrategic companies. Themanagement model is vital and it has to respond to tasks and owners' expectations in accordance with market circumstances, the role and potential of each company," Maric said.The ministry's importance in bringing order tocompanies andproperty owned by the government over the past year isreflected in the fact that the nominal value of the governmentportfoliomanaged by the Centre for Restructuring and Saleshas been reduced by HRK 1.2 billion and now amounts to HRK 5.3 billion, he said.City of Hvar to celebrate 150 years of organised tourismZAGREB, May 8, 2018 (Hina) -The city of Hvar will dedicate all of 2018 to celebrating 150 years of organised tourism in that city on this southern Adriatic island with the expectation that this will contribute to the continuation of investment and tourism trends recorded in 2017 when 198,000 tourists visited the city, an increase of 15% on the year.The focal celebrations will be held from 10 to 15 May because it is on that date in 1858 that the first tourist community was established.There will be numerous exhibitions, concerts and other ***programmes*** and all with an international character.Hvar city authorities will combine that with the occasion of the 160th anniversary of the meteorological station on Hvar, one of the oldest in Europe and the 160th anniversary of the birth of the inventor of dactyloscopy, Ivan Vucetic of Hvar, which is also the year that theyintend to open the renovated historical Arsenal building with the oldest public theatres in Europe, an opportunity to present Hvar in its true light.Hvar city authorities are going to prepare additional infrastructure and landscaping works in the city next year and promote it as a desirable place to live.They will put an emphasis on culture and continue to promote Hvar culinary services, active holidaying, congress destination, health tourism and so on, as well as quality accommodation with the addition of the first five-star hotel in Hvar.SightRun mobile app, invented by Croat startup, helps tourists discover GrazZAGREB, May 8 (Hina) - The application SightRun developed by the Croatian startup SightRun has been added toprogrammes offered to tourists in the Austrian city of Graz,the co-founder of the Croatian startup, Sandra Bortek, said on Tuesday.SightRunis a mobile app for audio guided running tours.According to information provided on the company's web site, "with SightRun App you can run in a new city whenever you like."The application can help touristsdiscover a new city.It was invented by "a group of enthusiastic runners who also like to travel and experienced a problem themselves. When traveling to a new destination, we didn't know where to go for a run or where it's safe to run.""While doing your daily run, why not discover local attractions or interesting facts about the city you are visiting? SightRun is a great travel companion for runners," according to the information.The startup also boasts that with GPS triggered audio navigation and stories, users just have to follow the instructions. "No more route ***planning*** or looking at the map, SightRun allows them to run stress-free."This application also includes Zagreb, Rovinj, Opatija and Munich.MEP Jakovcic: Europe not ideal but there's no alternativeZAGREB, May 8 (Hina) - Croatian MEP Ivan Jakovcic of the Istrian Democratic Party said in Pulaon Tuesdaythat calls to exit the EUdefinitely meanthe impoverishment ofCroatian citizens andthat Europe is not ideal, but thatthere is no alternative."Europe isn't ideal but there is no alternative. I'm not a euroidealist, nor someone who thinks that the European Union is an ideal creation, butI thinkit needs to be reformed. Butunlike those who want more disunity, I am for more unity and deepening the European Union and creating a new energy union, for a digital policyand union,not 27 different policies," Jakovcic told a press conference on the occasion of Europe Day and European Week.He is convinced that the call for Croatia to exit the EU"is something that is very detrimental to citizens because the EU has shown us the possibility ofgrowth."Warning that the call to exit the EU was highly risky, he underscored that Croatia has to jointhe Schengen Area as soon as possible as thatwill enable strengthening the competitiveness of Croatia's tourism.Speaking about ancoming parliamentary election in Slovenia, Jakovcic said that he fears that the "future will be worse than the present."If Jansa or Zidan win, that will "additionally complicate relations with Croatia," because, Jakovcic said, "Jansa is coming increasinglycloseto the policy ofHungaryand Poland and the creation of ofjoint bloc of these three countries against the incumbent Brussels policy is certain.""That would be disastrous for Slovenia and the European policy. However, Croatia has to take that into consideration because that would additionally strainrelations between Ljubljana and Zagreb. That certainly won't be good for citizens who live along the border andespecially for the economy and tourism in Croatia," Jakovcic claimed."The situationis worrying and that is why I believe that prime ministers Plenkovic (Croatia) and Cerar (Slovenia) shouldfind a solution. We should have been more assertive in seeking a solution based on the (border) arbitration decision," hesaid.Jakovcic announced that the IDS and theGlas and Pametno parties will sign a value charter on Wednesday which he believes will be supported by a large number of citizens in Croatia."That's a good step. If we are smart and enter a campaign together fast, I am certain that this coalition can bring some freshness to the political scene in Croatia," he said and added that he supported an agreement on cooperation forat least three elections - European as well asthe presidential and parliamentary in Croatia, "as that will show seriousness, butwe will also promote the liberal idea."He added that he was prepared to once again run for the European Parliament.Acquittal of businessman over Italian couple's death quashedZAGREB, May 8 (Hina) - The Zadar County Court's Appeals Chamber has quashed the acquittal of businessman Tomislav Horvatincic over a fatal maritime accident and he will be retried before a new panel of judges.The Appeals Chamber has said that judge Maja Supe committed major breaches of the penal code last October as the reasons for the acquittal were significantly contradictory, which was why the Chamber could not examine the verdict, and that especially contradictory was her acceptance of syncope,a temporary loss of consciousness, as the reason to acquit Horvatincic of killing the Italian married couple Salpietro, Jutarnji List daily said on its website on Tuesday.Horvatincic was acquitted by a Sibenik Municipal Court panel of judges presided by Supe. The verdict was appealed by local prosecutor Irena Senecic, citing errors of fact.The accident occurred near Primosten on 6 August 2011 when Horvatincic, going at 26.3 knots in his speedboat, hit the sailboat of Francesco and Marinella Salpietro from Padua, killing them.Decision to extradite Bosnianwanted in Tunisia to be known WednesdayZAGREB, May 8(Hina) - Velika Gorica County Court on Tuesday decidedwhether to extradite aBosnia and Herzegovina citizen, Alen Camdzic, to Tunisia where he is wanted for his alleged involvement in the 2016 assassination of a Tunisian national, and said that the decision would be released on Wednesday after the interested parties were informed of it.Camdzic was arrested on 13 March at Zagreb's Franjo Tudjman Airport based on an international warrant. Heis allegedly connected to the murder ofMohamed Zouari, aTunisian national and engineer allegedly connected with Hamas.Zouari was killed on 15 December 2016 near his home in the city of Sfax, Tunisia.Media quoted a Tunisian office-holder as saying that their authorities identified two suspects who are believed to have been involved in Zouari's assassination, and that one of the suspects was arrested in March in Croatia.Today's session behind closed doors examined theextradition request, with Camdzic and his defence counsel pleadingnot guilty and objectingto the extradition. Representatives of the State Prosecutor's Office, representing the country seeking extradition, didn't turn up to today's hearing.Camdzic's defence attorney Kresimir Skarica told Hina that the evidence against his client was scanty.In objecting to the extradition, he argued that in 2015 Tunisia abolished a moratorium on the death penalty and that Croatia, as a member of the EU, doesn't extradite suspects to countries where the death penalty exists, whichis also the Justice Ministry's stance. It isalso possiblethat a wanted personcanbe tortured in Tunisia before a verdict is delivered.If the court approves the extradition, Camdzic can appeal to the Supreme Court andthe possible extradition is postponed until the Supreme Court delivers its decision.Ex-Serb paramilitary arrested in Romania for war crimes in CroatiaZAGREB, May 8 (Hina) - Stevan Budac, accused of war crimes committed in Croatia in the 1990s, was arrested on a European Arrest Warrant in Romania on May 5, Osijek County Court, which issued the warrant, said on Tuesday.Budac was indicted by the Osijek County Prosecutor's Office on 18 December 1996. On 21 March 2002, after being tried in absentia,he was found guilty of war crimes against civilians in the Baranja region and sentencedto 15 years' imprisonment pending appeal.After the attorneys representing Budac and theothers defendants in the caseappealed, Croatia's Supreme Courtquashed the verdict on 19 January 2006 and ordered a retrial.The 51-year-old, Budac, is accused of participating in the abuse, expulsion and intimidation of Croats and Hungarians in the village of Batina from the summer of 1991 to the autumn of 1995. At the time, he was a Serb paramilitary.1stImmortal Partisan Detachment march held in ZagrebZAGREB, May 8(Hina) - Some 200 participants in the Immortal Partisan Detachment march gathered in Zagreb's Fascism Victims Square on Tuesday, carrying flags and photos of Franjo Tudjman, Josip Broz Titoand National Liberation Struggle fighters killed in WWII.Theymarched towards Republic of Croatia Square, wherethey released 73 white peace balloons to mark the 73rd anniversary of victory over Nazism and fascism, displayingthe flags of Croatia, the European Union, the Croatian Alliance of Antifascist Fighters and Antifascists (SABA), and the Croatian flag when it was part of the former Yugoslavia, as well assinging Partisan songs.The marchis aimed at raising public awareness of the people who gave their lives for a free Croatia in WWII, SABA president Franjo Habulin said, adding that the march was organised under theImmortal Partisan Detachment name on the occasion of Zagreb Liberation Day73 years ago today.He said he was pleased with the turnout but hoped more people would attend in the years ahead.The march started in Russia in 2012 and is being marked by 60 million people in 81 countries this year, said Elena Piliceva Corko, president of the coordinating council of Russians in Croatia and initiatoroftheImmortal Partisan Detachment."There are marches all over the planet, in cities large and small. It's no longer a Russian but a world movement in honour of anti-fascism and victory over fascism," she said.On the occasion ofvictory over fascism andZagreb Liberation Day, SABA's and similar delegations laid wreaths and flowers at the National Heroes Mausoleum,the Kozara Children Monument and the partisan cemetery at Zagreb's Mirogoj cemetery.Russian Embassy pays for refurbishment of Ilok park in memory of Red Army soldiersZAGREB, May 8(Hina) - Saint John of Capistrano Park in Ilok's Old Town, which hasa monument to 1,067 Red Army soldiers killed in 1944, was inaugurated on Tuesday after being refurbished thanks to a Russian Embassy donation of HRK 200,000.Mayor Marina Budimir thanked the embassy and Ambassador Anvar Azimov, saying she was pleasedthe soldiers, killed while liberating the area,were still being commemorated.This is not just in honour of the soldiers but the town of Ilok as well, which we view with deep respect. Once again, I thank the people and leaders of Ilok for caring about our shared history, Azimov said, suggesting the park be named Friendship and Victory Park.He said Croatia had11 monuments to Red Army soldiers killed in WWII and that the Russian government regularly paid for their maintenance.This is our shared history. I have been in Croatia for two and a half years and have concluded that the Russian and Croatian peoples have a lot in common and understand each other well. I highly appreciatethe opinion of those Croats who advocate the continuation of Russian-Croatian bilateral relations. Cooperation is in the interest of both peoples, Azimov said.Russian, Serbian heads of state talk cooperationZAGREB, May 9 (Hina) - The Presidents of Russia and Serbia, Vladimir Putin and Aleksandar Vucic respectively, met in Moscow on Tuesday evening to discuss Russia-Serbia cooperation, joint investment projects and current issues in the region, Kremlin said in a press release which was carried by the Belgrade electronic media.The meeting with Vucic was Putin's first meeting with a foreign statesman after he was sworn in for his fourth term as Russia's at an inaugural ceremony on Monday."During the meeting the two presidents discussed the current state and future prospects of Russia-Serbia cooperation, as well as the implementation of joint investment projects. Vladimir Putin and Aleksandar Vucic also exchanged views on current regional issues, " Kemlin said in the press release.Putin recalled that this year Russia and Serbia would celebrate the 180th anniversary of their diplomatic relations, underlining that their was growing - last year it increased 23 percent."I am very pleased that we have an opportunity to talk informally about the package items in our relations this evening, " Putin said."The reason for our meeting this time is certainly important - both for Russia and Serbia. I am referring to the end of World War II or the Great Patriotic War, as it is called here. Naturally, there are glorious pages of history in the historical memory of our people when Serbia and Russia were fighting together against a common enemy, " Putin added.Vucic told Putin that Serbia had demonstrated that it was a reliable partner to the Russian Federation. "Serbia has never acted against the interests of your country when Russia was going through hard times, " Vucic said."I would like to assure you that the Serbian people will never forget what you have done. You have protected Serbia's territorial integrity and sovereignty many times." Vucic said."As you know, nothing is less enduring in international relations than gratitude, and I would like to thank you once again for what you did in 2015 when you literally saved the Serbian people, that have been one of the most suffering nation during the past century, from the stigma of genocide by vetoing the UN British resolution, " Vucic said.The Serbian president said he was very satisfied with the growth of their bilateral trade. In the first three months of this year it has already increased by 10 percent compared to the corresponding period of 2017."Serbia will preserve its independence. Serbia will preserve its military neutrality and is not going to become a member of NATO or any other military alliance, " Vucic said."Zero tolerance" toward inappropriate insignia at Bleiburg commemorationZAGREB, May 8 (Hina) - The Honorary Bleiburg Platoon (PBV) on Tuesday presented measures and a code of conductadopted in cooperation with the Catholic Church and state authorities in Austria in order to maintain the dignity of Saturday's commemoration of the victims killed in the Bleiburg fieldand during 'Way of the Cross' in the wake of the Second World War.During the commemoration every form of trade, or showing any kind of textual, photographic, verbal or any other sort of political message is strictly forbidden, the PBV told a press conference, announcingzero tolerance toward Ustasha and Nazi symbols.Wearing any type of uniform, parts of uniforms or military insignia or their imitation, particularly those related to the Axis Powers or their allies during WWII are banned.Any disturbance of the peace, shouting, singing or any other type of inappropriate behaviour will be punished, particularly during the procession and Mass and the sale and consumption of alcohol is banned during and after the procession and commemoration.Those attending are obliged to respect Austrian law, whileAustrian law enforcement authorities and PBV officials will be responsible to see to it that the Austrian laws are complied with. Anyone who won't respect the law will be taken away and charged accordingly.This year, the Austrian Office for Aliens, whose officials will also be attending Saturday's commemoration, will immediately deport any individuals who violate Austria's reputation and they will be banned from entering Austria for a defined period.Austrian authorities will video record the entire commemoration and once it is reviewed, if it is determined that anyone acted in violation of the law, relevant procedures will be instigated against them.PBV: We want to commemorate in dignity and prevent provocatorsPBV underscored that the intention wasto held the commemoration in a dignified manner and prevent any irrational or provocative behaviour by individuals who want the commemoration to be banned entirely."That will be met with zero tolerance," the chief coordinator preparing the commemoration and PBV's representative in Croatia, Boze Vukusic said.There mustn't be any incidents related to showing or expressing support in any way, of the Nazi or Ustasha regime, it was said."We accepted that not just because it is according to Austrian law and church regulations but also because it is in the interest of the dignity of the central commemoration," Vukusic said.He underscored that this is the first time that the commemoration has attracted attention in Austria because the media has presented it as being controversial, "even though the number of real rioters is insignificant compared to the number of pilgrims who come to pay respect to their ancestors."Vukusic believes that despite the insignificant number of rioters the commemoration has become a "big topic in Austria," for political reasons and that politics has put pressure on the local bishop in Klagenfurt, Alois Schwarz, who is responsible for issuing permission for a religious event to be held in his diocese."Someone brought him five photographs of rioters, one of whom was showing Hitler's salute, a few were wearing imitation Ustasha uniforms and one praised Hitler on Austrian television," Vukusic said.Bishop Schwarz then gave PBV an ultimatum that everything has to be done so that these events aren't repeated during the commemoration and that Austrian police have to treat that as public space.Seks: Bleiburgcommemoration not a neo-Nazi gatheringPresident of the PBV supervisory committee, Vladimir Seks said that the commemorations wereheld in accordance with the Croatian Constitution and Austrian state and religious laws.PBV organisational committee has taken all the necessary steps together with the Austrian side so that the commemoration is held in a dignified fashion, free ofany political connotations.We want to prevent those in Austrian political circles who are attempting to ban the commemoration altogether and who have described it as "the last neo-Nazic gathering in Europe."The commemoration is set to start at 11 a.m. at the local cemetery and then proceed to the Bleiburg field where the official commemoration will start with a live telecast on the national broadcaster HTV.Mass will be celebrated by Zadar Archbishop and president of the Croatian Conference of Bishops, Zelimir Puljic and a prayer for those of Islamic faith will be prayed by Imam Idriz Beslic.The prayers and commemoration will be conducted to mark the 73th anniversary of the tribulations of fleeing civilians and disarmed Ustasha soldiers who were handed over by allied forces in Austria to Tito's partisans at the end of the Second World War. Many of themwereexecuted on a mass-scale by Yugoslav Partisans without trial in the Bleiburg field and during death marches back to Yugoslavia.Local authorities want G.Princip's image to be in municipal coat of armsZAGREB, May 8(Hina) - The authorities in the predominantly Serb-populated municipality of Bosansko Grahovo in southwestern Bosnia and Herzegovina intend to addthe image of Gavrilo Princip,the assassin of Archduke Franz Ferdinand of Austria, and his wifeSophiein Sarajevo in 1914, to the official municipal coat of arms, however, the initiative was met with strong criticism from the local branch of the Croatian Democratic Union of Bosnia and Herzegovina (HDZ BiH).The municipal mayor, Dusko Radun of the Serb Progressive Party, has recently announced that the authorities are going to include the image of Princip,a Serb nationalist associated with the movement Mlada Bosna (Young Bosnia), to the municipal coat of arms.Young Bosnia,perceived as a terrorist group fighting for the Serbian nationalist cause, tried to putan end to Austro-Hungarian rule in Bosnia and Herzegovina.The two local HDZ councilors warn that the glorification of Princip would worsen inter-ethnic relations. They have condemned a recent ceremony in Bosansko Grahovo commemorating the 100th anniversary of Princip's death. They say that the commemoration was exploited for promoting intolerance towards non-Serbs.Princip was born in the hamlet of Obljajnear Bosansko Grahovoin1894 and died on 28 April 1918 at the prison of Terezin nearly four years after after he committed the assassination in Sarajevo.Bosnia general election called for Oct 7, election law still not amendedZAGREB, May 8 (Hina) - Bosnia and Herzegovina's Central Electoral Committee (SIP) on Tuesday adopted a decision to call a general election in that country for October 7.SIP president, Irena Hadziabdic told reporters in Sarajevo that the decision to call the thirteenth post-war election in the country was adopted in accordance with the electoral law which regulates that an election should be called 150 days earlier."These are direct elections for members of the Presidency of Bosnia and Herzegovina, members of the House of Representatives in the State Parliament, members of the House of Representatives in the Federation of Bosnia and Herzegovina (entity), members of the National Assembly in Republika Srpska (entity), the president and twovice presidents in that entity and members of the assemblies in the ten cantons in the Federation entity," Hadziabdic said.According to SIP records, there arecurrently about 3.3 million voters in Bosnia and Herzegovina andthe elections are likely tocost around 8.5 million convertible marks (about 4.3 million euro). Part of those funds ise being secured by the Organisation for Security and Cooperation in Europe (OSCE) and the Council of Europe.July 24 is the deadline for voters abroad to register in order to be able to send a postal vote.The election campaign officially starts on September 7 and will continue until October 6.In the last election in 2014, as many as 7,748 people ran for 500 seats and positions.Election legislation still not amendedThe election has been called despite the fact that some provisions of the incumbent law have been put out of force following a 2016 decision by the Constitutional Court which determined that the current system defining the method of the indirect election of representatives to the House of Peoples in the Federation parliament is not in accordance with the constitution.Hadziabdic said that the existing situation is in contradiction to the OSCE's stance on the principles of implementing elections which oblige all members of that organisation and which definethat election rules cannot be changed directly ahead of an election however in the case of Bosnia and Herzegovina, this situation is not a precedent and similar situations have occurred before."If we don't find solutions to the legislation, we will be in a serious problem," Hadziabdic said.She recalled that the parliament will sit until 7 September and that it has to adopt amendments to the legislation by then.She added that the option of international ***intervention*** still remained, however, she didn't think thatwould occur.Negotiations between parties representing Croatand Bosniak voters regarding an election model for members of the House of Peoples for the past year have been unsuccessful.HDZ BiH insists on a "package deal" and a new model to elect the Croat and Bosniak members to the Presidency with the establishment of ad hoc electoral constituencies in the Federation entity, which Bosniak and civic parties have resolutely rejected claiming that the Constitutional Court's decision doesn't refer to that matter.The only conclusion adopted from that last round of negotiations on May 3 was to include legal experts from the Council of Europe's Venetian Commission to determine what solutions to the election rules are in accordance with European legal practice.A solution to the problem of electing members to the House of Peoples in the Federation entity, who are delegated by the assemblies of the ten cantons in the entity, is essential because without it, it will not be possible to form an executive government or adopt laws.Croat and Bosniak members to the House of Peoples in the State Parliament are elected from the Federation's House of Peoples and without that body, it won't be possible to adopt laws at the state level.Inzko: Situation in Bosnia affected by politicians' provocative rhetoric ahead of electionZAGREB, May 8 (Hina) - The international community's High Representative to Bosnia and Herzegovina, Valentin Inzko, on Tuesday submitted his regular report on a state of affairs in Bosnia and Herzegovina to the United Nations' Security Council for the period from 22 October 2017 through 21 April 2018, warning about the deterioration of the political situation in the country triggered off by political bickering in a state of anticipation ahead the general election due to be held in October.The Austrian diplomat writes that "while the institutions and political leaders in Bosnia and Herzegovina (BiH) have managed to deliver incremental progress on some of their commitments related to Euro-Atlantic integration processes, the last six months have also seen a notable deterioration in terms of divisive public rhetoric and respect for the rule of law within the country."He underscores that "crucial domestic issues related to the Election Law and the Criminal Procedure Code have remained unresolved, as many parties in authority are focused on consolidating power and playing to their respective voting bases ahead of the electoral campaign season."Despite these positive developments, major challenges remain"The next general elections in BiH are expected to take place in October 2018, yet the formation of authorities after the vote could prove extremely difficult if changes to the election law are not agreed to that would regulate the indirect election of delegates to one of the chambers of the Federation parliament,"reads the report."As previously reported, the BiH Constitutional Court struck down provisions of the law regulating elections to the Federation House of Peoples in July 2017, having declared these parts of the law unconstitutional in its December 2016 decision in the so-called "Ljubic case". The failure to constitute the Federation House of Peoples following the elections would prevent the election of the new Federation President and Vice Presidents, who are responsible for nominating the new Federation Government, and would also prevent the election of Bosniak and Croat delegates to the BiH House of Peoples, one of the two houses of the state-level parliament."Escalation of divisiverhetoricThe High Representative also criticises some of the senior office-holders for provocativerhetoric, primarily the Bosnian Serb leader Milorad Dodik, as well as representatives of the Croat and the Bosniak peoples, Dragan Covic and Bakir Izetbegovic."For example, continuing a long-term trend, the Republika Srpska President (Dodik) has continued to deny the statehood of Bosnia and Herzegovina and advocate for the eventual secession of the entity. During the reporting period public comments were also made glorifying convicted war criminals and calling for the return of an RS army.""The Croat member of the BiH Presidency has mused about the further internal division of the country, while other Croat politicians have threatened the dissolution of the country if the current electoral issues are not resolved to their satisfaction," Inzko writes.In addition, Inzko expresses hisconcern "over comments made by a number of political figures about the possibility of future conflict if the country were to break apart.""These included comments by the Federation Prime Minister (Fadil Novalic, a Bosniak official) about the production of military equipment and subsequent comments by the Bosniak member of the BiH Presidency taking these comments further, suggesting that a rearming effort was underway in preparation for a hypothetical war scenario. These comments followed controversy earlier in the reporting period about the purchase of long-barrel weapons by the RS police."Bosnian ministry receives announcement of Erdogan's visitZAGREB, May 8 (Hina) - Bosnia and Herzegovina's Ministry of Foreign Affairs on Tuesday received official notification of a visit byTurkish President Recep Tayyip Erdogan to Bosnia in May.The foreign ministry said briefly in a press release that the announcement of Erdogan's visit arrived from the Turkish Embassy in Sarajevo on Monday, adding that this would be a working visit."The information was forwarded to the Presidency of Bosnia and Herzegovina, a body in charge of communication with other countries, regarding matters on the presidential level," the statement said, without revealing any other details, including the date of the visit.Turkish Ambassador to Bosnia Haldun Koc told local media on Monday evening that Erdogan would visit Sarajevo on May 20. He also said this would be a working and not an official visit.Erdogan confirmed on Friday that he ***planned*** on holding an election rally in Sarajevo this month for Turks living abroad, after other European countries have banned election rallies by Erdogan's Justice and Development Party (AKP) on their soil, fearing violence between Erdogan's followers and opponents.Koc, however, claims that this will be a working visit, scheduled in advance, adding that all those who needed to be informed about the visit, had already been informed."We see this as a working visit which will focus on economic and trade topics, further investment and development of the two countries' cooperation, Koc told the local media.Erdogan's visit aroused attention following the speculations that Erdogan will hold his biggest election rally for Turkish people living abroad in Bosnia and Herzegovina, ahead of the presidential and parliamentary elections in Turkey, scheduled for 24 June.Similar rallies for Turkish expats were previously banned by the authorities in Germany, Austria and the Netherlands.More and more Slovenians become over-indebtedZAGREB, May 8 (Hina) - The number of over-indebted Slovenians facing distraint of property and having their accounts frozen is growing each year, and apart from individualswho have takenloans pegged to the Swiss franc, there is a significant number of pensioners who can't make ends meet,the latest figures kept by organisationstrying to deal with this phenomenon show.Three years ago the Slovenian consumer protection alliance was unsuccessful in its motion to persuade the government to write off debts to a certain limit,allowing citizens to make a new start.The alliance has now released a brochure with advice on how to avoid falling into modern debt slavery with the main message being that if citizens are faced with these problems, they should seek help and advice in coming up with a ***plan*** how to come out of that difficult situation.Before taking a loan from a bank or private person, it is necessary to think well and ask whether that purchase is really necessary and what are the risks, Alina Mesko from the consumer protection organisation said, presenting the brochure which contains self-help schemes including repayment schedules, reducing expenditure to a minimum and even declaring personal bankruptcy.Every year the number of over-indebted people increases by 50%. In the first four months of this year there have already been 130 new cases, Alenka Hebar Lavric from the Institute of Family Therapy and Training told the STA news agency.Most people in this situation are single households who cannot afford the costs of housing and heating and other basic bills.They are followed by new pensioners who haven't come to terms that their income has been reduced significantly and sometimes even halved. There are quite a few young people too who fall into debt whenbuying smart phones or have taken a car on a leasing scheme, she said and added that the number of people in search of fast profit and have found themselves in debts due to buying bitcoins is on the increase too.In other news:Parliament speaker inaugurates business incubator, visits bioenergy plantZAGREB, May 8 (Hina) - Parliament Speaker Gordan Jandrokovic on Tuesday visited Bjelovar-Bilogora County, inaugurating a business incubator for IT startups and visiting the construction site of a EUR 24 million bioenergy plant.Jandrokovic inaugurated the incubator in Garesnica. It was financed with European Union money and opened thanks to cross-border cooperation with Orasje in Bosnia and Herzegovina."The business incubator is the right example of how the government and a town can help young entrepreneurs and how citizens can feel the direct benefit of Croatia's European Union membership. Garesnica is also an example of the synergy of the state and local government and of the concrete results of fiscal discrimination, which made it possible to increase the town's budget for development projects," he said.He also stopped in Daruvar, where he attended a meeting of the Town Council, congratulating the people on Town Day.He wrapped the visit in Grubisno Polje to see the site of a bioenergy plant, on which construction began in April 2017 and which is expected to be put into operation next month.The 5 MW electricity and 6.5 MW heat energy facility will initially employ 25 people.Not too much friction in SDP but individuals who generate news, says officialZAGREB, May 8 (Hina) - Social Democratic Party (SDP) vice president Zlatko Komadina said on Tuesday that, contrary to claims in some media, there was not too much frictionin the opposition party but "individuals who generate news and the media report them.""But that's also good because a good horse kicks up dust," Komadina told reporters in Rijeka, asked to comment on decisionsreached at Sunday'sSDP Main Committee meeting on rules on elections for the party's county and Zagreb city branches in June.Rifts within the party were caused by Arsen Bauk's amendment under which officials who fail to attend 50% of party bodies'meetingscannot run for top positions incounty branches.Komadina said the new election rules were in force as of today and that only the Main Committee could interpret them, reiterating that everyone in the SDPmust run in intra-party elections under equal conditions."Attendance of partybodies'meetingsis being counted as of today," said Komadina, who is also president of the SDP's Primorje-Gorski Kotar County branch.Monument to Alojzije Stepinac unveiled in SisakZAGREB, May 9(Hina) - A monument to the blessed Alojzije Stepinac was unveiled in Sisak on Tuesday evening, on the occasion of the 120th anniversary of his birth and the 20th anniversary of his beatification.The monument was made by sculptor Tomislav Krsnjavi and it shows Stepinac with two children. The monument symbolises Stepinac's contribution to rescuing children from war detention centres.ZSE indices in redZAGREB, May 8 (Hina) - The main Zagreb Stock Exchange indices closed the day in the red on Tuesday, mostly under the impact of a drastic drop in the price of HT shares trading today without the right todividend.The Crobex slid for the third consecutive day, fallingby 0.32% to 1,824.75 points.The specialised Crobex10 slideven more by 0.71% to 1,062.03 points, falling for the second consecutive day.Regular trading amounted to HRK 8.55 million or about HRK 5.3 million less than on Monday and an additional HRK 2.1 million was generated in block trading of Podravka shares.The stock of the Podravka food ***producer*** generated a turnover in regular trading of HRK 2.26 million. The price of its shares closed at the same price of HRK 305 per share which was the same price shares reached in block trading too.The preferred shares of the Adris tourism and tobacco group traded at a price of HRK 433 per share, rising0.23% from Monday and generated a turnover of HRK 1.2 million.The stock of the HT telecommunications company generated a turnover of HRK 1.04 million with the price of its share plunging by 3.07% to HRK 158. HTshares traded today without the right todividend ofHRK 6 per share.(EUR 1 = HRK7.399877)THIS BULLETIN INCLUDES NEWS ITEMS RELEASED BY 0830 HRS WEDNESDAY. (Hina) ms Masthead Brief News Bulletin is published by the Croatian News Agency HINA Marulicev trg 1610 000 ZagrebCroatia web:[*www.hina.hr*](http://www.hina.hr) mail: [*hina@hina.hr*](mailto:hina@hina.hr) phone: (+385 1) 48 08 660; fax (+385 1) 48 08 822 Publisher: Branka Gabriela Valentic, DirectorEditor in Chief: Serdo Obratov Bulletin Editor: Marija Sestan

ZAGREB, May 8 (Hina) - Expounding the Constitutional Court's ruling that the law on emergency receivership in systemically important companies, dubbed "Lex Agrokor", is in accordance with the Constitution, Courtpresident Miroslav Separovicsaid on Tuesday that when it came to the case of the ailing private Agrokor retail and food group, the Croatian government was supposed to intervene, otherwise it would have breached the Constitution's definition of Croatia as a welfare state.

ZAGREB, May 8 (Hina) - Justice Minister Drazen Bosnjakovic said on Tuesday the Constitutional Court ruling that Lex Agrokor was in line with the constitution confirmed that the law was necessary when it was adopted as it helped to save jobs as well as the economic and financial stability.

ZAGREB, May 8(Hina) - The potential for economic cooperation between Croatia and Iranexists in the oil,gas, electric and energy sectors, shipbuilding, railways, the food industry and tourism, it was said at the Iranian-Croatian business forumin Tehran on Tuesday, the Croatian Chamber of Commerce (HGK) said in a press release.

ZAGREB, May 8 (Hina) - An international conference -Culture and Creative Practices for a Better Education - organised by the Ministry of Culture with the support of the Ministry of Science and Education and the Agency for Education and Upbringing, opened on Tuesday in Zagreb's Mimara Museum, attracting Croatian and foreign experts.

ZAGREB, May 8 (Hina) - State Assets Minister Goran Maric on Tuesday told a conference that his ministry will remain part of the government and won't be merged with any other ministry, and that thisministry is preparing thousands of requestsfor the State Prosecutor's Office for evictions from state property and flats.

ZAGREB, May 8, 2018 (Hina) -The city of Hvar will dedicate all of 2018 to celebrating 150 years of organised tourism in that city on this southern Adriatic island with the expectation that this will contribute to the continuation of investment and tourism trends recorded in 2017 when 198,000 tourists visited the city, an increase of 15% on the year.

ZAGREB, May 8 (Hina) - The application SightRun developed by the Croatian startup SightRun has been added toprogrammes offered to tourists in the Austrian city of Graz,the co-founder of the Croatian startup, Sandra Bortek, said on Tuesday.

ZAGREB, May 8 (Hina) - Croatian MEP Ivan Jakovcic of the Istrian Democratic Party said in Pulaon Tuesdaythat calls to exit the EUdefinitely meanthe impoverishment ofCroatian citizens andthat Europe is not ideal, but thatthere is no alternative.

ZAGREB, May 8(Hina) - Velika Gorica County Court on Tuesday decidedwhether to extradite aBosnia and Herzegovina citizen, Alen Camdzic, to Tunisia where he is wanted for his alleged involvement in the 2016 assassination of a Tunisian national, and said that the decision would be released on Wednesday after the interested parties were informed of it.

ZAGREB, May 8 (Hina) - Stevan Budac, accused of war crimes committed in Croatia in the 1990s, was arrested on a European Arrest Warrant in Romania on May 5, Osijek County Court, which issued the warrant, said on Tuesday.

ZAGREB, May 8(Hina) - Some 200 participants in the Immortal Partisan Detachment march gathered in Zagreb's Fascism Victims Square on Tuesday, carrying flags and photos of Franjo Tudjman, Josip Broz Titoand National Liberation Struggle fighters killed in WWII.

ZAGREB, May 8(Hina) - Saint John of Capistrano Park in Ilok's Old Town, which hasa monument to 1,067 Red Army soldiers killed in 1944, was inaugurated on Tuesday after being refurbished thanks to a Russian Embassy donation of HRK 200,000.

ZAGREB, May 8 (Hina) - The Honorary Bleiburg Platoon (PBV) on Tuesday presented measures and a code of conductadopted in cooperation with the Catholic Church and state authorities in Austria in order to maintain the dignity of Saturday's commemoration of the victims killed in the Bleiburg fieldand during 'Way of the Cross' in the wake of the Second World War.

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DIRECTORATE-GENERAL FOR EXTERNAL POLICIES POLICY DEPARTMENT DG EXPO/B/PolDep/Note/2017\_277 EN November 2017 - PE 570.487 © European Union, 2017 IN-DEPTH ANALYSIS Free and fair trade for all ? Author: Mario DAMEN ABSTRACT With its strategy paper entitled ‘Trade for all’ in 2015, the Commission launched an EU trade policy that focussed on values such as human rights, workers’ rights, environmental protection and sustainable development. The idea was that free trade should be fair for both consumers in Europe and for citizens elsewhere. This approach was pursued in bilateral trade negotiations and in legislative proposals on, for example, conflict minerals, dual-use goods or the investment court system. But by the end of 2016 the tenor of the debate on international trade had changed, shifting the focus to national interests and fairness for consumers and ***producers*** at home.

The UK’s decision to withdraw from the EU and the election of President Trump in the US, together with the expiry of the clause recognising China’s non-market economy status, contributed to this shift. The European Parliament has played a crucial role in shaping the direction of EU trade policy. While its 2015 resolution on the Transatlantic Trade and Investment Partnership (TTIP) set the values-based trade agenda, its resolutions in 2016 and 2017 on China’s market economy status and global value chains reflected the shift in values. The Commission is seeking to balance free and fair trade but new challenges lie ahead, notably in the EU’s neighbourhood: Russia, the Eastern Partnership, Turkey and the UK’s withdrawal from the EU. Policy Department, Directorate-General for External Policies This paper was requested by the European Parliament's Committee on International Trade. English-language manuscript was completed on 21 November 2017. Printed in Belgium. Authors: Mario DAMEN with input from Anna SAARELA, Susana MENDONCA, Florence BOUYALA and substantial input from Benedikt WIEDENHOFER (trainee). Editorial Assistant: Jakub PRZETACZNIK Feedback of all kind is welcome. Please write to the author: [*mario.damen@europarl.europa.eu*](mailto:mario.damen@europarl.europa.eu) To obtain copies, please send a request to: [*poldep-expo@europarl.europa.eu*](mailto:poldep-expo@europarl.europa.eu) This paper will be published on the European Parliament's online database, 'Think tank'. The content of this document is the sole responsibility of the author and any opinions expressed therein do not necessarily represent the official position of the European Parliament. It is addressed to the Members and staff of the EP for their parliamentary work. Reproduction and translation for non-commercial purposes are authorised, provided the source is acknowledged and the European Parliament is given prior notice and sent a copy. Free and fair trade for all ? 3 Table of contents Introduction: evaluating trade policy and its implementation 4 1 The period from mid-2015 to mid-2016: values-based trade 5 1.1 Guiding principles: fair for consumers here and citizens there 5 1.2 Concrete developments 6 1.3 The European Parliament 10 2 The period from mid-2016 to mid-2017: reciprocity on a level playing field 13 2.1 Guiding principles: fair for consumers and ***producers*** here 13 2.2 Concrete developments 14 2.3 The European Parliament 17 Conclusion: challenges ahead — free and fair trade for all ? 20 Policy Department, Directorate-General for External Policies 4 Introduction: evaluating trade policy and its implementation On 13 September 2017, the Commission published two reports1, which evaluate the current state of trade policy since the ‘Trade for all’ strategy was published in October 2015. The first annual report on the implementation of free trade agreements2 followed on 9 November 2017 (referred to hereafter as the Implementation Report). These reports place current EU trade policy in the context of global developments and emphasize its merits and results. This briefing makes its own assessment of recent developments in trade policy, focussing on a European Parliament perspective. The rapid expansion of global value chains and trade in intermediary goods has changed the nature of international commerce in the past three decades. Given the complexity of multilateral negotiations, the World Trade Organization (WTO) was unable to keep pace with these developments and, consequently, the existing multilateral regulation does not sufficiently reflect the realities of 21st century trade3. When trade liberalisation through the WTO lost its momentum after 2004, the focus of EU trade policy shifted towards bilateral free trade agreements (FTAs). This policy shift finds its expression in the 2006 Commission communication Global Europe4. The communication gave priority to emerging economies in Latin America and Asia, with the ambition to create region-to-region FTAs, for instance with Mercosur and the ASEAN countries. However, it proved quicker to complete successful bilateral negotiations with one or more countries and the current FTAs with Colombia, Peru, Vietnam, Singapore and South Korea find their roots in this period. In its Implementation Report, the Commission labels all FTAs since 2006 ‘new generation FTAs’. In contrast, FTAs concluded before 2006 are called ‘first generation FTAs’. When negotiating ambitious FTAs with like-minded partners, the EU seeks to set standards for issues that are not yet sufficiently covered by multilateral rules. As for plurilateral agreements, the provisions agreed on by major trading powers are expected to serve as blueprints for future WTO legislation5. Likewise, the fear of being excluded from the process of standard-setting might spur non-participating countries to discuss issues they were reluctant to discuss earlier. The impact of the economic and financial crisis, which hit Europe in 2009, led to a greater focus on law enforcement and regulatory cooperation, especially within and between developed economies. At the same time, it was felt that free trade and investment could provide the necessary economic impetus to recover from the crises6. Ambitious bilateral negotiations were launched with mature economies, for instance Japan in 2013. The best known are the Comprehensive Economic and Trade Agreement with Canada (CETA), on which negotiations were launched in 2009 and concluded in 2016, and the Transatlantic Trade and Investment Partnership (TTIP), for which negotiations were launched in 2013. The most ambitious example of plurilateral negotiations is the negotiations on the Trade in Services Agreement (TiSA), launched in 2013. The last three trade negotiations in particular led to unprecedented protests in several EU Member States. The protests reflected criticism of a perceived lack of transparency in the negotiation process and fears that the quality of European regulation would be reduced. A number of NGOs saw regulatory cooperation as a threat to European standards rather than as an opportunity to set common standards. Towards the summer of 2015, criticism on TTIP and CETA focussed on Investor to State Dispute Settlement (ISDS), an arbitration mechanism which was originally set up to protect investments abroad but was now perceived by its detractors as an instrument for Multinational Enterprises to exert pressure on states to bring down legal standards and constrain their right to regulate in the public interest. This context needs to be borne in mind when evaluating the Commission’s ‘Trade for all’ strategy, which was published in October 2015. 1 COM(2017)491 final ‘Report on the Implementation of the Trade Policy Strategy Trade for All - Delivering a Progressive Trade Policy to Harness Globalisation’ and COM(2017)492 final ‘A Balanced and Progressive Trade Policy to Harness Globalisation’. 2 COM(2017)654 final ‘Report on Implementation of Free Trade Agreements: 1 January 2016 - 31 December 2016’. 3 Baldwin, R., ‘WTO 2.0: Global governance of supply-chain trade’ Center for Economic Policy Research Policy Insight No 64, Sept. 2012. 4 COM(2006)567 final ‘Global Europe - Competing in the World’. 5 COM(2006)567 final ‘Global Europe - Competing in the World’, p. 10. 6 COM(2010)612 ‘Trade, Growth and World Affairs - Trade Policy as a Core Component of the EU’s 2020 Strategy’. Free and fair trade for all ? 5 1 The period from mid-2015 to mid-2016: values-based trade 1.1 Guiding principles: fair for consumers here and citizens there In her foreword to the Commission communication ‘Trade for all’7, Commissioner Malmström states ‘In recent years we have seen an intensive debate about trade across the European Union which has some important lessons for trade policy.’ She sums up the lessons in the following paragraphs. Trade is not only about economic results but also about ‘core principles, like human rights and sustainable development8 around the world or high quality safety and environmental regulation and public services at home’. Trade policy needs to be more effective, more transparent and more about values. The Commission does not dispute the role of free trade as an important motor of the European economy. ‘Trade for all’ continues the balanced approach of pursuing bilateral trade negotiations and continuing multilateral efforts to build on a multilateral, rules-based trading system. But the new strategy emphasises that trade is for everyone, not just something from which professionals and companies can make money, and must also benefit consumers in our internal market and raise the living standards of those who ***produce*** goods for them in third countries: trade for all. More transparency during negotiations is an important tool in the awareness campaign launched by the Commission as a clear response to the public debate and criticism. A number of the texts proposed by the EU to the US in the TTIP negotiations are available online and members of the European and national parliaments have access to even more documents. The fourth chapter of ‘Trade for all’ leaves no doubt about the Commission’s intentions: it presents a trade and investment policy based on values. The Commission is eager to show that there are values-based benefits for European consumers and foreign citizens alike. In response to consumers’ concerns about the quality of imported products, the Commission makes the case for high standards, emphasizing the role of the state as regulator. A new 7 [*http://trade.ec.europa.eu/doclib/docs/2015/october/tradoc\_153846.pdf*](http://trade.ec.europa.eu/doclib/docs/2015/october/tradoc_153846.pdf) 8 Sustainable Development stands for meeting the needs of present generations without jeopardizing the ability of futures generations to meet their own needs. With its commitment to sustainable development in its trade policies, the EU aims to contribute to United Nations global sustainable development goals (United Nations, ‘Transforming our world — The 2030 Agenda for Sustainable Development’). Values Corporate Social Responsibility Environmental Goods Conflict Minerals DualUse Economic Partnership Agreements TTIP CETA Investment Courst System Policy Department, Directorate-General for External Policies 6 approach to investment protection called the ‘Investment Court System’ (ICS) will replace the criticised Investor State Dispute Settlement mechanism, to put the arbitration in the hands of independent judges. The promotion of sustainable development and human rights in third countries should, according to the Commission, be not only a matter of government policy but also the responsibility of private business, through ‘corporate social responsibility9 initiatives’ and ‘due diligence across the production chain’. Fair and ethical trade schemes should be promoted, which should also cover environmental aspects, as in the EU organic scheme. Governments should maintain their commitment to sustainable development in trade, for instance through the GSP+ scheme or EU support for the Environmental Goods Agreement (EGA), which is currently under negotiation in the WTO. The expression ‘fair trade’ seems to be used in 2015 in its traditional meaning: trade that is fair for citizens in third countries as regards their living and working conditions, their wages and their health. It can also denote a broader concept of fairness towards the natural environment, which implies healthy products for ***producers*** and consumers. Trade for all combines the benefits of free trade with the values of fair trade. 1.2 Concrete developments 1.2.1 The Bilateral Trade Agenda According to the Commission’s Implementation Report10, the bilateral approach has paid off. Although the title of the report suggests an evaluation of the year 2016, the report looks further back in time, which can be justified by the fact that this is the first report of its kind. Major growth in exports is shown for the late ‘first-generation FTAs’, with an increase in EU exports to Chile of 170 % since 2003. Similarly, EU goods exports to Mexico increased by 19 % while services exports grew by 54 % since 200011. Early ‘new-generation FTAs’ are not performing any worse12. For example, EU exports to South Korea have increased by 59.2 % since the FTA was provisionally applied in 2011 and exports to Central America have grown by 22 % since 2013. A spectacular increase of 244 % in EU car exports to South Korea since 2011 shows that double-digit growth in a traditional sector such as the automobile industry is possible once an FTA is in place. In the two years since the ‘Trade for all’ communication, new bilateral FTAs have entered into force. In the Eastern Neighbourhood, the Association Agreements with Moldova, Georgia and Kosovo, which all have a strong trade component, have entered into force. In the Southern Neighbourhood, the EU has finally launched negotiations with Tunisia – negotiating directives had already been adopted by the Council in 2011. In Africa, the Pacific and the Caribbean, the stepping-stone EPAs with Ghana and Ivory Coast and the EPA with the Southern African Development Community have entered into force. Looking to Asia, negotiations with Vietnam were concluded formally in December 2016. In addition, new FTA negotiations have been launched with Indonesia and the Philippines. The negotiating directives for these date back to 2007 when the EU embarked on region-to-region negotiations with ASEAN countries. As the members of the ASEAN bloc had very different expectations for their talks with the EU, negotiations were paused in 2009 and both sides decided to pursue bilateral talks instead. In Latin America, Ecuador joined the FTA with Colombia and Peru. 9 The Commission has defined CSR as the responsibility of enterprises for their impact on society. CSR should be company led. Public authorities can play a supporting role through a smart mix of voluntary policy measures and, where necessary, complementary regulation. Companies can become socially responsible by following the law and integrating social, environmental, ethical, consumer, and human rights concerns into their business strategy and operations (   [*https://ec.europa.eu/growth/industry/corporate-social-responsibility\_en*](https://ec.europa.eu/growth/industry/corporate-social-responsibility_en)). 10 COM(2017)654 final ‘Report on Implementation of Free Trade Agreements: 1 January 2016 - 31 December 2016’. 11 COM(2017)654 final ‘Report on Implementation of Free Trade Agreements: 1 January 2016 - 31 December 2016’, p. 24, 26, 31. 12 COM(2017)654 final ‘Report on Implementation of Free Trade Agreements: 1 January 2016 - 31 December 2016’, pp. 7-9. Free and fair trade for all ? 7 On the Transatlantic side, events have taken a different turn. The negotiations on TTIP not only ran into public opposition, they also got stuck on disagreements regarding further market opening. The US was not satisfied with the EU’s offers in the field of ***agriculture***, whereas the EU did not see enough opportunities in American public procurement markets, where ‘Buy America’ provisions at federal and state level have prevented further market opening. While the US was not embracing EU proposals for a reform of the ISDS system, negotiations had been slowing down even before President Trump took office. In the CETA agreement with Canada however, it was possible to include the new ICS system proposed by the EU, thanks to the flexible and progressive trade policy of the newly elected government of Justin Trudeau. Although the final conclusion of CETA was preceded by some drama on the European side when the region of Wallonia threatened to block agreement by Belgium, the agreement was finally signed on 30 October 2016. Extensive investment chapters are usually included in EU FTAs. With some partners, however, the EU prefers to negotiate separate investment agreements13 instead of entering into full-scale FTA talks. This is currently the case with China and Myanmar. Negotiations on a comprehensive investment agreement with China have been under way since November 2013. The agreement aims at providing investors on both sides with predictable, reciprocal, long-term access to the EU and Chinese markets and to protect investors and their investments. In particular, the EU and China have agreed that the future deal should improve market access opportunities for their investors by establishing a genuine right to invest and by guaranteeing that they will not discriminate against each other’s companies. The EU and China are also determined to address key challenges in the regulatory environment, including those related to transparency, licensing and authorisation procedures, and to provide for a high and balanced level of protection for investors and their investments. Moreover, the agreement will include rules on the environmental and labour-related dimensions of foreign investment. The 16th round of talks will take place in the week of 11 December 2017 in Brussels. 1.2.2 Legislation Several regulations have been adopted in recent years to support the EU’s bilateral and multilateral trade agenda. Here, the increased public focus on trade negotiations has made it necessary to reassure citizens both that EU standards were not being bargained away behind closed doors and that the EU was not betraying its values in its quest to open new markets. In response to the wide protests against TTIP, which largely revolved around ISDS, the Commission held a public consultation on investment protection in 2014. There, some stakeholders proposed reforming investment dispute resolution multilaterally as the most effective way to address the shortcomings of ISDS. In its May 2015 Concept Paper on investment in TTIP and beyond14, the Commission indicated its intention to reform the ISDS system in bilateral negotiations and transform it into an instrument that functions more like traditional courts systems and includes an appellate mechanism. These changes were intended to be the stepping stones towards a permanent multilateral system for investment disputes, on which the Commission sought to work in parallel. The European Parliament supported this proposal on various occasions, including in its July 2015 TTIP resolution15, where it called for replacing the ISDS with a more 13 After the Lisbon Treaty entered into force in December 2009, the EU gained exclusive competence for foreign direct investment as part of the common commercial policy. In the 50 years before, EU Member States had negotiated more than 1 400 bilateral investment agreements offering investment protection to many European investors. These will continue to exist until they are replaced by EU agreements. 14 Investment in TTIP and beyond - the path for reform. 15 (2014/2228(INI)) ‘European Parliament resolution of 8 July 2015 containing the European Parliament’s recommendations to the European Commission on the negotiations for the Transatlantic Trade and Investment Partnership (TTIP)’. Policy Department, Directorate-General for External Policies 8 transparent and democratic system . Also as a reaction to this, the Commission published its proposal16 on a new ICS in September 2015 in the framework of the TTIP negotiations. The ICS departs substantially from the old ISDS framework, especially since parties to the dispute are no longer able to choose their tribunal members. These will instead be selected on a rotational basis from a group of judges, appointed for a specified period of time by a joint committee of the EU and its respective FTA-partner17. Moreover, in the October 2015 ‘Trade for all’ communication, the Commission set the goal of engaging with partners to build consensus for a fully-fledged, permanent Multilateral Investment Court (MIC) so as to develop a coherent, unified and effective policy on investment-dispute resolution. Another major values-based piece of legislation from this period is the Conflict Minerals Regulation. The legislative process began in 2014 and the agreement was published in the Official Journal of the EU in May 2017. When it enters fully into force in 2021, EU importers will be required to carry out due diligence in their supply chain, following a five-step framework set out in the corresponding OECD guidance document18. The regulation applies to trade in four minerals — tin, tantalum, tungsten and gold — which sometimes finance armed conflict or are mined using forced labour. It aims at stopping exports of conflict minerals to the EU and the use of those minerals by EU and global smelters and refiners by requiring EU companies in the supply chain to import them from responsible sources only. Moreover, it seeks to end the abuse of mine workers and to support local development. To help EU businesses apply the regulation, the Commission is currently preparing guidelines for identifying conflict-affected and high-risk areas. It will also publish an indicative list of such areas in 2019, which will then be updated regularly. The update of the EU export control policy on dual-use goods is another ongoing process that aims to ensure that EU businesses comply with European values. The EU has had a Community regime for the control of exports, transfer, brokering and transit of dual-use items since the adoption of Regulation EC No 428/200919 in 2009. In 2013, the Commission concluded in a report on the implementation of the regulation that the system must be upgraded in order to face new challenges. Consequently, following an impact assessment and a communication in 2015, the Commission published a proposal20 in September 2016 to recast the system. Amongst other things, the proposal intensifies controls to tackle illicit trade and widens the definition of dual-use items to include cyber-surveillance technologies since these can be misused in violation of human rights. Moreover, it provides for enhanced information exchange and cooperation on implementation and enforcement between the Member States and the Commission, increases transparency, and establishes a dialogue on export controls with third countries. 1.2.3 The WTO After limited progress following the unsuccessful Cancún Ministerial Conference in 2004, the Doha Development Agenda regained some momentum at the Ninth Ministerial Conference. At this conference, in Bali in December 2013, ministers reached agreement on three pillars: (i) trade facilitation, (ii) selected ***agricultural*** issues, and (iii) selected development-focused provisions. While the Trade Facilitation Agreement, which aims at simplifying customs procedures by reducing their costs and improving their speed and efficiency, was chiefly a concern of developed counties, pillars (ii) and (iii) mainly included provisions intended to meet developing countries’ demands for a fairer and more inclusive international trade system. For example, simplified rules of origin were introduced for Least Developed Countries (LDCs) and these countries were granted improved access to richer countries’ markets. Altogether, the Trade 16   [*http://trade.ec.europa.eu/doclib/docs/2015/september/tradoc\_153807.pdf*](http://trade.ec.europa.eu/doclib/docs/2015/september/tradoc_153807.pdf) 17 EPRS, ‘From arbitration to the investment court system (ICS): The evolution of CETA rules’ 18 OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas. 19 Council Regulation (EC) No 428/2009 of 5 May 2009 setting up a Community regime for the control of exports, transfer, brokering and transit of dual-use items. 20 COM(2016)616 final ‘Proposal for a regulation of the European Parliament and of the Council setting up a Union regime for the control of exports, transfer, brokering, technical assistance and transit of dual-use items (recast)’. Free and fair trade for all ? 9 Facilitation Agreement, which formed the centre-piece of the so-called Bali Package, was the first multilateral trade deal agreed by WTO members since the creation of the organisation. It entered into force in February 2017 following its ratification by two-thirds of the WTO members. Two years after the Bali meeting, at the 2015 Nairobi Ministerial, negotiators managed to break some more new ground. The Nairobi package honours the Doha Round’s pledge to make trade fair for developing countries by delivering commitments that benefit in particular the WTO’s poorest members. It is based on three pillars, around which its six ministerial decisions are organised: (i) ***agriculture***, (ii) cotton; and (iii) LDC issues. Besides the immediate elimination of ***agricultural*** export subsidies in developed countries, it includes a ministerial decision on public stockholding for food security purposes. It also contains provisions granting enhanced preferential rules of origin to LDCs and preferential treatment for LDC services providers. Moreover, the package addresses new issues, for example in the ministerial decision on the continuation of the Work ***Programme*** on Electronic Commerce. Yet, many issues still remain unresolved and the 11th Ministerial Conference, held in Buenos Aires from 11 to 13 December 2017, will be a challenging endeavor. In parallel to the Doha Round, several plurilateral negotiations are under way. These are held between like-minded countries and are, in principle, open to all WTO members to join. Although plurilateral agreements are not a new phenomenon, their number has increased in recent years. One of these agreements is the Environmental Goods Agreement (EGA), the negotiations on which were launched in July 2014 by the EU and 17 other WTO members21. The agreement aims to remove barriers to trade in environmental goods, which are crucial for environmental protection and climate change mitigation. They include products that help to clean the air and water, help to manage waste, contribute to energy efficiency, help to control air pollution, or generate renewable energy. As well as slashing tariffs on these goods, the EU wants the agreement to include services related to exports of environmental goods and to tackle non-service barriers. So far, 18 negotiating rounds have taken place22. The Trade in Services Agreement (TiSA) is another example of a plurilateral agreement. Although talks are not held in the framework of the WTO, this agreement is intended as a forerunner of a multilateral agreement on services that would be folded into the WTO once a critical mass of members was reached. The EU and 22 other WTO members23 launched negotiations on it in March 2013. Together, these 23 WTO members account for 70 % of global trade in services. Based on the WTO's General Agreement on Trade in Services, TiSA aims to open up markets and improve rules in areas such as licensing, financial services, telecoms, e-commerce, maritime transport, and professionals moving abroad temporarily to provide services in order to ensure that the multilateral rules reflect the realities of 21st century services trade. TiSA is open to all WTO members who want to open up trade in services. Since the 21st negotiating round, in November 2016, negotiations have been on hold because the outstanding issues are too controversial to be discussed in the current political context. 21 Australia, Canada, China, Costa Rica, Hong Kong (China), Iceland, Israel, Japan, Korea, New Zealand, Norway, Singapore, Switzerland, Liechtenstein, Chinese Taipei, Turkey, United States 22   [*https://www.wto.org/english/tratop\_e/envir\_e/ega\_e.htm*](https://www.wto.org/english/tratop_e/envir_e/ega_e.htm) 23 Australia, Canada, Chile, Chinese Taipei, Colombia, Costa Rica, Hong Kong China, Iceland, Israel, Japan, Korea, Liechtenstein, Mauritius, Mexico, New Zealand, Norway, Pakistan, Panama, Peru, Switzerland, Turkey and the United States Policy Department, Directorate-General for External Policies 10 1.3 The European Parliament 1.3.1 Shaping the Bilateral Trade Agenda The European Parliament can be credited with being one of the forces that influenced the tone and content of the Commission’s ‘Trade for all’ communication. In the first place, the Parliament has consistently pushed the Commission to allow greater transparency in ongoing bilateral trade negotiations, in particular those on TTIP. The resolution on the TTIP negotiations of July 201524 may be considered exemplary in this respect. Many of the issues in this resolution have found their way into ‘Trade for all’ or subsequent Commission proposals. In the resolution, the EP recognises the importance of TTIP in setting high standards that could at a later stage become global if others follow them. It states that due to ‘the size of the transatlantic market, TTIP is an opportunity to shape and regulate the international trade order in order to ensure that both blocs thrive in an interconnected world’. To address the fears of many civil society organizations that the agreement could undermine European standards, the resolution calls for convergence in standards and regulation at the highest level. Moreover, it recommends excluding from the scope of the negotiations areas such as public healthcare services, genetically modified organisms (GMOs), the use of hormones in the bovine sector, the Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH) regulation and its implementation, and the cloning of animals for farming purposes because the EU and the USA have very different rules. Parliament also emphasises the importance of a balanced involvement of stakeholders. Regarding investment protection, the resolution advocates replacing the ISDS system with a new, more transparent system, where disputes between investors and states are treated by publicly appointed, independent professional judges in public hearings and an appellate mechanism ensures the consistency of judicial decisions. Furthermore, investment protection provisions have to protect the right to regulate in the public interest and give foreign investors no greater rights than domestic ones. Also, the jurisdiction of the EU and its Member States must be respected by the new system. In the same year, the Commission complied with these demands when it presented concrete proposals to create an Investment Court System25, which evolved into ***plans*** for a Multilateral Investment Court. Almost a year later, in July 2016, the call for a more values-based trade system was echoed in the European Parliament resolution on social and environmental standards, human rights and corporate responsibility26. Here, the parliament addresses a wide variety of issues regarding values-based trade and the responsibility of the private sector. Acknowledging that the effectiveness of past provisions in this field has been limited, it also proposes some remedies to ensure their implementation. For example, since human rights clauses in trade and association agreements have had a limited impact, the parliament suggests the inclusion of a committee for human rights in all future FTAs to ensure systematic follow-up on human rights issues related to the FTA in question. Likewise, the Commission is invited to ensure regular in-depth monitoring of the implementation of human rights clauses in FTAs in collaboration with other EU institutions. Moreover, the resolution calls for a greater coherence between EU development and trade policy. The Commission is also requested to identify the consequences of its trade and investment agreeme

nts for gender equality and consider the gender equality dimension in future FTAs. At the same time, the EP prompts the Commission to adopt binding measures to ensure that companies pay their taxes where value is created and economic activities take place. Likewise, the EP stresses the responsibility of the private 24 2014/2228(INI) ‘European Parliament resolution of 8 July 2015 containing the European Parliament’s recommendations to the European Commission on the negotiations for the Transatlantic Trade and Investment Partnership (TTIP)’. 25 [*http://trade.ec.europa.eu/doclib/docs/2015/september/tradoc\_153807.pdf*](http://trade.ec.europa.eu/doclib/docs/2015/september/tradoc_153807.pdf) 26 (2015/2038(INI)) ‘European Parliament resolution of 5 July 2016 on implementation of the 2010 recommendations of Parliament on social and environmental standards, human rights and corporate responsibility’. Free and fair trade for all ? 11 sector to act responsibly abroad on other occasions: it calls on the Commission to include corporate social responsibility (CSR) commitments in all FTAs and increase the enforcement of existing provisions. For example, the Commission should be enabled to conduct investigations into alleged breaches of CSR commitments and it should reward companies that introduce CSR strategies. The EP also gave its official reaction to the ‘Trade for all’ strategy in its resolution of 5 July 2016 on a ‘forward looking and innovative future strategy for trade and investment’27. While this resolution takes up many aspects of the ‘Trade for all’ communication it can also be seen as something of a tipping point for Parliament in its stance on trade policy. It underlines that only ‘fair and properly regulated trade, if aligned with the Sustainable Development Goals, could reduce inequality and foster development’. In making this connection between ‘fair’ and ‘properly regulated’ trade, Parliament seeks to ensure that trade takes place under conditions that are both fair to ***producers*** and consumers in the EU and fair to stakeholders in developing countries. To create such a properly regulated commercial environment, the EP calls on the Commission to include provisions on human rights, social, labour and environmental standards, principles of CSR, and chapters on sustainable development in all EU trade agreements and to ensure their enforceability. At the same time, trade agreements should be tools in the fight against corruption. Moreover, Parliament points out that greater consistency is needed between the EU’s trade policy and other aspects of its external policy in order properly to achieve these goals. In addition, the EP recalls that, through global value chains, the lax enforcement of existing labour laws and safety standards in third countries creates unfair competition both for suppliers that comply with these rules and for governments seeking to improve living standards. Therefore, the EU must be able to react more effectively to unfair trading practices by quickly updating its trade defence instruments. Similarly, the EU should be able to impose sanctions on countries that do not comply with the standards they agreed upon. Parliament also urges the Commission to work with EU trade partners towards more reciprocal market access in the areas of transport, telecommunications and public procurement, where the EU market is largely open. In this context, Parliament recalls that even open and fair trade and investment policies need a range of effective flanking policies in order to maximise the gains and minimise the losses of trade liberalisation. Furthermore, the EP calls on the Commission regularly to update its trade and investment strategy and to publish a detailed implementation report every two years. The two implementation reports that the Commission published in September and November 2017 are, in part, a response to these requests. Lastly, welcoming the Commission’s efforts to make the TTIP negotiations more transparent, the resolution requests an even higher level of transparency, which should be extended to all ongoing and future trade negotiations. 1.3.2 Shaping the WTO agenda While seeking to advance the Bilateral Trade Agenda, the European Parliament has also continued to support a multilateral trade agenda in the WTO. Its resolution on the state of play of the Doha Development Agenda28 of November 2015 — only a month after ‘Trade for all’ was published — recalls that the objective of placing the needs of developing countries at the heart of the Doha Round stems from the conviction that a multilateral system based on more just and equitable rules can contribute to fair and free trade at the service of the economic development of all continents and the alleviation of poverty. It goes on to point out that a truly open, fair and non-discriminatory system must be based on shared and applied rules and take greater account of the interests of a wide range of actors. Besides, the resolution 27 (2015/2105(INI)) ‘European Parliament resolution of 5 July 2016 on a new forward-looking and innovative future strategy for trade and investment’. 28 (2015/2632(RSP)) ‘European Parliament resolution of 26 November 2015 on the state of play of the Doha Development Agenda in advance of the 10th WTO Ministerial Conference’. Policy Department, Directorate-General for External Policies 12 calls for speedy ratification of the Trade Facilitation Agreement as it will bring significant benefits to WTO members and especially developing countries due to enhanced transparency and legal certainty as well as reduced administrative costs and less lengthy customs procedures. Nevertheless, it also urges advanced developing countries to take their share of responsibility and make adequate contributions to ensure the successful conclusion of the Doha Round. The recent concern with transparency is also reflected in this resolution. For example, it calls for the parliamentary dimension of the WTO to be strengthened and for parliamentarians to be granted better access to negotiations and relevant documents. In its February 2016 resolution on the negotiations for the TiSA agreement29, the EP calls for an ‘ambitious, comprehensive and balanced negotiation, which should unleash the untapped potential of a more integrated global services market, while preventing social, environmental and economic dumping and fully guaranteeing compliance with the EU acquis’. In this context, the resolution stresses that consumer rights and social and environmental standards should not be considered as trade barriers but rather as non-negotiable building blocks for smart, sustainable and inclusive growth. At the same time, the agreement should ensure that EU small and medium-sized service providers are protected against unfair trading practices by services providers outside the EU. Here, the use of the word ‘fair’ already foreshadows the shift towards a trade policy more concerned with the effective implementation of international rules and standards. Additionally, the EP demands reciprocity at all levels and calls for the exclusion of certain sectors, such as services of general economic interest. Since the agreement should be open to other WTO partners, there should be flexibility for developing and least developed countries that generally subscribe to the level of ambition of the agreement. This is particularly so given that the resolution states that ‘enabling developing countries to gain fair access to world markets in services could bolster their economic integration and their adjustment to globalisation’. This is in line with the Parliament’s view that, in a duly regulated environment, trade in goods and services can be a trigger for inclusive growth, sustainable development, poverty and inequality reduction and the creation of decent jobs. Following the trend since the ‘Trade, Growth and World Affairs’30 communication, the Parliament places emphasis on implementation: if a party does not comply with its obligations, especially on labour and social standards, a revision clause should allow for the possibility to leave the agreement or to suspend or reverse commitments concerning the liberalisation of a service. Furthermore, a state-to-state dispute settlement mechanism should be included in the agreement to make sure mutually agreed commitments are respected in practice and allow for effective retaliation. 29 (2015/2233(INI)) ‘European Parliament resolution of 3 February 2016 containing the European Parliament’s recommendations to the Commission on the negotiations for the Trade in Services Agreement (TiSA)’. 30 COM(2010)612 ‘Trade, Growth and World Affairs - Trade policy as a core component of the EU’s 2020 Strategy’. Free and fair trade for all ? 13 2 The period from mid-2016 to mid-2017: reciprocity on a level playing field 2.1 Guiding principles: fair for consumers and ***producers*** here ‘Trade for all’ can be seen as an adjustment of trade policy in response to the public debate on high profile trade negotiations such as TTIP and CETA. Although the TTIP negotiations lost their momentum in the course of 2016, this would not in itself seem to be reason enough for a change in the tenor or direction of the general debate on trade policy. Yet, such a shift in tenor could be observed from the end of 2016. The optimistic message that globalisation can be shaped by making it a transparent and fair process, was now more often countered by the more pessimistic message that globalisation has losers as well as winners, including in the relatively rich ‘western’ world. The expression ‘fair trade’ was now used not only to indicate its fairness towards workers in third countries or towards our own consumers, but also and especially to refer to fairness towards ***producers*** and workers in our own countries. In short, trade should be fair to the national interest. Apart from fears of lowered standards, more basic fears of unfair competition, undercutting prices and job losses came to the fore. These fears require more defensive answers. The new buzz words in the debate have become ‘reciprocity’ and ‘trade defence’. When it comes to analysing the change of tone in the trade debate, it is difficult to distinguish clearly between causes and effects, because they often seem to reinforce each other. Yet, two streams of events seem to have significant influence. Firstly, in the course of 2016, the political mood in many western countries shifted to approaches that put their own (national) interest first. In the United States, this was clearly mirrored in the election campaign slogan of President Trump: ‘America first’. Trade played an important role in President Trump’s election campaign. Not implementing the Transpacific Partnership Agreement (TPP) and re-negotiating the North American Free Trade Agreement (NAFTA) with Canada and Mexico were intentions that he put into practice immediately after taking office as president in January 2017. A similar approach based on national interest was taken towards Europe, for instance by criticising Germany’s export surplus with the US. Trends focussed on the national interest can be seen in European countries as well, where they played a role in the Dutch, French and German elections. The strongest shift towards the national interest in Europe was however the decision taken by the UK to leave the EU, resulting from the will expressed by a narrow majority in the June 2016 referendum. The slogan ‘take back control!’ was the British version of ‘America InvestmentScreening Policy Department, Directorate-General for External Policies 14 first!’ and politicians supporting ‘Brexit’ also believed that an independent British trade policy would better serve the national interest than a joint European trade policy. Although in France Emmanuel Macron was elected president on a pro-European agenda, his trade policy seems to continue the French tradition of defending the national interest, more subtly characterised in the word ‘reciprocity’. Markets can only be opened in as far as others open their markets as well. Secondly, in the course of 2016, discussions on trade defence in Europe intensified in the lead-up to the expiry of a provision in the China’s WTO accession protocol31, which seemed likely to mean that China could no longer be treated as a ‘non market economy’ after December 2016. The issue of reforming European trade defence instruments, proposals for which had been stalled in Council for a long time, seemed to gain urgency. Chinese overproduction of steel, which peaked in the same year, leading to a growing number of anti-dumping cases, increased the sense of urgency that a ‘level playing field’ could not be taken for granted. This shift in the mood of the trade debate finds expression in the European Commission’s Communication on a Balanced and Progressive Trade Policy to Harness Globalisation32, published on 13 September 2017. In this paper, the Commission seems to walk a delicate line: on the one hand it does not want to give up on all the principles of ‘Trade for all’ or on all the benefits of free trade, but on the other hand it wants to recognise that globalisation does not only have winners and that the economic interests of ***producers***, consumers and workers in the EU need to be protected. There is no substantive policy shift, but rather a subtle change, which may be seen not only in the use of the more active term ‘shaping globalisation’ but also with the more defensive term ‘harnessing globalisation’. The Commission warns that nationalism or isolationism cannot lead to solutions. It calls for a level playing field, but also for moves to strengthen the competitiveness and innovation of Europe itself, for instance through education. 2.2 Concrete developments 2.2.1 The Bilateral Trade Agenda In the EU’s bilateral trade agenda, the above-mentioned change in the tone of the debate was reflected in the stalling of the TTIP negotiations. As a consequence, other bilateral trade negotiations gained importance for the EU. Similar effects could be observed in non-European countries, who had to deal with a new situation regarding the TPP and NAFTA. Mexico, faced with the tough line taken by the USA on renegotiating NAFTA, felt a new sense of urgency for trade diversification towards other partners, like the EU. The EU is Mexico’s third trading partner (after the US and China) and negotiations on upgrading the current EU-Mexico FTA started in mid-2016. Negotiations with Mercosur accelerated in 2016 after a long standstill and both sides envisaged concluding them soon. The mandate for the modernization of the agreement with Chile has just been cleared by the Council. But at the same time, the newly reinforced feelings of national interest complicate concluding these negotiations, as could recently be witnessed in disputes about the beef or sugar quotas with Mercosur. ***Agriculture***, which was always a sensitive sector, is not likely to experience much liberalisation in the current trade climate. In the Asia and Pacific region, probably also under the influence of the non-entry-into-force of TPP, the EU and Japan in mid-2017 reached agreement in principle on the main elements of their Economic Partnership Agreement. Negotiations on some outstanding issues are still ongoing and should be concluded by the end of 2017. For Australia and New Zealand, the Commission proposed negotiating directives in 2017. Discussions to assess the possibility of resuming talks on an FTA with India resumed in 31 WT/L/432 ‘ACCESSION OF THE PEOPLE'S REPUBLIC OF CHINA’, Article 15. 32 COM(2017)492 final ‘A Balanced and Progressive Trade Policy to Harness Globalisation’. Free and fair trade for all ? 15 January 2016 after a three-year standstill of the trade negotiations. Yet, the two sides are struggling to agree on an appropriate level of ambition. In connection with the Eastern Neighbourhood, the outcome of the consultative referendum in the Netherlands in April 2016 on the Association Agreement with Ukraine may appear to have been an expression of a more self-oriented stance in trade policy but in fact most of the arguments against the agreement concerned policy areas other than trade. After the Dutch obtained reassurances regarding these policy areas in December 2016 and the Dutch Parliament approved the agreement, there was no longer any obstacle to the agreement’s entry into force. Establishing a deep and comprehensive free trade area is even one of its main goals. In general, Ukraine is making good progress in implementing the Deep and Comprehensive FTA in the areas of market access, industrial product safety, food safety, customs, public procurement, protection of intellectual property rights and competition policy, and a visa-free regime with the EU became a reality in July 2017. Moreover, in 2016, the first year of application of the EU-Ukraine agreement, EU exports to the country grew by 17.6 %33. 2.2.2 Legislation The legislation prioritized by the Commission in its ‘Harnessing Globalisation’ communication clearly reflects the change of tone in the trade policy debate. The proposals presented by the Commission in the past year all serve as levers to make third countries comply with the standards they have agreed upon and they also foresee the partial closure of the EU market should EU economic or security interests be threatened by competition that is not fair towards EU businesses. One priority the Commission states is the amended proposal for a Public Procurement Instrument34 (IPI) from January 2016. It is the response to the lack of a level playing field in world procurement markets. Although the EU’s public procurement markets are open to foreign bidders, procurement markets in third countries remain to a large extent closed de jure or de facto. Therefore, the proposal aims to encourage partner countries to engage in negotiations and open their procurement markets to EU bidders. It is also intended to send a strong signal in ongoing trade negotiations and give EU negotiators some leverage to pursue a substantial opening of third country procurement markets. The initial IPI proposal was launched back in March 2012 but the Parliament and the Council never concluded the first reading. Some Member States expressed reservations regarding the temporary closure of the EU procurement market to goods and services originating in certain third countries. Several states also underlined concerns with regard to the administrative burden the instrument could impose on contracting authorities and on businesses. The Parliament, in contrast, was prepared to enter negotiations and endorsed the trilogue mandate by a large majority after adding a list of amendments. These included the expansion of the scope of exemptions for developing countries and the tightening of the time limits for Commission investigations of alleged discriminatory practices. To address these concerns, the new proposal foresees price penalties as the only restrictive measure that can be imposed on third countries. The possibility of a full procurement-market closure has been deleted. Thus, foreign bidders can still be awarded the contract if their offer remains competitive despite the price penalty. Also, territories can now be targeted not only at national but also at regional and local level. Moreover, adjustments have been made to reduce the administrative burden and make the proposal more advantageous to SMEs and developing countries. 33 COM(2017)654 final ‘Report on Implementation of Free Trade Agreements: 1 January 2016 - 31 December 2016’, p. 14. 34 COM(2016)34 final ‘Amended proposal for a regulation of the European Parliament and of the Council on the access of third-country goods and services to the Union’s internal market in public procurement and procedures supporting negotiations on access of Union goods and services to the public procurement markets of third countries’. Policy Department, Directorate-General for External Policies 16 Moreover, the Commission is currently working closely with the Parliament and the Council to modernise its Trade Defence Instruments35 (TDI). This is the first fundamental review of EU TDI since 1995 and would enable the EU to effectively react to market distorting practices in countries exporting to the EU and ensure that trade is not only free but also fair and mutually beneficial. On the one hand, a new anti-dumping calculation methodology should ensure a level playing field. On the other hand, strengthening the anti-subsidy trade defence instruments will protect EU businesses against unfair subsidisation practices in third countries, especially those leading to overcapacities. Here, the EU would, in certain cases, deviate from its general ‘lesser duty’ rule that keeps the additional tariff within the limit of what is strictly necessary to prevent an injury to an EU industry in order to discourage other trading partners from engaging in unfair trading practices. Launched in 2013, the debate has been going on for several years now and has only advanced slowly because of a blocking minority in the Council. Yet, recent Parliament resolutions and the ‘Harnessing Globalization’ communication stress the importance of a quick conclusion of the talks. An important step was taken on 15 November 2017 when the European Parliament approved the proposed new methodology to calculate the EU’s anti-dumping duties, one month after the Council gave its green light. Here, agreement on a new method was urgent since China had launched legal action against the EU’s trade defence system before the WTO, immediately after its WTO accession protocol expired last year. The protocol had allowed for China to be treated as a non-market economy for trade defence purposes. More recently, in September 2017, the Commission unveiled a proposal to set up a European framework for screening foreign direct investment into the European Union. Since the EU has one of the most open investment regimes in the world, the proposal seeks to prevent takeovers of ***strategic*** assets that could threaten security or public order while at the same time maintaining EU openness to FDI. The proposal is directed at FDI in sectors that, for example, involve activities related to the operation or provision of critical technologies, infrastructure, inputs or sensitive information. Twelve EU Member States36 have already put in place mechanisms that assess the risk of FDI. Yet they differ significantly in their design and scope. The Commission proposal seeks to establish a uniform mechanism to allow the Commission and Member States to screen FDI in a transparent, non-discriminatory and predictable way and with adequate possibilities for redress. This includes a cooperation mechanism between Member States and the Commission for cases in which a specific foreign investment in one or more Member States might affect the security or public order of another. While this European framework standardizes the EU Member States’ approach to FDI screening, the proposal also foresees a European Commission FDI screening mechanism when FDI is likely to affect projects or ***programmes*** of Union interest in the area of research, space, and transport, energy and telecommunication networks. In addition, the proposal would establish a coordination group on inward FDI to exchange information and best practices, and analysis on foreign direct investments between the Member States and the Commission. Also, the Commission will carry out an in-depth analysis of foreign direct investment flows into the EU, focusing on ***strategic*** sectors and assets whose control may raise concerns for security, or for public order reasons. 35 COM(2013)192 final ‘Proposal for a regulation of the European Parliament and of the Council amending Council Regulation (EC) No 1225/2009 on protection against dumped imports from countries not members of the European Community and Council Regulation (EC) No 597/2009 on protection against subsidised imports from countries not members of the European Community’; COM(2016)721 final ‘Proposal for a regulation of the European Parliament and of the Council amending Regulation (EU) 2016/1036 on protection against dumped imports from countries not members of the European Union and Regulation (EU) 2016/1037 on protection against subsidised imports from countries not members of the European Union’. 36 Austria, Denmark, Finland, France, Germany, Italy, Latvia, Lithuania, Poland, Portugal, Spain, UK Free and fair trade for all ? 17 In the same month, the Commission adopted a recommendation37 to open negotiations to establish a Multilateral Investment Court (MIC). Along with the recommendations on FTA negotiations with Australia and New Zealand, the Commission’s recommendations for negotiating directives for a MIC were the first to be published immediately to increase the transparency of EU trade policy. On the one hand, the proposal is a reaction to the increased public scrutiny and questioning of the inclusion of ISDS in FTAs. On the other hand, it addresses the limitations of the ICS, which has had costs in terms of administrative complexity and budgetary impact and, due to its bilateral nature, could not fully meet civil society demands for transparency, consistency, and legitimacy. The MIC initiative seeks to establish a framework for the resolution of international investment disputes that is permanent, independent and legitimate; predictable in delivering consistent case-law; allows for appeals against decisions; is cost-effective; and whose proceedings are transparent and efficient and allow for third-party ***interventions*** (including for example interested environmental or labour organisations). The independence of the Court should be guaranteed by stringent requirements on ethics and impartiality, non-renewable appointments, full-time employment of adjudicators and independent mechanisms for appointment. The EU is now seeking supporters for this initiative amongst its key trading partners. For example, both CETA and the EU-Vietnam FTA include provisions anticipating the transition from the bilateral Investment Court System included in the agreements to a permanent MIC. 2.2.3 The WTO Because of the lack of US support, the prospect of agreeing on a possible ministerial declaration at the upcoming 11th WTO Ministerial Conference in Buenos Aires, from 10 to 13 December 2017, is highly uncertain. While, in general, negotiation outcomes remain unclear, a proposal on domestic support in ***agriculture*** and public stockholdings and fisheries might be realistic. In the run-up to the ministerial, the EU and Brazil published a joint proposal on domestic support in ***agriculture***, which addresses the issue of public stockholdings for food security purposes as well. Together with several members of the Cairns Group of ***agricultural*** exporters, the EU also issued a statement reaffirming its commitment to tackling the most trade-distorting domestic support in ***agriculture***. This joint declaration is an important step towards a solution that limits market distortions and ensures a global level playing field for farmers, whilst taking into account the particular needs of developing countries. In addition, the EU has tabled proposals on fisheries subsidies, domestic regulation in services, e-commerce, on enhancing transparency for the benefit of SMEs as well as on horizontal subsidies. Apart from that, it is supportive of further discussion on investment facilitation in the WTO and aims at including a gender declaration. Moreover the ministerial declaration should reflect the Sustainable Development Goals. Regarding the lack of US support, the EU remains open for discussion about the country’s concerns and call for reforms. However, concrete reform proposals are needed and they should not weaken the organization. 2.3 The European Parliament 2.3.1 Shaping the Bilateral Trade Agenda As in the previous period, the European Parliament has shaped the direction of trade policies on the bilateral and legislative front. Referring to the shift in the tone of the debate, the resolution of May 2016 on China’s market economy status38 is an important indicator. It reflects the growing concern of the EP to ensure a level playing field for EU enterprises. While the resolution stresses the importance of the EU’s partnership with China, it underlines the significance of free and fair trade and investment in this 37 COM(2017)493 final ‘Recommendation for a Council decision authorising the opening of negotiations for a Convention establishing a multilateral court for the settlement of investment disputes’. 38 (2016/2667(RSP)) ‘European Parliament resolution of 12 May 2016 on China’s market economy status’. Policy Department, Directorate-General for External Policies 18 relationship in the same sentence. It then maintains that China has not yet met the five criteria established by the EU to define market economies and should not, therefore, be granted market economy status. Thus, in determining price comparability, the EU should continue to apply a non-standard methodology in anti-dumping and anti-subsidy investigations into Chinese imports as provided for by Section 15 of China’s Accession Protocol to the WTO even though parts of this section expire in 2016. It then calls on the Council to quickly seek agreement with the Parliament on the reform of EU trade defence instruments as these are central to ensuring a level playing field for EU industry, not only with China but also with other trading partners. A change of tone can also be detected in the resolution on the EU flagship initiative in the garment sector39, which was tabled by the Committee on Development (DEVE) in April 2017. It should be seen in the context of two Committee on International Trade (INTA) resolutions following the Rana Plaza building collapse in Bangladesh40. While the last two resolutions focus specifically on the poor working conditions in the garment sector in Bangladesh and on the progress since the Rana Plaza incident, the scope of resolution on the EU initiative in the garment sector is more general. In it, Parliament recalls that fierce global competition and aggressive purchasing practices by the international wholesale and retail trade in the garment sector have led to widespread labour rights violations in developing countries. To stop these practices, the EP calls on the Commission to propose binding legislation on due diligence obligations for supply chains in the garment sector. The proposal should set core standards in areas including occupational health and safety, health standards, a living wage, freedom of association and collective bargaining, the prevention of sexual harassment and violence in the workplace, and the elimination of forced and child labour. While this is still in line with the values-based agenda, the EP points out later in the resolution that noncompliance with labour standards in third countries leads to social dumping and is therefore also detrimental to European garment industries. Consequently, the Commission should ‘put in place mandatory measures to ensure that companies importing to the European Union comply with the level playing field established by the requested legislative proposal’ and launch a global initiative in the WTO. In addition, voluntary private-sector initiatives, such as codes of conduct, excellence labels and fair trade schemes, should be enhanced and the initiative should be underpinned by EU development, aid for trade and public procurement policies. In a similar vein, in its September 2017 resolution on the Impact of international trade and EU’s trade policies on Global Value Chains (GVCs)41, the Parliament calls for stronger and more binding international social and environmental standards while at the same time prompting the Commission to adopt unilateral policies to protect EU businesses from unfair practices. While acknowledging the importance of GVCs for the international economy, the resolution emphasizes that integration into GVCs must not be to the detriment of EU’s social and regulatory model and the promotion of sustainable growth. Thus, EU trade and investment policy must aim at facilitating an upward convergence of standards and creating a level playing field for European businesses. The EP particularly stresses the responsibility of the business community in incentivizing the promotion of human rights, democracy and corporate responsibility and invites the Commission to give greater importance to creating international rules on CSR. Furthermore, it calls on the Commission to negotiate standstill clauses, ensuring a minimum level for social, environmental and safety standards, in future EU 39 (2016/2140(INI)) ‘European Parliament resolution of 27 April 2017 on the EU flagship initiative on the garment sector’. 40 (2015/2589(RSP)) ‘European Parliament resolution of 29 April 2015 on the second anniversary of the Rana Plaza building collapse and progress of the Bangladesh Sustainability Compact’; (2017/2636(RSP)) ‘European Parliament resolution of 14 June 2017 on the state of play of the implementation of the Sustainability Compact in Bangladesh’. 41 (2016/2301(INI)) ‘European Parliament resolution of 12 September 2017 on the impact of international trade and the EU’s trade policies on global value chains’. Free and fair trade for all ? 19 trade agreements. To ensure that partner countries comply with these standards, the Commission is asked to increase monitoring in collaboration with civil society and to extend the scope of the general dispute settlement mechanisms in FTAs to human rights clauses and chapters on sustainable development. Moreover, incentives such as tariff preferences should be used to encourage trading partners to adopt higher social, labour and environmental standards. At the same time, the resolution prompts the Commission and Member States to adopt reinforced trade defence instruments capable of combating unfair commercial practices. Here, social and environmental dumping should also be taken into account. Furthermore, the Commission is invited to take measures to increase the awareness of consumers of existing fair trade schemes and to work towards a transparent and mandatory ‘social and environmental traceability’ labelling system along the entire production chain. The EP’s February 2016 resolution on opening FTA negotiations with Australia and New Zealand42 also raises concerns about the effects of extensive market opening, especially for the ***agricultural*** sector. Parliament calls for the conclusion of two high-quality FTAs in a spirit of reciprocity and mutual benefit without undermining progress on the multilateral front. The EP points out that these FTAs could ‘help mitigate the potential diversionary effects of the recently concluded TPP’. The sustainable development chapter, including provisions on labour standards, human rights and environmental protection, should be underpinned by the establishment of a joint civil society forum that monitors and comments on its implementation. On ***agriculture*** and fisheries, however, the Parliament calls for a rather limited degree of market opening. Transition periods, appropriate quotas, and the inclusion of effective bilateral safeguard measures should ensure a balanced outcome and avoid disruptions. The most sensitive sectors should be excluded altogether. The two resolutions on the negotiating mandate for trade negotiations with Australia and with New Zealand43, respectively, repeat these concerns on ***agriculture***. They also emphasize the importance of opening public procurement markets and creating business opportunities for small companies. At the same time, the EU’s consumer protection standards should be maintained and no provision should prevent EU governments from legislating to protect health, safety or the environment or require them to privatise public services. 2.3.2 Shaping the WTO agenda In its resolution on the 11th WTO Ministerial Conference in Buenos Aires44, adopted on 15 November 2017, the Parliament reiterates its demand for a trade agenda based on free, fair and rules-based trade for the benefit of all and in line with the EU’s values and it calls for ambitious outcomes on ***agriculture***, e-commerce and fishing subsidies. It also encourages the parties to pursue new policy objectives in the areas of digital trade and investment facilitation. Here, it emphasizes that the world has changed dramatically since the Doha Round was launched in 2001 and that new issues beyond the round’s agenda need to be discussed, which should be done without prejudice to the outstanding issues of Doha. Moreover, the EP underlines that the outcome of the 11th ministerial round should ‘clearly recognise the importance of the 2030 Sustainable Development Goals and of the Paris Agreement commitments in the fight against climate change and the role which trade can play in contributing towards their achievement’. The resolution considers the WTO to be crucial for the rules-based trading system and stresses the need to secure the implementation of its decisions, the enforcement of binding commitments and the settlement 42 (2015/2932(RSP)) ‘European Parliament resolution of 25 February 2016 on the opening of FTA negotiations with Australia and New Zealand’. 43 (2017/2192(INI)) ‘Negotiating mandate for trade negotiations with Australia’; (2017/2193(INI)) ‘Negotiating mandate for trade negotiations with New Zealand’. 44 (2017/2861(RSP)) ‘European Parliament resolution on multilateral negotiations in view of the 11th WTO Ministerial Conference in Buenos Aires, 10-13 December 2017’. Policy Department, Directorate-General for External Policies 20 of trade disputes. In this context, it warns that the US block on vacant posts at the WTO’s appellate body threatens ‘to undermine the current and proper functioning of the dispute settlement’. In addition to calling in its resolutions for increased transparency and democratic legitimacy of the WTO, the Parliament has played an active role in the WTO parliamentary conference in recent years and has pushed hard to make the WTO inclusive in terms of participation, outreach and substance. Conclusion: challenges ahead — free and fair trade for all ? The two Commission reports of September 2017 and the first Implementation Report of November 2017 referred to in the introduction to this paper follow the same line of reasoning as the paper on ‘Harnessing Globalisation’. This is also reflected in their titles: delivering a progressive trade policy and a balanced and progressive trade policy ‘to harness globalisation’. The Commission continues to pursue the balanced approach of combining the benefits of free trade with the justice of fair trade, if possible for all. The Commission wants to avoid the danger of ‘a protectionist resurgence’45. But many challenges lie ahead. First of all, scepticism about the benefits of free trade in Europe itself has not disappeared overnight. Although there have been no recent major protests against trade in the streets of Brussels the sentiments that came to the fore in the public opposition to TTIP and CETA could emerge again in relation to some other trade negotiation. The Commission has learned that transparency is indispensable to convince citizens and politicians and this policy is likely to continue. The negotiation directives for FTAs with New Zealand and Australia were published from the beginning. The Commission also intends to continue the dialogue with civil society and has announced the creation of an advisory group on EU trade agreements46. It seems that events in recent years have at least brought about lasting change in the way European trade diplomacy works. 45 COM(2017)491 ‘Report on the Implementation of the Trade policy strategy Trade for All’, p. 2. 46 Idem, p. 13. Free and fair trade for all ? 21 Secondly, the case of CETA, in particular, has brought to the fore the dilemma of mixed competence versus EU competence. The particular case of Wallonia blocking Belgium’s agreement to CETA highlighted the fact that potential obstacles can even exist at regional level. In its so-called Singapore Court opinion, the Court of Justice of the EU reinforced the institutional possibilities of delivering a European trade policy by giving clear guidelines on which aspects of trade policy fall under exclusive EU competence and which ones are mixed47. And most aspects of trade policy are considered EU competence. However, on the aspects of mixed competence, which are mainly linked to certain forms of investment, national parliaments still have to agree. This raises the question of whether investment can better be dealt with in separate agreements, in order to keep trade agreements within full EU competence and thereby avoid difficult national ratification procedures. Thirdly, if European values are considered universal, this also implies that the EU can sanction partners that do not apply European values in the way the EU itself would like to. Sanctions in relation to sustainable development chapters are a topic of discussion. But sanctions of a more specific kind have already been applied for several years against a very close neighbour of the EU: Russia. The reasons for these sanctions are well known and no solution to the problem that led to them appears to be in sight. Inconvenient questions may arise about the possible duration of this situation and the prospects, which go beyond trade policy. A fourth challenge is the question of the future of the Association Agreements with the Eastern Partnership countries, which needs to be addressed at some point. As the above-mentioned example of Ukraine shows, there are hopeful signs that a level playing field can be established and that trade can grow. Hopes that the economic relationship can be deepened, possibly even into a customs union, are sometimes voiced. Yet, the costs for Ukraine to comply with the EU aquis are high and EU financial support is limited. Also, the decline in industrial capacity brought about by the war cannot be offset by the growth in ***agriculture*** and retail alone. The key challenges in the implementation of the EU-Ukraine agreement are rule of law and judicial reforms and the lack of political will to depoliticise state institutions48. Will the values-based approach be able to solve these dilemmas? The fifth issue is the future trade relationship between the EU and Turkey, which is something of an elephant in the room. Trade relations with Turkey have deepened and growth has been substantial since the customs union agreement of 1996. A clear request from Turkey to extend the customs union to other sectors is on the table, but political relations are deteriorating. An inconvenient question is whether the EU should apply its values-based approach strictly to Turkey as well, or whether it should look for ways to accommodate all interests. Looking west, about a year since the election of US President Trump, the future of EU-US trade relations is still not clear. TTIP negotiations have been put on ice and are not likely to warm up in the near future, certainly not under the current mandate. Threats of a new border tax do not seem to be materialising but recent discussions on steel tariffs show that tensions can easily arise and caution seems necessary. The time when a great, comprehensive European-American trade deal could be reached on ‘one tank of gas’, in the words of the then vice-president, Joe Biden, definitely seems to be behind us. And closer to us, in the west, there is the uncertainty over the consequences of the UK’s withdrawal from the EU. Almost nine months after the negotiations began under Article 50 of the EU Treaty, the impact of 47 In the Opinion 2/15 of the Court from 20 September 2013 following a request from the Commission, the European Court of Justice ruled that the EU-Singapore Agreement can, in its current form, only be concluded by the EU and the Member States jointly. The reason is that, according to the Court, the EU is not endowed with exclusive competence in two aspects of the agreement, namely the field of non-direct foreign investment (‘portfolio’ investments made without any intention to influence the management and control of an undertaking) and the regime governing dispute settlement between investors and States. 48 DG Expo Policy Department, ‘The State of implementation of the associations and free trade agreements with Ukraine, Georgia and Moldova with a particular focus on Ukraine and systemic analysis of key sectors’. Policy Department, Directorate-General for External Policies 22 the UK’s withdrawal on current EU trade agreements and on the future EU-UK relationship is still unknown. In theory, many scenarios are possible. They range from participation in the Internal Market or the European Economic Area (EEA) or a customs union with the EU, to a deep and comprehensive free trade area (DCFTA) agreement or to a so-called hard Brexit, meaning that the UK would leave the EU without any specific agreements and trade relations would fall back on the rules of the World Trade Organisation (WTO). Although signals from the UK and its current government are not always consistent, the option of a comprehensive FTA currently seems to be the most feasible but it would take time to negotiate it in detail. It is as if we are continually being confronted with conflicting signals: work on the trade agenda goes on as ***planned***, and yet, disruptive events keep forcing us to rethink the future. This list of challenges and questions is not exhaustive. How the EU will deal with them and how others will deal with them, will be decisive for the potential realisation of free and fair trade for all. In times of uncertainty, democratic scrutiny and public debate are of the utmost importance. The European Parliament must continue critically to follow every step of the implementation of the European trade agenda, using the full toolkit of co-decision, consent, monitoring groups and transparency. At the same time, and perhaps increasingly, as the end of the current legislative term approaches, the European Parliament may need to reflect in more general terms on the challenges described above, including any ‘elephants in the room’. The EU alone cannot simply implement a values-based approach in a world that does not always agree with it. But the democratic privilege of reflecting on these questions is part of the core mission of the European Parliament.

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**Body**

Zagreb, 27 July 2017 (Hina) - Hundreds of migrants could be deported to Croatia following ECJ rulingZAGREB, July 26 (Hina) -The European Court of Justice (ECJ) on Wednesday upheld a European Union rule that requires refugees to apply for asylum in the first EU country they step foot in, which could resultin the deportation of hundreds of refugees, who were denied asylum in Slovenia and Austria, to Croatia, news agencies reported Wednesday.The top EU court in Luxembourg made its ruling in a case brought by Slovenia and Austria against Croatia.According to humanitarian organisations, the ruling could affect the future of several hundred people who arrived in Europe during the migrant crisis of 2015-16.The case refers to a Syrian national and the members of two Afghan families, who entered Croatia without the appropriate visas in 2016.Under the ruling, Croatia is responsible given that at the time, it opened its borders with non-EU countries to allow safe passage.The ECJ ruled that a member state of the EU - in this case Croatia - "which has decided on humanitarian grounds to authorise the entry on its territory of a non-EU national who does not have a visa and is not entitled to waiver of a visa cannot be absolved of that responsibility," dpa reported.Croatian authorities allowed them to enter and then organised their journey to the border with Slovenia, with the aim of facilitating an asylum application in other EU member states.The migrants subsequently applied for asylum in Austria and Slovenia, where authorities took the view that the applicants had entered unlawfully, and that the Croatian authorities were responsible for processing their applications for international protection.The crisis unfolded during the summer of 2015, as one million migrants and refugees travelled through the Western Balkans.Under the so-called Dublin regulation, refugees typically have to seek asylum in the first EU state they reach.

But Germany suspended the Dublin regulation for Syrian refugees, halting deportations to the countries they arrived in.From August 2015, hundreds - and sometimes thousands - arrived in Austria every day, initially via Hungary and later through Slovenia.Many wanted to travel on to Germany, but around 90,000 applied for asylum in Austria, equivalent to about 1% of its population.Among them were two sisters from Afghanistan, Khadija and Zainab Jafari and their children, who arrived at the Austrian border in February 2016.BBC cited Stephan Klammer, a lawyer from the Diakonie charity, as saying that "they came through the organised transports from the Austrian and other governments.""They came from Macedonia in a few days directly to Austria. At the Austrian border the Jafari sisters were allowed in because they said they wanted to go to Austria and ask for asylum," Klammer told BBC.But unlike many other Afghans, they were not granted asylum.The Austrian authorities eventually decided that they should be deported back to Croatia, their point of entry to the EU, under the Dublin regulation.Klammer told BBC that no official figures had been released but he estimated that several hundred other asylum seekers were also pushed back to Croatia.Politico: Croatia tests EU27 Brexit unity over citizens concernsZAGREB, July 26 (Hina) - Croatia is using the Brexit talks to try to open the United Kingdom to its workers, the US news website Politico says, adding that unlike citizens from the other 26 remaining EU states, Croats do not have an automatic right to live and work in the U.K. because of temporary restrictions imposed after the Central European state joined the EU in 2013.The restrictions, which currently run until June 30, 2018, can be extended by London for another two years. If that happens, as expected, then Croats would not be able to benefit potentially from Prime Minister Theresa May’s offer of "settled status" in the U.K. after Brexit.The fate of Croatian workers was a major topic when the EU's Brexit negotiator, Michel Barnier, visited Zagreb in October 2016 — a visit made famous when he tweeted a photo of himself outside the city's Museum of Broken Relationships. But the issue has been raised repeatedly in Brexit consultations since then, Politico said.Barnier has insisted that any Brexit accord should treat all EU citizens equally. "There must be equal treatment between all EU and U.K. nationals in the U.K.," Barnier said in a speech in Florence in May.Croatia wants London not to extend the restrictions for another two yearsand to grant Croats a right to live and work in the U.K. before it leaves the EU and to allow them to keep that right after the U.K.'s departure from the bloc.Croatia cannot block a deal with the U.K. over the issue, as only a so-called qualified majority of EU countries are required for approval of an agreement, according to Article 50 of the EU treaties."So far, Zagreb has not threatened anything of the sort, EU and Croatian officials said. But disunity among the 27 could carry a political price for the EU, and may give London an opening to exploit this or other divisions that could bubble up in the next year-plus of negotiations, and may give London an opening to exploit this or other divisions that could bubble up in the next year-plus of negotiations," Politico said.Croatia's position is that an extension of the restrictions to 2020 would effectively turn the temporary measure into a lifetime ban, though the U.K. could adjust its future immigration policy at any time.European Commission officials said that Barnier and his negotiating team were aware of the importance of the issue to Croatia and would work closely with the Croatian government.The U.K. imposed such restrictions on Romania and Bulgaria after they joined the EU in 2007, for the full seven years allowed under the EU treaties. And while London has not signaLled its intentions, officials in Brussels and Zagreb said they expected the U.K. would seek to keep the restrictions for Croatia in place as long as possible.Ireland, which has by far the most complex issues at stake in the early stage of Brexit negotiations, has expressed support for resolving Croatia's concerns. Irish officials are eager to maintain unity among the EU27, so as not to endanger efforts to secure a special border regime and safeguards for the Good Friday Agreement, as part of any Brexit accord, Politico said.Construction of Svilaj bridge proceeding according to scheduleZAGREB, July 26 (Hina) - The state secretary for infrastructure at the Ministry of Maritime Affairs, Transport and Infrastructure, Tomislav Mihotic, and the CEO of the Hrvatske Autoceste (HAC) motorway operating company, Josip Drazenovic, on Wednesday visited the building site of a bridge at Svilaj, on the border with Bosnia and Herzegovina, in eastern Croatia.The bridge is located on the route of the future A5 motorway from Beli Manastir via Osijek, Svilaj and Bosnia and Herzegovina to the southern Croatian seaport of Ploce, on the pan-European road corridor Vc. Its construction is co-financed with EUR 7.2 million from the EU's Connecting Europe Facility, which is 58 percent of the Croatian share of the investment.Mihotic said that the construction of the Svilaj bridge would improve the connection between Croatia and Bosnia and Herzegovina and between Bosnia and Herzegovina and western Europe."The Corridor Vc route is important to Croatia because of the development of the port of Ploce. We hope that very soon, in 2022 or 2023, we will have a link between Budapest and Ploce. We have been notified that Bosnia and Herzegovina has begun issuing tenders for its part of the corridor," Mihotic said.The work on the Svilaj bridge began in September 2016 and is proceeding according to schedule, HAC confirmed. The bridge is 660 metres longand 29 metres wide and will have three lanes in each direction. The value of the project is EUR 22.3 million exclusive of VAT.HAC has prepared a tender for the construction of a section of the motorway from Osijek to the border with Hungary. Drazenovic said that the section could be completed by 2020.Contracts signed for waste water purification project on Krk islandZAGREB, July 26 (Hina) - Contracts for the waste water collection, drainage and purification project on the northern Adriatic island of Krk were signed at the Hrvatske Vode water management company in Zagreb on Wednesday.The value of the project is about 638 million kuna, of which 369 million is provided by the European Union.The Ministry of Environmental Protection and Energy has secured a total of 1.669 billion kuna in EU funds to co-finance eight water utility infrastructure projects: one each in Krk, Porec, Vukovar, Zupanja, Nova Gradiska, Vodice and two in Osijek. The total value of the projects is about 3 billion kuna and contracts for the other sevenwere signed on Tuesday."Croatia is the fifth richest country in Europe in water resources and it is our duty and responsibility to preserve them," the contract-signing ceremony was told.Grant agreement inked for publishing and book-selling sectorZAGREB, July 26 (Hina) - Economy Minister Martina Dalic and Culture Minister Nina Obuljen Korzinek on Wednesday signed a decision on the award ofgrants to encourage entrepreneurship in the publishing and book-sellingsector in 2017.The ***programme*** budget totals HRK 4 million, which has been together ensured by the two ministries.Projects that can expect financial support refer to application of new technologies, marketing and employment in publishing and book selling.At the document-signing ceremony, Minister Obuljen Korzinek said that the schemewould be upgraded in the future so as to allocate as much EU funding available to Croatia as possible.Zagreb Archdiocese: Money in Vatican Bank from foreign donationsZAGREB, July 26 (Hina) - The Zagreb Archdiocese issued a statement on Wednesday in response tomedia reports about an annual report by the Institute for the Works of Religion (IOR), commonly known as the Vatican Bank.The statement underlined that not one kuna deposited in that bank by the Archbishop of Zagreb, Cardinal Josip Bozanic, came from the state budget, noting that it was not the Cardinal's private money but the money for church purposes received exclusively as donations from abroad.Cardinal Bozanic is one of six members of the Cardinals' Commission that oversees the work of the IOR, and, according to media reports, they had a total of 3.4 million euros deposed in the IOR at the end of last year.The Zagreb Archdiocese's press office,"responding to claims that appeared in the media about the relationship between the Cardinals' Commission and the Institute for the Works of Religion (IOR)," explained what the IOR is and who supervises it, as well as who are the members of the Cardinals' Commission who conduct "external audits" of the IOR on behalf of the Holy See.The statement saysthat Bozanic is a member of the Commission together with another five cardinals, three of whom work in the Roman Curia and two are resident archbishops, and that "the current members...do not receive any remuneration for their work."The figure givenin the report refers to the commission members collectively, the statement notes. "Without going into confidential bank data, we stress that the deposit under Cardinal Bozanic's name is not his private money but money used for church purposes," such as purchasing religious books, Liturgical clothing and items, for student needs and the like.HBOR says controversial lending done without its knowledgeZAGREB, July 26 (Hina) - The Croatian Bank for Reconstruction and Development (HBOR) on Wednesday dismissed any criticism against its participation in approval of funding to the ailing private Agrokor food and retail group, explaining that it had neither influence nor knowledge about the controversial loans given to Agrokor.Those loans were made without the knowledge of creditors' councils of the economic cooperation funds, and thus the Croatian development bank was not acquainted with relevant data, either, according to HBOR's explanation.In 2010 HBOR was appointed an accredited investor in economic development funds.As for the disputed funding of the Zagreb-Montaza company and the "Hoteli Plat" project, the Nexus FGS and Nexus FGS II funds are managed by Nexus Private Equity Partneri and the decisions pertaining to those cases did not envisage any lending to third parties.In addition, HBOR had no knowledge about loans made by special-purpose entity (SPV) companies.Investment fund insists loans in line with law, accuses Agorkor of hiding problemsNexus Private Equity Partneri, an alternative investment fund management company established in Croatia in 2008, stated on Wednesday that all loans it gave to the Agrokor ***agricultural*** and food conglomerate were transparent and in line with law, and accuses Agrokor of having hidden its problems, while dismissing the criticism targeted against creditors.The statement was released after Economy Minister Maritna Dalic said on Tuesday that lending made by the Nexus capital equity fund to Agrokor was yet another example of unsound and unclear business practices used by the conglomerate under the previous management of Ivica Todoric. Dalic's statement was triggered by media reports that Nexus Ulaganje granted a short-term loan of nearly 40 million kuna to Agrokor last year and has been unable to recover it after the conglomerate collapsed. Nexus Ulaganje is owned by Nexus FGS, the economic cooperation fund in which the Croatian Bank for Reconstruction and Development (HBOR) is also an investor, so it appears that the HBOR also lost some of the money invested.The Nexus Private Equity Partneri today explained that Nexus Private Equity Partneri, the Nexus FGS and Nexus FGS II funds and the Nexus Ulaganje d.o.o. and KHA companies are different legal entities subject to different legal frameworks."None of the above-mentioned legal entities has ever violated laws, neither are business decisions at the level of companies from the fund's portfolio within the remit of investors (for instance HBOR)," reads the statement.Nexus Private Equity Partneri insists that the disputed loans provided to the borrower before the implementation of the legislation on emergency administration were deemed good business moves.At the time relevant for the approval of loans, there was "absolutely nothing to hint at any problems in Agrokor's business."Earlier on Wednesday, Emergency Administrator Ante Ramljak said that only Nexus had indirectly financed Agrokor.All other funds for economic cooperation, part of which Agrokor is as an investor, have invested in some projects that are partly owned by Agrokor or have been launched by Agrokor, Ramljak said explaining that those projects have been sound.An accommodation must be reached with creditors for the issue of funding which has been approved for other purposes but has been funnelled to Agrokor, Ramljak said.I think that regulators and other agencies should establish what has happened exactly and why the company managing the fund made such a decision, he said.Agrokor starts paying debts to small suppliersZAGREB, July 26 (Hina) - The interim creditors' council for the ailing Agrokor food concern on Wednesday adopted a decision to fully pay dues or so called old debts, to family-run farms (OPG), micro and small companies.This refers to more than 2,100 suppliers who will receivea total of HRK 132 million and payments are expected to start as of Thursday, Agrokor's emergency administrator Ante Ramljak said.Small suppliers are the only category of creditors who will be paid in full for old debts that occurred prior to the emergency administration procedures which were launched in April. This refers to companies that generate an annual revenue of less than HRK 5.2 million or that had HRK 2.6 million in assets in 2016 and an average of ten employees.The claims to small suppliers will be settled from the 480 million euro loan contracted by Agrokor, early June.Agrokor has withdrawn320 million euro from the loan to date, and 30 million euro will be used to pay small suppliers.A portion of debts to larger suppliers will be covered from an amount of 150 million euro and these suppliers have the opportunity to secure commodities that will be paid for under the same conditions as for new loans. That means that these commodities will be paid for at the conclusion of the emergency administration with the right that old debts are then refinanced for an amount of 50 million euro.The creditors' council will decide on the payment of other suppliers in the second half of August.AD Plastik increases net profit by 38% in H1ZAGREB, July 26 (Hina) - AD Plastik, a leading Croatian ***producer*** of plastic car parts, generated a net profit of HRK 38.9 million in the first sixmonths of 2017, which was an increase of 38.3% compared to the corresponding period in 2016, according to the company's financial statements released on Wednesday.The company reported that the increased profit has resulted from a decrease in the cost of financing, that islower interest on loans, and from a lower amount of borrowing.The company's revenues came to HRK 531.3 million in H1 2017, which is 3.7% higher y-on-y.EBITDA achieved in H1 amounted to HRK 85.4 million while the EBITDA margin grew to 16.07% compared to last year's 14.64%.The financial statements noted that at the end of Q2 this year, new contracts were concluded with buyers --Ford and Hella (Volvo) --valued at more than 30 million euro (HRK 291 million).Production is due to commence in 2018 and the annual revenue expected from that project for a full year is estimated at 7 million euro (HRK 51.1 million).Catalonia appoints "ambassador" to CroatiaZAGREB, July 26 (Hina) -Eric Hauck, a former war correspondent from Sarajevo will be the head of a delegation for the northeast Spanish province of Catalonia to Croatia, his post will cover seven Southeast European countries, the Executive Council of Catalonia said on Wednesday."The government on Tuesday confirmed the appointment of Eric Hauck as the first delegate to Croatia. The delegation will act as a hub for Catalonia's representation in the Balkan geographical area - Croatia, Albania, Bosnia and Herzegovina, Kosovo, Macedonia, Montenegro and Serbia," a statement sent to Hina said."This delegation forms part of the area of influence and ***strategic*** importance for Catalonia. The area already includes several EU countries that are important economically and for the expansion of Catalonian companies," the statement said."We wish to build and strengthen bilateral relations between Catalonia and alliances of other stakeholders, networks and international organisations," the statement added.The delegation will be headed by 49 year-old Eric Hauck who was born in Saarland in Germany.In 1992, when he was only 24, he was war correspondent from Sarajevo which was occupied by rebel Serb forces. His colleague photo-reporterJordi Pujol Puento was killed during a Serb attack. Between 1995 and 1999, Hauck was the director for international cooperation between Barcelona City authorities in Sarajevo.The delegation in Zagreb was appointed two months before a referendum on independence from Spain, which is set to be held on October 1. The Spanish Constitutional Court and government in Madrid consider the referendum illegal.In Spain the delegations are being referred to as "embassies" and are aimed at obtaining international support for the referendum. The delegation in Croatia will be the 12th "embassy" in the world and Catalonia ***plans*** to open more outside Europe. The actual date of the opening in Zagreb is not known but is expected to be early September.Russian diplomat:Arbitration ruling "should probably be respected"ZAGREB, July 26 (Hina) - Russian Ambassador in Ljubljana Doku Zavgaevhas said that Slovenia and Croatia need to continue dialogue on contentious issues, but that there is also the arbitration ruling which "should probably be honoured," Slovenian media reported on Wednesday.The two neighbouring countries should find compromise solutions acceptable to both sides and there is also the arbitration ruling which will probably need to be respected, the Russian ambassador told the Slovenian news agency STA.Slovenia believes Croatia should implement the ruling handed down by the arbitration tribunal last month, according to which more than two thirds of the Piran Bay belongto Slovenia.Croatia, however, holds that the ruling hasno legal effects, as the arbitration procedure was contaminated two years ago because of which Croatia withdrew fromthe process.Slovenian Prime Minister Miro Cerarsaid last week that Slovenia would implement the ruling "in another way" should Croatia continue to ignore it, while Slovenian Foreign Minister Erjavec said that the European Commission should pressure Croatia into accepting the arbitration award just as it was putting pressure and threatening sanctions against Poland over judicial reforms.Erjavec this past Friday sent a letter EU Commission Vice-President Frans Timmermans to complain about Croatia's alleged violations of the border in Savudrija Bay (Piran Bay) and to inform the EC of Ljubljana's position that Croatia does not deserve to join the Schengen Area.President Kolinda Grabar-Kitarovic said later on Friday that Croatia would not accept the unilateral implementation of the arbitration ruling on the border dispute with Slovenia, adding that the latest statements by Slovenia'sPrime Minister Miro Cerar and Foreign Minister Karl Erjavec about this matter were dangerous.Monument erected in memory of German reporter killed in Glina during warZAGREB, July 26 (Hina) - A memorial monument was unveiled on Wednesday in tribute to Egon Scotland, a reporter for the German Sueddeutsche Zeitung, who was killed by Serb rebel forces26 years ago on the outskirts of the then occupied town of Glina.Scotland was gravely injured by Serb rebel forces despite his car being clearly marked "press" and he died on the way to Sisak general hospital.He was the first reporter to lose his life in the Homeland War in the 1990s and themonument was erected at the place of his wounding at the initiative of the Croatian Journalists' Association (HND), the City of Glina and a local association. The monument was unveiled on Wednesday by the Head of the Culture Department at the German Embassy in Zagreb, Arne Hartig.Scotland was travelling from Zagreb to territory occupied by Serb forces to enquire about the whereabouts of his colleague who had gone missing and was presumed to betaken captive by rebel Serbs. As the car approached Glina, sniper shots were fired at his vehicle, wounding Scotland, who bled to death on the way to Sisak hospital.News of his killing aroused great shock in German media and it was only then that they realised that there was a war going on in what was still Yugoslavia."It is important to recall all the victims of the war and today journalists are reporting from many war zones in the world. It is encouraging that we mark the places they were killed," Hartig said.HND president Sasa Lekovic said that this in some way repaidat least part of the debt to those colleagues who were killed. He added that HND would mark the place where other reporters were killed too.After the monument was unveiled a round table discussion, "The role of reporters in the Homeland War,"was held in the local town hall. Some war reporters claimed that war crimes indictee Dragan Vasiljkovic, aka Captain Dragan, was directly responsible for Scotland's death.Vasiljkovic, who used to be a commander of Serb paramilitary units,had previously boasted that he was the commander of Glina at the time of its occupation. He is currently being tried for war crimes in the Glina and Knin areas.Scotland's widow, Christiane Schlotzer Scotland,testified at the Vasiljkovic trialbefore the Split County Court this February.Schlotzer Scotland, herself a journalist, said that she had presented an audio recording to the prosecution and a transcript of an interview dating from September 1992 in which Vasiljkovic told a Japanese journalist that on the day her husband was killed, he had taken command and led an attack on Glina.The witness said that at the time of her husband's death she was in Munich and learned of his death from colleagues on the ground, as well as from local residents during her visit to Jukinac after the Croatian military Operation Storm in the summer of 1995.Senad Pasic, a journalist with the Croatian weekly Nacional, who also took the witness stand in that trial said that the Serb forces "killed 15 Croatian and eight foreign journalists in the Homeland War, and Egon Scotland was the first journalist to be killed."Israeli historian strongly opposed to Stepinac canonisationZAGREB, July 26 (Hina) - Israeli Holocaust expert Gideon Greif said in an interview with a Serbian newspaper on Wednesday that canonisation of Alojzije Stepinac, the Archbishop of Zagreb during World War II, would be "a crime in itself" and those who intended to declare him a saint would be mocking the victims of the Jasenovac concentration camp.Professor Greif, leading historian at the Shem Olam Holocaust documentation and research institute in Israel, said in an interview with the Vecernje Novosti newspaper that he and the institute's president, Abraham Kruger, had arrived in Belgrade "to express our opposition to Croatian attempts to rewrite history."Greif said that Jasenovac had been "more monstrous and demonic than Auschwitz and other Nazi camps" and that it had existed without any participation of German soldiers.As for Cardinal Stepinac, he said: "His canonisation would be a crime in itself... a mockery of the victims. Anyone who supported a criminal regime like the Ustasha regimedeserves no award."The Israeli professor has been studying the Jasenovac camp and will publish a book, called "Jasenovac, the Auschwitz of the Balkans", next year.He said that Jasenovac was unique among the Nazi camps because it had camps for children, and noted that Nazi officers who visited Jasenovac and other concentration camps in Croatia were appalled by the brutality exacted on Serbs, Jews and Roma.U.S. historian Gitman underscores Stepinac's role in rescuing victimsOn the other hand, Esther Gitman, a U.S. Jewish historian who is an expert on the Holocaust in Yugoslavia specifically focusing on the Nazi-style Independent State of Croatia (NDH), said in Zagreb in November 2015that Stepinacwas a committed servant of the Catholic Church who had never lost his faith inmoral laws and who believed that only one race existed -- the human race created by the God.During her lecture in Zagreb on 25 November 2015, Gitman expressed gratitude to those who had survived the Holocaust and who had acquainted her with Stepinac's role in rescuing them.She said that the lecture was the outcome of her extensive research which includedthe examination of Croatia's archives, Nazi reports in Berlin, diplomatic correspondence and her interviews with 67 survivors in 2002 and 2003 in Zagreb, Israel and the United States.She also quoted Stepinac's instruction to priests in 1941 that they should make it possible for Jewish or Serb Orthodox believers, who were in mortal danger, to be converted to Catholicism only to save their lives, explaining that those conversions had no validity, allowing them to return to their faith once the danger passed.Gitman provided arguments against the indictment which Yugoslav authorities issued against Stepinac immediately after WW2. She refuted allegations in the first count of the indictment regarding the reported collaboration with the Ustasha regime.Gitman is the author of the book "When Courage Prevailed: The Rescue and Survival of Jews in the Independent State of Croatia 1941-1945".Patriarch Irinej calls on Serbialeaders not to give away KosovoZAGREB, July 26 (Hina) -Kosovo must not be alienated or given away, Serbia's Patriarch Irinej said on Wednesday after President Aleksandar Vucic called for internal dialogue on Kosovo."We appeal to our state leadership never to agree to the alienation of Kosovo and Metohija because that which is taken by force can be returned but what is given away is forever lost, and Serbs and Serbia must not allow that," Irinej told the public broadcasterRTS.There has been no official position yet of the Serbian Orthodox Church (SPC) on its website, but RTS said that the SPC would accept the invitationfrom Vucic to participate in dialogue concerning the problem of Kosovo and future Belgrade-Pristina relations.Calling on his compatriots to internal dialogue on Kosovo, Vucic said that a common response to current problems was "decisive for the future of Serbia and the Serbian people" as the Kosovo issue was slowing Serbia down."Until we have resolved that, we will have afrozen conflict and will never get out of it," Vucic said and called on all social and political stakeholders to open dialogue on Kosovo in an effort to find a solutionto "the Gordian Knot of Kosovo."Kosovo proclaimed independence from Serbia on 17 February 2008 in a declaration passed by the Kosovo Assembly. On the same day it was recognised by Costa Ricaand the next day by the USA, Turkey, Afghanistan, Albania, Great Britain and France. So far more than 100 UN and 22 EU member states have recognised Kosovo.Serbia doesn't recognise Kosovo's independence and is trying to prevent it from joining international organisations, including the United Nations. Serbia is being supported by Russia and China in that regard.SE Europe business leaders' summit to be held in Skopje inOctZAGREB, July 26 (Hina) - An annual conference called The Summit100 Business Leaders of Southeast Europe will be held in Skopje, Macedonia on October 16-17 and will bring together over 150 prominent business and political leaders from the region, organisers announced on Wednesday.Business leaders from Albania, Bosnia and Herzegovina, Croatia, Kosovo, Macedonia, Montenegro, Serbia and Slovenia will be joined by special guests from the Euroepan Commission, the European Bank for Reconstruction and Development, the European Investment Bank, Norden, the World Bank and the International Monetary Fund.The main goalof this year's meeting is to seek ideas, proposals and projects that will improve economic and social links in the region.Bosnian parliament doesn't support Council of MinistersZAGREB, July 27 (Hina) - The House of Representatives of the Parliament of Bosnia and Herzegovina (BiH) on Wednesday rejected a report on the work of the BiH Council of Ministers for 2016, however, despite the fact that there is no parliamentary majority to support the government, it will not be toppled.The report was submitted by Prime Minister Denis Zvizdic who said his ministers did everything in 2016 to improve social and economic circumstances in the country.Deputies disagreed with Zvizdic and also criticised the methodology used to draw up the report.The non-adoption of the report has no direct consequences for the government.In other news:Germany donates ballistic helmets to Croatian riot policeZAGREB, July 26(Hina) - Croatia's Minister of the Interior, Davor Bozinovic, met in Zagreb on Wednesday with a delegation of the German Riot Police (Bereitschaftspolizei) Directorate led by the director Wolfgang Lohmann, the Croatian ministry said in a press release.On this occasion 61 helmets, worth HRK 200,000, were donated to the Croatian riot police under a 2001 agreement signed by the Croatian and German ministries of the interior.Bozinovic and Lohmann expressed satisfaction with long-standing friendly cooperation between the two countries and ministries.Sting performs in Arena in PulaZAGREB, July 27 (Hina) - As part of his 57th & 9th Tour, the English musician, singer, songwriter, and actor, Sting, held a concert in the Pula Area on Wednesday.This is the only concert in the region in support of his 57th & 9th album.Sting's son, Joe Sumner, also a musician, joined his father on the stageSting’s twelfth solo studio album, his first rock/pop project in over a decade, was released November 11 2016 on A&M/Interscope Records. The ten-song collection represents a wide range of Sting’s musical and songwriting styles from the raucous, guitar-driven first single, “I Can’t Stop Thinking About You” to the ferocious, Road Warrior-style imagery of “Petrol Head” and the anthemic “50,000.” The album, ***produced*** by Martin Kierszenbaum, was recorded in just a few weeks with Sting’s long-time collaborators Dominic Miller (guitar) and Vinnie Colaiuta (drums), as well as drummer Josh Freese (Nine Inch Nails, Guns n’ Roses), guitarist Lyle Workman and backing vocals by the San Antonio-based Tex-Mex band The Last Bandoleros.40,000 Croats suffer from chronic viral hepatitisZAGREB, July 26(Hina) - An estimated 40,000 Croatians suffer from chronic viral hepatitis, however, many of them, 80%, are not aware of their health condition, according to estimates made by the Croatian association for liver diseases "HEPATOS."The Croatian association has joined a global campaign "NoHEP" in a common goal: the elimination of viral hepatitis by 2030.The association issued a statement on Wednesday ahead of 28 July when World Hepatitis Day is observed, callingfor the elaboration of a national strategy for controlling and prevention of viral hepatitis.Each year, 1.34 million die globally and the 325 million people living with the disease could eventually experience liver disease, cirrhosis or liver cancer, if left untreated.Crobex stagnates amid moderate trading on ZSEZAGREB, July 26 (Hina) -The Zagreb Stock Exchange Crobex index was the same on Wednesday as it was on Tuesday while the specialised Crobex10 decreased slightly.The Crobex remained at 1,879.39 points while the specialised Crobex10 dropped by 0.03% to 1,114.85points.Today's regular turnover wasHRK 4.8 million, about HRK 460,000 higher compared to the day before.The highest turnover was generated by the preferred share of the Adris tourism and insurance group,HRK 1.9 million, and the Adris preferred share saw an increase of0.44% to HRK 457.(EUR 1 = HRK7.398106)THIS BULLETIN INCLUDES NEWS ITEMS RELEASED BY 0830 HRS THURSDAY. (Hina) ms Masthead Brief News Bulletin is published by the Croatian News Agency HINA Marulićev trg 1610 000 ZagrebCroatia web:[*www.hina.hr*](http://www.hina.hr) mail: [*hina@hina.hr*](mailto:hina@hina.hr) phone: (+385 1) 48 08 660; fax (+385 1) 48 08 822 Publisher: Branka Gabriela Valentić, DirectorEditor in Chief: Serđo Obratov Bulletin Editor: Marija Šestan

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Investment fund insists loans in line with law, accuses Agorkor of hiding problems

Nexus Private Equity Partneri, an alternative investment fund management company established in Croatia in 2008, stated on Wednesday that all loans it gave to the Agrokor ***agricultural*** and food conglomerate were transparent and in line with law, and accuses Agrokor of having hidden its problems, while dismissing the criticism targeted against creditors.

The statement was released after Economy Minister Maritna Dalic said on Tuesday that lending made by the Nexus capital equity fund to Agrokor was yet another example of unsound and unclear business practices used by the conglomerate under the previous management of Ivica Todoric. Dalic's statement was triggered by media reports that Nexus Ulaganje granted a short-term loan of nearly 40 million kuna to Agrokor last year and has been unable to recover it after the conglomerate collapsed. Nexus Ulaganje is owned by Nexus FGS, the economic cooperation fund in which the Croatian Bank for Reconstruction and Development (HBOR) is also an investor, so it appears that the HBOR also lost some of the money invested.

The Nexus Private Equity Partneri today explained that Nexus Private Equity Partneri, the Nexus FGS and Nexus FGS II funds and the Nexus Ulaganje d.o.o. and KHA companies are different legal entities subject to different legal frameworks.

"None of the above-mentioned legal entities has ever violated laws, neither are business decisions at the level of companies from the fund's portfolio within the remit of investors (for instance HBOR)," reads the statement.

Nexus Private Equity Partneri insists that the disputed loans provided to the borrower before the implementation of the legislation on emergency administration were deemed good business moves.

At the time relevant for the approval of loans, there was "absolutely nothing to hint at any problems in Agrokor's business."

Earlier on Wednesday, Emergency Administrator Ante Ramljak said that only Nexus had indirectly financed Agrokor.

All other funds for economic cooperation, part of which Agrokor is as an investor, have invested in some projects that are partly owned by Agrokor or have been launched by Agrokor, Ramljak said explaining that those projects have been sound.

An accommodation must be reached with creditors for the issue of funding which has been approved for other purposes but has been funnelled to Agrokor, Ramljak said.

I think that regulators and other agencies should establish what has happened exactly and why the company managing the fund made such a decision, he said.

ZAGREB, July 26 (Hina) - The interim creditors' council for the ailing Agrokor food concern on Wednesday adopted a decision to fully pay dues or so called old debts, to family-run farms (OPG), micro and small companies.

ZAGREB, July 26 (Hina) - AD Plastik, a leading Croatian ***producer*** of plastic car parts, generated a net profit of HRK 38.9 million in the first sixmonths of 2017, which was an increase of 38.3% compared to the corresponding period in 2016, according to the company's financial statements released on Wednesday.

ZAGREB, July 26 (Hina) -Eric Hauck, a former war correspondent from Sarajevo will be the head of a delegation for the northeast Spanish province of Catalonia to Croatia, his post will cover seven Southeast European countries, the Executive Council of Catalonia said on Wednesday.

ZAGREB, July 26 (Hina) - Russian Ambassador in Ljubljana Doku Zavgaevhas said that Slovenia and Croatia need to continue dialogue on contentious issues, but that there is also the arbitration ruling which "should probably be honoured," Slovenian media reported on Wednesday.

ZAGREB, July 26 (Hina) - A memorial monument was unveiled on Wednesday in tribute to Egon Scotland, a reporter for the German Sueddeutsche Zeitung, who was killed by Serb rebel forces26 years ago on the outskirts of the then occupied town of Glina.

ZAGREB, July 26 (Hina) - Israeli Holocaust expert Gideon Greif said in an interview with a Serbian newspaper on Wednesday that canonisation of Alojzije Stepinac, the Archbishop of Zagreb during World War II, would be "a crime in itself" and those who intended to declare him a saint would be mocking the victims of the Jasenovac concentration camp.

ZAGREB, July 26 (Hina) -Kosovo must not be alienated or given away, Serbia's Patriarch Irinej said on Wednesday after President Aleksandar Vucic called for internal dialogue on Kosovo.

ZAGREB, July 26(Hina) - Croatia's Minister of the Interior, Davor Bozinovic, met in Zagreb on Wednesday with a delegation of the German Riot Police (Bereitschaftspolizei) Directorate led by the director Wolfgang Lohmann, the Croatian ministry said in a press release.

ZAGREB, July 26(Hina) - An estimated 40,000 Croatians suffer from chronic viral hepatitis, however, many of them, 80%, are not aware of their health condition, according to estimates made by the Croatian association for liver diseases "HEPATOS."

ZAGREB, July 26 (Hina) -The Zagreb Stock Exchange Crobex index was the same on Wednesday as it was on Tuesday while the specialised Crobex10 decreased slightly.

THIS BULLETIN INCLUDES NEWS ITEMS RELEASED BY 0830 HRS THURSDAY.

**Load-Date:** July 27, 2017

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[***Menhaden Capital Plc - Annual Financial Report***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5SBJ-CWS1-JB72-13D2-00000-00&context=1516831)

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**Body**

Menhaden Capital PLC

(the "Company")

LEI: 2138004NTCUZTHFWXS17

Audited results for the year ended 31 December 2017

The Annual Report will be posted to shareholders on 3 April 2018.

Copies may be obtained from the Company Secretary: Frostrow Capital LLP at 25 Southampton Buildings, London WC2A 1AL.

A copy of the Annual Report will be submitted to the National Storage Mechanism and will shortly be available for inspection at[*http://www.morningstar.co.uk/uk/nsm*](http://www.morningstar.co.uk/uk/NSM)

The Annual Report will also be available on the Company's website -[*http://www.menhaden.comwhere*](http://www.menhaden.comwhere) up to date information on the Company, including monthly NAVs, share prices and fact sheets, can also be found.

Frostrow Capital LLP, Company Secretary - 0203 709 8734

23 March 2018

***Strategic*** Report

Company Performance

|  |  |
| --- | --- |
| NAV per share1 | 92.1p |
| Share price1 | 68.5p |
| Share price discount to NAV per share1 | 25.6% |
|  |  |
| NAV per share (total return)2 | 7.8% |
| Share price (total return)2 | 3.2% |
| Total ongoing charges2 | 2.1% |

The MSCI World Total Return Index (in sterling) returned 11.8% (2016: +28.2%).

1          As at 31 December 2017.

2          For the year ended 31 December 2017.

Investment Themes

|  |  |
| --- | --- |
| **Theme** | **Description** |
| Clean energy production | Companies ***producing*** power from clean sources such as solar or wind |
| Resource and energy efficiency | Companies focused on improving energy efficiency (e.g. in buildings or manufacturing processes) or creating emissions reduction products or services |
| Sustainable transport | Companies in the transport sector focused on helping to reduce harmful air emissions/distance travelled |
| Water and waste management | Companies with products or services that enable reductions in usage/volumes and/or smarter ways to manage water and waste |

Chairman's Statement

I present our third annual report since the launch of the Company in July 2015. This report covers the year ended 31 December 2017.

Performance

The Company's net asset value ("NAV") per share total return for the year was +7.8% (2016: +1.8%) and the share price total return was +3.2% (2016: -13.8%).

While the Company does not have a formal benchmark and our Portfolio Manager does not invest by reference to an index, during the year the MSCI World Total Return Index (in sterling) increased by 11.8% (2016: +28.2%). By way of additional comparison, the WilderHill New Energy Global Innovation Index (in sterling) rose by 17.5% (2016: +11.5%) and the AIC Environmental Sector rose by 11.3% (2016: +21%).

Our Portfolio Manager has provided a full description of the development and performance of the portfolio over the second full year of your Company's operation in the Portfolio Manager's Review.

The Board has been encouraged by the steady improvements in NAV performance this year, which reflect the refinement of the Portfolio Manager's investment strategy and the work they have done to re-position the portfolio. The Board will continue to keep the ongoing development of the portfolio under close review.

Share Price Discount

At the year-end, the discount to NAV per share at which the Company's shares trade had widened slightly to 25.6% (2016: 22.2%). This is a matter that the Board considers at each Board meeting. As reported previously, the Board has decided that share buybacks are not in the interests of shareholders at the current time, as this would reduce the size of the Company, increase the ongoing charges ratio and reduce the liquidity of the Company's shares. Instead, and in addition to actively reviewing the Portfolio Manager's performance, the Board and the AIFM will continue to focus on the Company's marketing and distribution strategy over the coming year. A summary of the promotional activities undertaken by the AIFM can be found later in this report.

Management Developments

During the year, and as announced in the Company's half-year report, Menhaden Capital Management LLP (the "Portfolio Manager") became authorised by the Financial Conduct Authority to perform portfolio management activities. Accordingly Frostrow (our AIFM) has, with the Board's consent, formally delegated portfolio management responsibilities to the Portfolio Manager.

The Board has previously confirmed its commitment to reporting on the Company's environmental impact. This year we have integrated the Company's impact reporting within this annual report. The relevant section is contained in the ***Strategic*** Report and will also be made available as a separate document, which will include the methodological detail, on the website[*http://www.menhaden.com*](http://www.menhaden.com).

Dividend

The Company complies with the United Kingdom's investment trust rules regarding distributable income and the Company's dividend policy is that the Company will pay a dividend as a minimum to maintain investment trust status.

The Board has not recommended a final dividend for the year.

The Board remains cognisant of the undertaking in the Company's prospectus to target a dividend yield of 2% per annum of the average NAV. The target implementation date for the dividend was 31 December 2017. However, as I reported in the Company's half-year report for the six months ended 30 June 2017, it would not have been possible to pay such a dividend without paying a significant portion out of capital and the Board does not believe that this would be appropriate under current circumstances. The Board will continue to keep the dividend target under close review.

Outlook

As we look forward, our Portfolio Manager is optimistic about the global outlook for environmental solutions in general and the opportunities for the companies in your portfolio in particular. As such they will continue to focus on selecting stocks whose strong prospects will be crucial in the long term.

The Board supports the Portfolio Manager's investment strategy and believes that it should provide positive returns for the long-term investor.

Annual General Meeting

The Company's third Annual General Meeting ("AGM") will again be held at the offices of Herbert Smith Freehills, Exchange House, Primrose Street, London EC4A 2EG on Tuesday, 22 May 2018 at 12 noon.

This year we have introduced electronic proxy voting so that shareholders can cast their votes online. Instructions for how you can vote electronically are set out later in this report. It is our intention to cease sending out paper proxy forms in 2019 although any shareholders who wish to continue voting in this way will be able to request a paper form from the Company Secretary.

The AGM provides shareholders with an opportunity to meet the Directors and to receive a presentation from our Portfolio Manager. I hope as many shareholders as possible will attend and I look forward to meeting you then, together with my Board colleagues. Any shareholders who are unable to attend or who wish to discuss any matters with the Board are invited to contact me through the Company Secretary.

Sir Ian Cheshire

Chairman

23 March 2018

Investment Objective and Policy

Investment Objective

The Company's investment objective is to generate long-term shareholder returns, predominantly in the form of capital growth, by investing in businesses and opportunities, delivering or benefitting from the efficient use of energy and resources irrespective of their size, location or stage of development.

Whilst the Company pursues an active, non-benchmarked total return strategy, the Company is cognisant of the positioning of its portfolio against the MSCI World Total Return Index (in sterling). Accordingly, the Portfolio Manager will take notice of the returns of that index with a view to outperforming it over the long term.

Investment Strategy

The implementation of the Company's investment objective has been delegated to Frostrow Capital LLP ("Frostrow" or the "AIFM") by the Board. Frostrow has, in turn and jointly with the Company, appointed Menhaden Capital Management LLP as the Portfolio Manager.

Details of the Portfolio Manager's approach are set out in the Investment Process section and in their review.

While the Board's strategy is to allow flexibility in managing the investments, in order to manage investment risk it has imposed various investment, gearing and derivative guidelines and limits, within which Frostrow and the Portfolio Manager are required to manage the investments, as set out below.

Any material changes to the investment objective or policy require approval from shareholders.

Investment Policy

The Company's investment objective is pursued through constructing a conviction-driven portfolio consisting primarily of direct listed and unlisted holdings across asset classes and geographies.

Asset Allocation

The Company invests, either directly or through external funds, in a portfolio that is comprised of three main allocations:

·         listed equity;

·         yield assets; and

·         special situations.

The flexibility to invest across asset classes affords the Company two main benefits:

·         it enables construction of a portfolio based on an assessment of market cycles; and

·         it enables investment in all opportunities which benefit from the investment theme.

It is expected that the portfolio will comprise approximately 20 to 25 positions. Typically, the portfolio will not comprise fewer than 20 positions or more than 50 positions. For these purposes an investment in an external fund is treated as one position.

Geographic Focus

Although the portfolio is predominantly focused on investments in developed markets, if opportunities that present an attractive risk and reward profile are available in emerging markets then these may also be pursued.

While many of the companies forming the portfolio are headquartered in the UK, USA or Europe, it should be noted that many of those companies are global in nature, so their reporting currency may not reflect their actual geographic or currency exposures.

Investment Restrictions

Subject at all times to any applicable investment restrictions contained in the Listing Rules from time to time, the Portfolio Manager will not make an investment if it would cause the Company to breach any of the following limits at the point of investment:

·         no more than 20% of the Company's gross assets may be invested, directly or indirectly through external funds, in the securities of any single entity; and

·         no more than 20% of the Company's gross assets may be invested in a single external fund.

Hedging

The Company may enter into any hedging or other derivative arrangements which the Portfolio Manager may from time to time consider appropriate for the purpose of efficient portfolio management, and the Company may for this purpose leverage through the use of options, futures, options on futures, swaps and other synthetic or derivative financial instruments.

The Portfolio Manager does not expect to engage in currency hedging on a regular basis. However, given that a proportion of the Company's assets are denominated in currencies other than sterling, the Company is subject to foreign exchange risks which could adversely affect the net asset value. Accordingly, the Portfolio Manager may occasionally, within such parameters as are approved by the AIFM and in accordance with the Company's investment policy, seek to hedge the Company's exposure to non-sterling assets.

During the final quarter of the year, the Portfolio Manager employed foreign exchange forwards to hedge 50% of the Company's US dollar and euro exposures.

Cash Management

There is no restriction on the amount of cash or cash equivalent instruments that the Company may hold and there may be times when it is appropriate for the Company to have a significant cash position instead of being fully or near fully invested.

Borrowing Limits

The Company may incur indebtedness for working capital and investment purposes, up to a maximum of 20% of the net asset value at the time of incurrence. The decision on whether to incur indebtedness may be taken by the Portfolio Manager within such parameters as are approved by the AIFM and the Board from time to time. There will be no limitations on indebtedness being incurred at the level of the Company's underlying investments (and measures of indebtedness for these purposes accordingly exclude debt in place at the underlying investment level).

At the date of this report, the Company had no borrowings.

In addition, under the AIFMD rules, the Company is required to set maximum leverage limits. Leverage is defined under the AIFMD as any method by which the total exposure of an AIF is increased.

The Board and the AIFM have set the maximum leverage limits of 200% on a gross basis and 120% on a commitment basis. Further explanation is provided in the Glossary.

As at 31 December 2017, the Company employed leverage through the use of foreign currency forwards, resulting in leverage of 118.2% under the gross method and 97.3% under the commitment method.

Other Investment Restrictions

The Company will at all times invest and manage its assets with the objective of spreading risk and in accordance with its published investment policy.

The Listing Rules currently restrict the Company from investing more than 10% of its total assets in other listed closed-ended investment funds, save that this restriction does not apply to investments in closed-ended investment funds which themselves have published investment policies to invest no more than 15% of their total assets in other listed closed-ended investment funds. The Company will comply with this investment restriction (or any variant thereof) for so long as such restriction remains applicable.

At the date of this report, the Company was not invested in any closed-ended investment funds.

In the event of any material breach of the investment restrictions applicable to the Company, shareholders will be informed of the actions to be taken by the AIFM through an announcement to the Stock Exchange.

Portfolio

Investments held as at 31 December 2017

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Investment** | **Country/ region** | **Fair Value £'000** | **% of Total Net Assets** |  | **Business Description** | **Theme** |
| X-ELIO1 | Spain\* | 11,675 | 15.8 |  | Develops and operates solar energy products | Clean energy production |
| Airbus | France | 6,705 | 9.1 |  | Designs and manufactures aircraft | Sustainable transport |
| Safran | France | 5,799 | 7.9 |  | Supplies systems and equipment for aerospace, defence & security | Sustainable transport |
| Volkswagen | Germany | 5,553 | 7.5 |  | Designs and manufactures cars and light commercial vehicles, including electric vehicles | Sustainable transport |
| Infigen Energy | Australia | 4,436 | 6.0 |  | Develops, owns and operates renewable energy generation assets | Clean energy production |
| Alpina Partners Fund | UK\* | 3,620 | 4.9 |  | Growth capital fund managed by specialist environmental private equity firm | Resource and energy efficiency |
| Calvin Capital2 | UK\* | 3,500 | 4.7 |  | Invests in utility infrastructure assets | Resource and energy efficiency |
| Senvion | Germany | 3,482 | 4.7 |  | Manufactures wind turbines | Clean energy production |
| Brookfield Renewable Energy | Canada | 3,316 | 4.5 |  | Open-ended fund investing in hydroelectric and wind facilities | Clean energy production |
| TerraForm Power | United States | 2,890 | 3.9 |  | Operates contracted renewable energy assets | Clean energy production |
| **Top Ten investments** |  | **50,976** | **69.0** |  |  |  |
| Atlantica Yield | United States | 2,417 | 3.3 |  | Owns and manages contracted renewable energy assets | Clean energy production |
| Air Products & Chemicals | United States | 2,377 | 3.2 |  | Sells gases and chemicals for industrial uses | Resource and energy efficiency |
| Adient | United States | 2,263 | 3.1 |  | Manufacturer of lightweight automotive seating components | Sustainable transport |
| FirstGroup | UK | 2,103 | 2.9 |  | Operates transport services in the UK, Ireland, Canada and United States | Sustainable transport |
| WCP Growth Fund | UK\* | 1,062 | 1.5 |  | Growth capital fund managed by specialist environmental PE firm, Alpina Partners | Resource and energy efficiency |
| Perfin Apollo | Brazil\* | 680 | 0.9 |  | Builds and operates energy transmissions lines in Brazil | Resource and energy efficiency |
| Sanepar | Brazil | 652 | 0.9 |  | Provides treated water supply, sewage collection and treatment and solid waste management services | Water and waste management |
| Copasa | Brazil | 361 | 0.5 |  | Water utility company | Water and waste management |
| Terra Santa Agro | Brazil | 286 | 0.4 |  | Substainable ***agricultural*** production and land development | Resource and energy efficiency |
| Atlantica Yield - Bonds | United States | 156 | 0.2 |  | Owns and manages contracted renewable energy assets | Clean energy production |
| **Total investments** |  | **63,333** | **85.9** |  |  |  |
| Net Current Assets |  | 10,359 | 14.1 |  |  |  |
| **Total Net assets** |  | **73,692** | **100.0** |  |  |  |

1 Investment made through Helios Co-Invest L.P.

2 Investment made through KKR Evergreen Co-Invest L.P.

\* Unquoted

Portfolio Manager's Review

Investment & Business Review

Menhaden Capital PLC launched in an initial public offering on the main market of the London Stock Exchange on 31 July 2015. Our aim is to create a portfolio that applies a patient yet opportunistic investment approach to a series of global energy and resources-linked megatrends - 'the green industrial shift'. Our portfolio is concentrated, generally comprising around 20 positions.

Performance

During 2017, the Company's NAV per share increased from 85.4p to 92.1p. This represents an increase of 7.8% for the year. The Company's share price traded at a 25.6% discount to NAV as at 31 December 2017.

The contribution to the 7.8% NAV per share gain over the period is summarised below:

|  |  |  |
| --- | --- | --- |
| **Asset Category** | **31 December 2017 NAV %** | **Contribution %** |
| Quoted Equities | 44.8 | 5.1 |
| Private Investments | 27.8 | 2.6 |
| Yield Investments | 13.3 | 1.5 |
| Liquidity | 13.5 | - |
| Foreign exchange forwards | 0.6 | 0.7 |
| **Gross return** |  | **9.9** |
| Expenses | - | (2.1) |
| **Net Assets** | **100.0%** | **7.8** |

After a difficult start, our recovery continues to make progress. Luciano Suana, as lead portfolio manager, has brought a relentless focus on value. As such, we have continued to rotate our portfolio in favour of holdings that reflect that focus. We assess all opportunities through a value lens, with the aim of identifying investments with low downside risk, backed by identifiable assets and cash flows, which we can acquire at attractive valuations. We remain conviction investors and as such our portfolio is concentrated, currently comprising just 19 positions. This strategy is working out. Our NAV per share rose from 76.2p at the low point in Q1 2016, to 92.1p at the year-end, an increase of over 20% (in part due to the weakening of sterling during that period).

We have maintained a material cash position during the course of the year, ranging between 10 and 15%. This cash is largely ear-marked to cover our commitments to both the Alpina Partners Fund and to Perfin-Apollo, which is building electricity transmission infrastructure in Brazil. Moreover, given valuations generally, we are treading carefully as to our total equity market exposure. For the first time we have made use of currency foreign exchange hedges - hedging out half of our euro and US dollar exposure against sterling in the last quarter of the year.

Quoted Equity

The Quoted Equity portfolio's contribution to the gain was 5.1% for the year and accounted for 44.8% of the portfolio as at 31 December 2017.

During Q1 we sold our position in Acuity Brands, a provider of LED lighting solutions, which had posted double digit volume growth for 14 consecutive quarters ending in November 2016. At the 2016 year-end Acuity was trading at 16x forward EBITDA estimates and was starting to show signs of slowing growth. At this point we felt the risk of loss far outweighed the expectation of gain and so we divested the position. In the same vein we have now sold the other positions in the portfolio which we felt did not fit our value focus, comprising Borgwarner, Johnson Matthey, Rockwell Automation, Roper Technologies, Shimano, Stericycle and Wabtec. Meanwhile we continue to hold industrial gases manufacturer,Air Products, which supplies gases which help different industrial sectors to use energy and resources more efficiently, and with lower emissions.

We added four new public equity positions during 2017. The first of these is Infigen, Australia's leading wind energy developer and operator.Infigenhas raised significant new capital for financing a series of large new projects, and for increasing the flexibility of its balance sheet. During 2017 significant debate has taken place in Australia about the country's future energy model and a consensus has been reached that renewable energy must play a big role in the country's electricity generation mix, not least to achieve Australia's stated emissions reductions targets. In our view the current share price offers good value in respect of Infigen's portfolio of installed wind assets. Moreover, the company is well placed to generate strong development returns from its pipeline of 1,000 MW of new wind assets. Despite positive updates from Infigen for production and revenue the position declined 10.6% during the year, costing us 0.8% of NAV. We believe the weakness in the share price is related to uncertainty around the refinancing of its debt and concerns over Government policy as well as the large investments being made generally in large-scale renewable energy.

Our second new position isAdient, one of the world's largest automotive seating suppliers, which was spun out of Johnson Controls (JCI) late last year. Adient's innovative weight-optimised components contribute to reduced fuel consumption. JCI investors viewed Adient as a low quality, cyclical business which resulted in heavy early selling of the stock. We like Adient because of its strong position in a rational, oligopolistic market, its significant barriers to entry, and the fact that the company has a clear path to improving operating performance (Adient's operating costs are approximately 2% higher than its nearest competitor).

The third new position isSenvion, a mid-sized German wind turbine manufacturer. Senvion has a particularly strong position in turbines suited to high wind speed locations and we believe that the company is well positioned for growth given the strength of its new management team - largely drawn from the German automotive industry, and given the business is freed from constraints placed upon it under previous ownership. Senvion has significant cost cutting opportunities and is trading at a healthy discount to its peers. Despite a solid order intake during the course of 2017, the value of our holding has declined by 13.6%, costing us 0.8% of NAV. We believe this is as a result of recent negative sentiment surrounding the wind sector generally. Regulatory uncertainty in Germany, the rapidly declining power price curve and increased competition as the technology matures have all contributed to this. Having met with members of Senvion's new management team, our confidence in the company's competitive positioning and the ongoing execution ***plan*** remains strong.

Finally, we have initiated a small position in a Brazilian ***agriculture*** business,Terra Santa Agro, which owns and operates high quality arable land in Brazil's Mato Grosso state. Terra Santa Agro's share price trades at a significant discount to NAV. The group maintains a keen focus on improving efficiency with recent investments increasing harvest capacity by 33%. Moreover, Terra Santa operates to the highest standards of sustainability with 50% of its land reserved for nature.

Our three biggest equity positions were also the leading contributors during the year. We continued to add to the position inAirbus, which was 9.1% of NAV at the end of the year. Airbus was the biggest contributor, gaining 40.3% and adding 2.8% to NAV. While Airbus delivered 718 commercial aircraft in 2017, compared to Boeing's total of 763, the European group has a substantially lower market value. We believe that the market is starting to recognise this disparity. Aviation is an industry we believe is only going to grow, and so fuel efficiency is key. In recent years Airbus has achieved dramatic fuel efficiency gains - in part delivered in partnership with key engine supplier, Safran (another Menhaden portfolio company).

We invested inVolkswagenafter we became confident in its new management team and changes to its governance structure and vehicle emission testing practices. The Volkswagen position added 1.9% to NAV in the year and we added to it over the year such that it represented 7.5% of NAV at the year-end. Much of the gain arose during Q4 after the company lifted its revenue and profit targets to 2020 and gave investors a firm commitment to raising its dividend ratios. Volkswagen has continued to ramp up its ambition to be a world leading manufacturer of electric vehicles, stating in its 2017 interim report that the Company's 'development activities up to 2025 will focus on more than 30 new electric vehicle models'. The Company's impact report for 2017 goes into greater detail on Volkswagen's electric vehicle business and ambitions as well our monitoring of its governance and vehicle environmental performance and contributions to reducing global vehicle emissions.

Following additional purchases during the yearSafran, a leader in the development and manufacture of increasingly fuel-efficient aviation engines, now represents 7.9% of our portfolio and gained 19.4% during the year, adding 1.4% to NAV. We maintain our high conviction in Safran due to the high visibility of the company's revenues and earnings during the coming five years.

Yield

The Yield portfolio's contribution to the overall NAV gain was 1.5% for the year and accounted for 13.3% of the portfolio as at 31 December 2017.

The sale ofTerraform Globalto Brookfield Renewable Energy Partners took place at the very end of 2017, resulting in us receiving proceeds of circa £1.4 million. It is for this reason, as well as the partial sale of Terraform Power (also to Brookfield), that our allocation to Yield investments was lower than target at year-end.Abengoa's debt restructuring ***plan*** was approved during the summer and creditors injected over (EURO)1 billion into the company to enable it to continue operations and complete some late stage projects. We subscribed just over (EURO)1 million to the Company's portion of this capital injection, which was well collateralised by a stake in Atlantica Yield. After the restructuring the bonds increased in value, adding 0.5% to our NAV and we decided to exit the position in the second half of the year as we felt the bonds no longer offered a material upside.

Meanwhile, during the course of the year we added to our position inAtlantica Yield, taking that position to 3.3% of total NAV by the year end. Our thesis has always been that a high quality new sponsor would take the place of Abengoa as sponsor of Atlantica Yield. So we were delighted by the announcement that Canadian utility Algonquin has acquired a 25% stake in Atlantica at a price of US$24.25/share. Atlantica added 0.2% to our NAV during the course of the year, and now trades on a dividend yield of approximately 5%.

This transaction is similar to the acquisition byBrookfield Renewable Energy Partners(another of our portfolio companies) of 51% ofTerraform Powerearlier this year- which resulted in a return of £2,062,000 of cash to us. Terraform Power remains listed whilst Brookfield, as new sponsor, provides the resources to expand the operating portfolio. We hold Brookfield in high esteem and believe their expertise in asset management will enable Terraform Power to grow in a sustainable, profitable manner. Brookfield itself was a strong performer during the year; the position was ahead by 14.2%, adding 0.6% to our NAV.

During the course of the year we bought and then sold a position in Spanish electricity transmission monopoly, Red Electrica. We sold this position because of uncertainty over the ongoing troubles arising in Spain as a result of the Catalonia independence issue. This position added 0.6% to NAV during 2017.

Private Investments

The Private Equity portfolio's contribution to the gain was 2.6% for the year and accounted for 27.8% of the portfolio as at 31 December 2017.

During Q1 we completed a £3.5 million investment inCalvin Capital, one of the largest independent electricity meter providers in the UK, alongside the infrastructure arm of global investment firm KKR. Calvin provides us with a differentiated opportunity to enter a core segment of the UK residential utility space through an established platform offering potentially strong downside protection and cash yield through the existing portfolio of meters, as well as growth potential through a large contracted pipeline of upcoming meter installations and further growth opportunities in a legislated smart meter rollout ***programme*** in the UK. Calvin's business model is to purchase electricity meters on behalf of energy suppliers, fund and pay for their installation and manage the billing process throughout their expected operating life of over 20 years. That investment has had a good first year. Calvin has achieved growth in its portfolio of smart meters, has won a significant new contract in Australia and is performing significantly ahead of ***plan*** on both revenue and profitability. Calvin's senior management team continues to develop its strategy for adjacent sectors, including electric vehicle charging stations, batteries and LED lighting. This position is held at cost.

Since closing our investment inX-ELIOin December 2015 (our largest position at 15.8% of NAV at the end of 2017) the Company has hit a number of milestones. X-Elio has delivered the commercial operation of a new 25 MW solar power plant in Japan, a 58 MW plant in Chile and is currently constructing 117 MW of new capacity in Japan. In addition, the operating performance of X-ELIO's operating assets came in ahead of expectations in 2016 and again in 2017. As a result, the holding value of this position was marked up again by 10% at the end of the third quarter. Moreover, we received a distribution of cash from X-ELIO during Q4, representing circa 3.9% of the cost of the investment. We remain confident in our original thesis and see X-ELIO as well positioned to benefit from the global shift towards solar photo voltaic ("PV"), as a result of the company's footprint across the key global solar markets and a fully integrated business model centred around developing, constructing and managing solar PV plants.

In Q2 we completed our third direct private equity investment inPerfin Apollo 12, with a total commitment of approximately £4.4 million. Of this approximately £750,000 had been drawn down by the year end, representing approximately 0.9% of our NAV. Perfin is an investment vehicle focused on the development of Brazilian electricity transmission assets, alongside one of the largest public transmission companies in Brazil, Alupar. Brazil is the second largest ***producer*** of hydroelectric power in the world, trailing only China, and the country depends on hydroelectricity for more than 75% of its electric power supply. Perfin Apollo 12 participated in the latest round of government auctions for transmission licences and will hold 49% of the equity of each individual transmission asset with Alupar holding the rest. The expected returns for the transmission assets in Brazilian Reals are inflation plus 10-12%. Perfin Apollo 12 also holds a put option that allows it to sell the assets back to Alupar, regardless of performance, at inflation plus 5% per annum, nine years after deployment.

TheAlpina Partners Fund, a private equity fund, added 2.1% to NAV during the year. This performance was driven by three factors: the Fund successfully sold one of its portfolio holdings; the NAV of the Fund increased during the year; and the discount to NAV, reflected in the sale of half our stake in the Fund in March (we had divested over concerns that, once fully invested, the position could have represented nearly 15% of our NAV), was fully unwound in the Company's year end valuation.

Our holding in theWCP Growth Funddeclined further, costing us 1.9% of NAV. Holdings in remaining portfolio companies which are likely to require further equity financing were written down on the basis that the fund may be diluted in future financing rounds. This position now represents just 1.4% of our NAV.

Conclusion

We are delighted that both Jessica Kaur and Edward Pybus have joined our team as research analysts. Previously, Jessica was an Associate Director at UBS in the Research division, where she was a covering analyst in the UK mid-cap team. Edward was an Analyst at Exane BNP Paribas in the Research division, where he was a member of the Oil & Gas team and covered European integrated oil companies.

The investment case for our energy and resource efficiency mandate continues to strengthen. Governments around the world, notably including China, are intensifying their focus on energy and resource efficiency. Businesses, which were often ahead of governments in this regard, are increasing the rate of change of their business models. This transition is greatly helped by lowering costs: for example, solar and wind are increasingly competitive with conventional power in many jurisdictions, and the lifetime costs of electric vehicles are starting to be competitive with internal combustion engine vehicles.

Our team is now complete, our processes are working well, our portfolio is solid, and so, as we enter 2018, we remain confident in our ability to generate excellent long-term risk-adjusted returns from these themes.

Menhaden Capital Management LLP

Portfolio Manager

23 March 2018

Investment Committee

Menhaden Capital Management LLP has been appointed as the Company's Portfolio Manager. The Portfolio Manager's Investment Committee makes all investment and disinvestment decisions in respect of the Company.

Graham Thomas

Graham Thomas is the non-executive chairman of the Investment Committee. Before founding Menhaden Capital Management LLP with Ben Goldsmith, Graham chaired RIT Capital Partners plc's Executive Committee. Prior to this, Graham was the head of the Standard Bank Group's US$3 billion Principal Investment Management division, which was established in 2008 under his leadership. He joined Standard Bank from MidOcean Partners in London, where he was a founding partner. Before MidOcean Partners, he was an Executive Director in the Investment Banking Division of Goldman Sachs & Co.

Graham is currently CEO of private equity firm, Stage Capital, and on the investment committee of Apis Partners. He is a Rhodes Scholar with degrees from Oxford and the University of Cape Town.

Ben Goldsmith

Ben is the Chief Executive Officer of Menhaden Capital Management LLP. Before co-founding Menhaden Capital Management LLP, Ben co-founded the WHEB group, one of Europe's leading energy and resource-focused fund investment businesses. Ben is a director of Cavamont Holdings, the Goldsmith family's investment holding vehicle. Ben also chairs the UK Conservative Environment Network, a group which has a preference for decentralised, market-orientated solutions to environmental and resource issues.

Luciano Suana

Luciano is an investment manager at Menhaden Capital Management LLP. Before joining Menhaden Capital Management LLP, Luciano was a Director of Barclays Capital in the Capital Markets division where he ran the credit trading operations for Brazil out of São Paulo. Before Barclays, Luciano was a Director of Dresdner Kleinwort in London. There he focused mainly on Infrastructure, Utilities and Real Estate assets as head of the Illiquids Credit group.

Luciano holds a Licenciatura in business administration from Universitat Autònoma de Barcelona and was granted the Premio Extraordinario de Fin de Carrera for outstanding academic performance.

Investment Process

Investment Process

The portfolio management team, which has day to day responsibility for managing the portfolio, is led by Luciano Suana, and comprises Ben Goldsmith, Edward Pybus and Jessica Kaur.

The portfolio management team presents investment opportunities to the Investment Committee, which is chaired by Graham Thomas.

Thematically, the team seeks to invest in opportunities, publicly traded or private, which either deliver or benefit from the more efficient use of energy and resources. All investment opportunities are assessed through a value lens, with the aim of acquiring investments with low downside risk, backed by identifiable assets and cash flows, at attractive valuations. The team seeks to invest with a long-term perspective, and with high conviction. Consequently, the portfolio comprises around 20 positions and the team aims for portfolio turnover to be low.

When identifying suitable investment opportunities, the portfolio management team is cognisant of the UK Stewardship Code and the UN Principles of Responsible Investment.

Investment Committee

The Investment Committee meets weekly in order to consider the investment opportunities presented by the portfolio management team. All investment decisions must be made with the unanimous consent of all members of the Investment Committee unless one of the members has a potential conflict of interest, in which case that member will excuse himself from that particular decision.

***Strategic*** Advisory Group

The Investment Committee is supplemented by a ***Strategic*** Advisory Group, which assists the Committee in implementing the Company's investment objective and policy. The ***Strategic*** Advisory Group does not have a formal mandate or responsibilities, but meets with the Investment Committee from time to time to discuss the macroeconomic environment, factors affecting the broad investment theme of the Company, market conditions and portfolio construction.

Investment Network

The portfolio manangement team has access to a proprietary investment network, which includes a group of investment managers of external funds and, from time to time, external experts and advisers. The portfolio management team believe that this is of benefit to the investment process and helps to source opportunities that they believe would not otherwise be available to the Company.

Business Review

The ***Strategic*** Report has been prepared solely to provide information to shareholders to assess how the Directors have performed their duty to promote the success of the Company.

The ***Strategic*** Report contains certain forward-looking statements. These statements are made by the Directors in good faith based on the information available to them up to the date of this report and such statements should be treated with caution due to the inherent uncertainties, including both economic and business risk factors, underlying any such forward-looking information.

Business Model

The Company is an externally managed investment trust and its shares are premium listed on the Official List and traded on the main market of the London Stock Exchange.

The Company is an Alternative Investment Fund ("AIF") under the European Union's Alternative Investment Fund Managers Directive ("AIFMD") and has appointed Frostrow Capital LLP as its Alternative Investment Fund Manager ("AIFM").

As an externally managed investment trust, all of the Company's day-to-day management and administrative functions are outsourced to service providers. As a result, the Company has no executive directors, employees or internal operations.

The Board

Details of the Board of Directors of the Company are set out later in this report.

All Directors will seek re-election by shareholders at the Annual General Meeting to be held on 22 May 2018.

Board Focus and Responsibilities

With the day-to-day management of the Company outsourced to service providers, the Board's primary focus at each Board meeting is reviewing the investment performance and associated matters such as future outlook and strategy, gearing, asset allocation, investor relations, marketing and industry issues.

In line with its primary focus, the Board retains responsibility for all the key elements of the Company's strategy and business model, including:

·         continuous review of the investment objective and policy, incorporating the investment guidelines and limits;

·         review of the maximum levels of gearing and leverage the Company may employ;

·         review of performance against the Company's KPIs and peer group;

·         review of the performance and continuing appointment of service providers; and

·         maintenance of an effective system of oversight, risk management and corporate governance.

The investment objective and policy, including the related limits and guidelines, are set out above, along with the details of the leverage and gearing levels allowed.

Details of the principal KPIs and further information on the principal service providers, their performance and continuing appointment, along with details of the principal risks and how they are managed, follow within this Business Review.

The Corporate Governance Statement, on pages 36 to 39, includes a statement of compliance with corporate governance codes and best practice. The Audit Committee Report contains an outline of the internal control and risk management framework within which the Board operates.

Key Performance Indicators ("KPIs")

The Board monitors the following KPIs, details of which can be found above:

·         Net asset value ("NAV") per share total return;

·         Share price total return;

·         Discount/premium of share price to NAV per share;

·         Ongoing charges ratio; and

·         Performance against the MSCI World Total Return Index (in sterling) and the Company's peer group.

NAV per share total return

The Directors regard the Company's NAV per share total return as being the overall measure of value delivered to shareholders over the long-term. This reflects both the net asset value growth of the Company and any dividends paid to shareholders.

Share price total return

The Directors regard the Company's share price total return to be a key indicator of performance and monitor this closely. This reflects the return to the investor on mid-market prices, assuming any dividends paid are reinvested.

Share price discount/premium to NAV per share

The share price discount/premium to NAV per share is considered a key indicator of performance as it impacts the share price total return and can provide an indication of how investors view the Company's performance and its investment objective.

Ongoing charges ratio

The Board is conscious of expenses and aims to ensure there is a balance between good quality services and costs.

The ongoing charge ratio reflects the costs incurred directly by the Company and is calculated in accordance with the AIC guidance on ongoing charges.

MSCI World Total Return Index

Whilst the Company pursues an active, non-benchmarked total return strategy, the Board considers the NAV per share total return performance against the MSCI World Total Return Index measured on a net total return, sterling-adjusted basis.

The Board also monitors the Company's NAV return against its peer group and other relevant indices such as the Widerhill New Energy Global Innovation Index (in sterling) and the AIC Environmental Sector. Details are given in the Chairman's Statement.

A full description of performance during the period under review and the portfolio is contained in the Portfolio Manager's Review.

Principal Service Providers

The principal service providers to the Company are Frostrow Capital LLP ("Frostrow" or the "AIFM"), Menhaden Capital Management LLP ("MCM" or the "Portfolio Manager") and J.P. Morgan Europe Limited (the "Depositary"). Details of their key responsibilities and their contractual arrangements with the Company follow.

AIFM

The Board has appointed Frostrow as the designated AIFM for the Company on the terms and subject to the conditions of the alternative investment fund management agreement between the Company and Frostrow (the "AIFM Agreement"). The AIFM Agreement assigns to Frostrow overall responsibility to manage the Company, subject to the supervision, review and control of the Board, and ensures that the relationship between the Company and Frostrow is compliant with the requirements of the AIFMD. Frostrow, under the terms of the AIFM Agreement provides, inter alia, the following services:

·         risk management services;

·         marketing and shareholder services;

·         administrative and secretarial services;

·         advice and guidance in respect of corporate governance requirements;

·         maintenance of the Company's accounting records;

·         preparation and dispatch of the annual and half yearly reports and monthly factsheets; and

·         ensuring compliance with applicable tax, legal and regulatory requirements.

The notice period on the AIFM Agreement is six months and termination can be initiated by either party.

AIFM Fee

Under the terms of the AIFM Agreement, Frostrow receives a periodic fee equal to 0.225% per annum of the Company's net assets up to £150 million, 0.220% per annum of the net assets in excess of £150 million and up to £500 million, and 0.175% per annum of the net assets in excess of £500 million.

Portfolio Manager

Under the AIFM Agreement, MCM as delegate of the AIFM is responsible for the management of the Company's portfolio of investments under an agreement between MCM, the Company and Frostrow (the "Portfolio Management Agreement"). Under the terms of the Portfolio Management Agreement, MCM provides, inter alia, the following services:

·         seeking out and evaluating investment opportunities;

·         recommending the manner by which cash should be invested, divested, retained or realised;

·         advising on how rights conferred by the investments should be exercised;

·         analysing the performance of investments made; and

·         advising the Company in relation to trends, market movements and other matters which may affect the investment objective and policy of the Company.

Portfolio Management Fee

MCM receives a periodic fee equal to 1.25% of the Company's net assets up to £150 million and 1.00% of the Company's net assets in excess of £150 million.

Performance Fee

Dependent on the level of the long-term performance of the Company, MCM is entitled to a performance fee.

In respect of a given three year performance period, a performance fee may be payable equal to 10% of the amount, if any, by which the Company's adjusted NAV at the end of that performance period exceeds the higher of (a) a compounding hurdle on the gross proceeds of the IPO of 5% per annum; and (b) a high watermark\*. The performance fee is subject to a cap in each performance period of an amount equal to the aggregate of 1.5% of the weighted average NAV in each year (or part year, as applicable) of that performance period.

Depositary

The Company has appointed J.P.Morgan Europe Limited as its Depositary in accordance with the AIFMD on the terms and subject to the conditions of an agreement between the Company, Frostrow and the Depositary (the "Depositary Agreement"). The Depositary provides the following services, inter alia, under its agreement with the Company:

·         safekeeping and custody of the Company's custodial investments and cash;

·         processing of transactions; and

·         foreign exchange services.

The Depositary must take reasonable care to ensure that the Company is managed in accordance with the Financial Conduct Authority's Investment Funds Sourcebook, the AIFMD and the Company's Articles of Association.

Under the terms of the Depositary Agreement, the Depositary is entitled to receive an annual fee of the higher of £40,000 or 0.175% of the net assets of the Company up to £150 million, 0.15% of the net assets in excess of £150 million and up to £300 million, 0.1% of the net assets in excess of £300 million and up to £500 million and 0.05% of the net assets in excess of £500 million. In addition, the Depositary is entitled to a variable custody fee which depends on the type and location of the custodial assets of the Company.

The Depositary has delegated the custody and safekeeping of the Company's assets to JPMorgan Chase Bank N.A., London branch (the "Custodian").

The notice period on the Depositary Agreement is 90 days if terminated by the Company and 120 days if terminated by the Depositary.

Evaluation of the AIFM and the Portfolio Manager

The performance of the AIFM and the Portfolio Manager is reviewed continuously by the Board and the Company's Management Engagement Committee (the "MEC") with a formal evaluation process being undertaken each year. As part of this process, the Board monitors the services provided by the AIFM and the Portfolio Manager and receives regular reports from them. The MEC reviewed the appropriateness of the appointment of the AIFM and the Portfolio Manager in November 2017 with a recommendation being made to the Board.

The Board believes the continuing appointment of the AIFM and the Portfolio Manager, under the terms described above, is in the interests of shareholders as a whole. In coming to this decision, the MEC and the Board took into consideration, inter alia, the following:

·         the quality of the service provided and the quality and depth of experience of the company management, company secretarial, administrative and marketing team that the AIFM allocates to the management of the Company; and

·         the quality of service provided by the Portfolio Manager to the management of the portfolio; and the level of performance in the portfolio in absolute terms and by reference to the MSCI World Total Return Index and other relevant indices.

Principal Risks and Uncertainties

In fulfilling its oversight and risk management responsibilities the Board maintains a framework of key risks which affect the Company and the related internal controls designed to enable the Directors to manage/mitigate these risks as appropriate. The Directors have carried out a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity.

The principal risks can be categorised under the following broad headings:

·         investment risk;

·         financial risk;

·         operational risks (including accounting, cyber security, compliance and regulatory risks); and

·         shareholder relations and share price performance risk.

Further information on the internal controls and the risk management framework can be found below. The following sections detail the risks the Board considers to be the most significant to the Company under these headings.

Investment Risk

The Board recognises that investment risk is the most significant risk to which the Company is exposed through investing in quoted and unquoted securities, both in the UK and overseas, as a result of which it has exposure to the risk of changes in asset prices and foreign exchange rates. Investment risk is comprised of two main aspects: market risk and concentration risk.

Market risk is the risk that the value of investments will change due to the overall performance of financial markets or macro-economic factors. It cannot be eliminated through diversification, though it can be hedged against. The Company's policy on hedging is set out on in the Investment Policy.

Concentration risk is the risk that the value of an investment or a small number of similar investments changes due to factors specific to them or the sector in which they operate. This type of risk can be reduced by diversification of the portfolio. The Board have set diversification requirements, relating to both individual investments and asset allocation, within which the investment portfolio is managed, but investors should be aware that the Company expects to invest in a relatively concentrated portfolio of securities. The Company is therefore exposed to the potentially higher volatility arising from a concentrated portfolio and risks specific to the sectors in which it invests, such as global energy and commodity prices or withdrawal of government subsidies for renewable energy.

To manage investment risk the Board has appointed the AIFM and the Portfolio Manager to manage the Company within the remit of the investment objective and policy. Compliance with the investment objective and policy is monitored daily by the AIFM and reported to the Board on a monthly basis.

Regular reports are received from the AIFM and the Portfolio Manager on stock selection and asset allocation, and they report at each Board meeting on the portfolio and performance of the Company, including the rationale for stock selection decisions, the make-up of the portfolio, potential new holdings and the investment strategy.

Financial Risk

In addition to market and concentration risk, discussed above, the Company is exposed to credit risk arising from the use of counterparties. If a counterparty were to fail, the Company could be adversely affected through either delay in settlement or loss of assets.

The most significant counterparty to which the Company is exposed is J.P. Morgan Europe Limited, the Depositary, which is responsible for the safekeeping of the Company's custodial assets.

Credit risk is managed by the Board through:

·         reviewing the arrangements with, and services provided by, the Depositary to ensure that the security of the Company's custodial assets is being maintained;

·         reviewing Frostrow's approved list of counterparties, the Company's use of those counterparties and the Portfolio Manager's process for monitoring and adding to the approved counterparty list; and

·         monitoring of counterparties, including reviewing their internal control reports and credit ratings, as appropriate.

Further information on the use of financial instruments and their risks, including credit risk, can be found in note 14 to the financial statements.

Details of the work undertaken in regard to verifying ownership and the valuation of unquoted (non-custodial) assets is set out in the Audit Committee Report.

Operational Risk

The Company is an externally managed investment trust and as such has no employees or systems of its own. The Company is therefore dependent on its service providers, particularly the AIFM and the Portfolio Manager. It is exposed to the risk associated with the departure of a key member of the AIFM or Portfolio Manager, for whom there could be no guarantee of a suitable replacement being found, and a disruption to, or a failure of, its service providers' systems, which could lead to a failure to comply with applicable law and regulations resulting in reputational damage and/or financial loss to the Company.

To manage these risks the Board:

·         monitors on a regular basis the performance of the AIFM and the Portfolio Manager, including developments within their teams;

·         receives a monthly compliance report from Frostrow, which includes, inter alia, details of compliance with applicable laws and regulations;

·         reviews internal control reports and key policies, including measures taken to combat cyber security issues and the disaster recovery procedures of its service providers;

·         maintains a risk matrix with details of risks to which the Company is exposed, the controls relied on to manage those risks and the frequency of the controls operation; and

·         receives updates on pending changes to the regulatory and legal environment and progress towards the Company's compliance with such changes.

The Board has considered whether the UK's exit from the European Union ("Brexit") poses a unique risk to the Company. The Board believes that Brexit is unlikely to affect the Company's business model or how the Company's shares are sold but will continue to monitor regulatory and tax-related developments.

Shareholder Relations and Share Price Performance Risk

The Company is also exposed to the risk, particularly if the investment strategy and approach are unsuccessful, that the Company may underperform resulting in the Company becoming unattractive to investors and a widening of the share price discount to NAV per share.

In managing this risk the Board:

·         reviews the Company's investment objective in relation to the market, economic conditions and the operation of the Company's peers;

·         discusses at each Board meeting the Company's future development and strategy;

·         reviews an analysis of the shareholder register and reports from the Company's corporate stockbroker at each Board meeting; and

·         actively seeks to promote the Company to current and potential investors.

Company promotional activities have been delegated to Frostrow, who report to the Board at each Board meeting on these activities.

Viability Statement

The Directors have carefully assessed the Company's current position and prospects as described in the Chairman's Statement and the Portfolio Manager's Review, as well as the Principal Risks and Uncertainties and have formed a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the next five financial years.

The particular factors the Directors have considered in assessing the prospects of the Company, its ability to liquidate its portfolio, and in selecting a suitable period in making this assessment are as follows:

·         the Board and the Portfolio Manager will continue to adopt a long-term view when making investments. When making a new investment the anticipated holding period can be five years or more.

·         the portfolio includes investments traded on major international stock exchanges and there is a spread of investments by size of company. It is estimated that 47% of the portfolio could be liquidated, in normal market conditions, within seven trading days;

·         the Company's expenses are predictable and modest in comparison with the assets and there are no capital commitments foreseen which would alter that position; and

·         the Company has no employees, only non-executive Directors, and consequently does not have employment related liabilities or responsibilities.

The Company is intended to operate over the long-term; however due to the limitations and uncertainties inherent in predicting market conditions the Directors have determined that five years is the longest period for which it is reasonable to make this assessment.

In carrying out their assessment, the Directors made the following assumptions:

·         investors will wish to continue to have exposure to the type of companies that the Company invests in, namely those companies that deliver or benefit from the efficient use of energy and resources;

·         the performance of the Company will be satisfactory; and

·         the threats to the Company's solvency or liquidity incorporated in the Principal Risks will be managed or mitigated as outlined elsewhere in this report.

Based on the results of this review, the Directors have formed a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the next five financial years.

Company Promotion

The aim of the Company's promotional activities is to encourage demand for the Company's shares. The Company has appointed Frostrow to provide marketing services in the belief that a well-marketed company is more likely to grow over time, is more likely to have a diverse and stable shareholder register and be more likely to trade at a superior rating to its peers.

Frostrow looks to promote the Company in the following ways:

Engaging regularly with institutional investors, discretionary wealth managers and a range of execution-only platforms:

Frostrow regularly meets with institutional investors, discretionary wealth managers and execution-only platform providers;

Making Company information more accessible:

Frostrow works to raise the profile of the Company by targeting key groups within the investment community, holding annual investment seminars, overseeing PR output and managing the Company's website and wider digital offering, including webcasts and social media. Frostrow also manages the investor database and ***produces*** all key corporate documents, distributes monthly factsheets, annual reports and updates from the Portfolio Manager on portfolio and market developments; and

Monitoring market activity, acting as a link between the Company, shareholders and other stakeholders:

Frostrow maintains regular contact with sector broker analysts and other research and data providers, and provides the Board with up-to-date and accurate information on the latest shareholder and market developments.

In addition the Board has appointed Kepler Partners LLP to ***produce*** and distribute market research on the Company.

Board Diversity

The Board strongly supports the principle of boardroom diversity, of which gender is one important aspect, and the recommendations of Lord Davies' review. The Board's aim is to have a broad range of approaches, backgrounds, skills and experience represented on the Board and to make appointments on merit against objective criteria, including diversity. The Board currently comprises one woman and three men, meeting Lord Davies' original recommendation.

Social, Human Rights and Environmental Matters

The Company is an externally-managed investment trust within the AIC Environmental Sector and invests in companies and markets which deliver or benefit from the more efficient use of energy or resources. It does not have any employees or premises, nor does it undertake any manufacturing or other operations. All its functions are outsourced to third party service providers and therefore the Company does not have any employee or direct human rights issues, nor does it have any direct, material environmental impact.

As an investment company, the Company does not provide goods or services in the normal course of business and does not have customers. Accordingly, the Company falls outside the scope of the Modern Slavery Act 2015. The Company's suppliers are typically professional advisers and the Company's supply chains are considered to be low risk in this regard.

The Board believes that the integration of financially material environmental, social and governance ("ESG") issues into investment decision-making can reduce risk and enhance returns. In addition, the on-going engagement and dialogue with investee companies, including through proxy voting, are key parts of an asset stewardship role. Accordingly, the Directors require the Portfolio Manager to use its best endeavours to ensure the Company's investments adhere to best practice in the management of ESG issues, and encourage them to have due regard to the UN Global Compact and UN Principles of Responsible Investment. The Portfolio Manager's statement of compliance with the Financial Reporting Council UK Stewardship Code is available at[*http://www.frc.org.uk*](http://www.frc.org.uk). The Board has reviewed this statement as well as the proxy voting decisions made on the Company's behalf.

The Company ***produces*** an annual impact report setting out the environmental purpose of the Company and the impact it has, or intends to deliver. The report is published as a separate document on[*http://www.menhaden.com*](http://www.menhaden.com).

Performance and Future Developments

An outline of performance, investment activity and strategy, market background during the year and the future outlook, is provided in the Chairman's Statement and the Portfolio Manager's Review.

The Portfolio Manager believes that companies that supply products and services that help to conserve scarce resources, reduce negative environmental impacts and improve resource efficiency are likely to enjoy faster growing end markets. The Directors continue to believe that environmental and resource-efficiency solutions together with the Portfolio Manager's investment strategy should provide good returns for the long-term investor.

It is expected that the Company's strategy will remain unchanged in the coming year.

A continuation vote will be put to shareholders at the AGM to be held in 2020 and every five years thereafter.

This ***Strategic*** Report has been signed for and on behalf of the Board.

Sir Ian Cheshire

Chairman

23 March 2018

Impact Report

Measuring Menhaden's positive impact

As a publicly-listed investment trust, Menhaden's core aim is to generate long-term profits for shareholders by investing in opportunities that deliver, or benefit from, the efficient use of energy and resources. As part of this approach the Board strongly believes that the communication of the environmental metrics of the portfolio, alongside the Company's financial performance, is of significant value to shareholders.

That is why Menhaden attempts to quantify, to the extent possible, the positive impacts of its listed portfolio companies. Each year it analyses avoided resource consumption (electricity, fuel, water and waste) and the greenhouse gas emissions avoided due to the listed companies' products and services. The biggest private holding,X-ELIO, is also included in the analysis.

Impact measurement is an emerging field and while the quantifications are best estimates, they show that Menhaden's share of its portfolio holdings last year helped generate over 69,000 megawatt hours of clean electricity and saved over 40,000 tonnes of greenhouse gases from being emitted into the atmosphere1 ( 1 All figures are based on the selected environmental savings reported by our investee companies, proportionate to Menhaden's ownership stake, as of 31/12/17. They are best estimates based on the methodology in the technical annex available on the website. For a full explanation of our impact methodology please see Appendix[*http://www.menhaden.com*](http://www.menhaden.com)). That is equivalent to providing the electricity for over 18,000 UK homes or taking over 27,000 cars off the road.

The environmental impact of our portfolio companies in 20172

·         Total greenhouse gas emissions saved: +40,000 tCO2e

·         Water saved: +91,000 m3

·         Clean electricity generated: +69,000 MWh

·         Waste saved from landfill: 260 tonnes

(2 All figures are based on the selected environmental savings reported by our investee companies, proportionate to Menhaden's ownership stake, as of 31/12/17. They are best estimates based on the methodology in the technical annex available on the website. For a full explanation of our impact methodology please see Appendix[*http://www.menhaden.com*](http://www.menhaden.com))

From small start-ups to mass market

By using a fundamental, research-oriented approach the Portfolio Manager aims to find the innovation, products and services that offer the long-term solutions required for the transition to a low carbon economy. The Company recognises that some of our holdings, by the nature of their business, do intrinsically have some negative environmental impacts too, but the Portfolio Manager invests where the current and potential future sustainability impacts of their products or services justify an investment.

For example, the Company is invested in large clean energy entities such as X-ELIO, a global leader in photovoltaic energy development, and Australian wind and solar developerInfigen Energy. It also invests inCalvin Capital, an asset investment company helping the UK's largest energy suppliers to meet the UK Government's commitment to install 53 million smart meters by 2020. The technology is projected to save £16.7bn through reduced energy use3 (3[*http://www.bbc.co.uk/news/business-42655965*](http://www.bbc.co.uk/news/business-42655965)).

The Company has also looked at areas such as fuel efficiency in the transport sector, leading it to invest in holdings such as aircraft component manufacturer Safran, whose innovative 'LEAP' engine delivers a 15% reduction in fuel consumption compared to current standard engines. For similar reasons, Menhaden also currently holds German automakerVolkswagen (VW).

VW attracted negative sentiment because of the way it historically undertook tests and reported on its diesel vehicle emissions; however, this was under its previous management up to 2015. Since then, its fundamental U-turn has been significant and a new leadership team has put impressive focus and resources into new technologies, vowing to spend (EURO)20bn on electrification and ***planning*** to unveil more than 30 new all-electric car models by 20254 (4[*https://www.ft.com/content/a12ec7e2-fa01-11e7-9b32-d7d59aace167*](https://www.ft.com/content/a12ec7e2-fa01-11e7-9b32-d7d59aace167)).

Climate-related improvements this year have been noted by the Carbon Disclosure Project, which moved VW up five places to sixth in a ranking of global automakers' climate performance5( 5https://http://[*www.cdp.net/en/articles/media/low-carbon-and-high-tech-put-auto-sector-in-flux),and*](http://www.cdp.net/en/articles/media/low-carbon-and-high-tech-put-auto-sector-in-flux),and) the asset owner backed Transition Pathway Initiative which ranked VW in the top level for its quality of its management framework on climate change6 (6   [*http://www.lse.ac.uk*](http://www.lse.ac.uk)/ GranthamInstitute/tpi/8-of-the-top-20-car-manufacturers-align-to-the-transition-to-low-carbon-econom).  As a mass volume car maker, by practicing a high standard of corporate governance, product innovation, and by meeting or exceeding environmental regulatory standards in respect of vehicle manufacturing, emissions and disposals, Volkswagen can further reduce its environmental footprint and deliver significant positive environmental impact. The Portfolio Manager and the Board will keep their progress under constant review to ensure there is no return to previous poor practice, in which case the holding will be reassessed.

Menhaden portfolio impacts around the world

Menhaden takes a diversified multi-regional approach to investing, so the positive sustainability impacts of portfolio companies and their supply chains are felt across the world.

1. Portugal

Senvionis a wind turbine maker whose 172 MW Ancora wind farm uses local sources for blades, nacelles and hubs and delivers enough clean electricity to power 125,000 homes7 ( 7http://www. senvion.com/global/en/company/references-case-studies/ancora-wind-farms-portugal/).

 It is helping Portugal move to 100% renewable energy - a feat achieved for 107 hours in May 2016 when the country ran exclusively on renewable energy8 (8[*https://energytransition.org/2016/06/*](https://energytransition.org/2016/06/) portugal-moving-to-100-renewables/).

2. UK

Leading transport operatorFirst Groupis investing in its low carbon bus fleet, experimenting with electric, bio-methane and hydrogen fuel cell buses, and hybrid electric/diesel trains. It was awarded Low Carbon Vehicle Operator of the Year in the UK9 (9[*https://www.firstgroup.com/about-us/news/first-bus-wins-prestigious-prize-low-carbon-champions-awards*](https://www.firstgroup.com/about-us/news/first-bus-wins-prestigious-prize-low-carbon-champions-awards)).

3. France

French multinationalSafrandesigned the LEAP engine for commercial jets in partnership with General Electric. The engine delivers a 15% reduction in fuel consumption and CO2 emissions compared to current standard engines and provides a 50% cut in nitrogen oxides10 (10https://http://[*www.safran-aircraft-engines.com/commercial-engines/single-aisle-commercial-jets/leap/leap*](http://www.safran-aircraft-engines.com/commercial-engines/single-aisle-commercial-jets/leap/leap)).

4. Japan

Solar providerX-ELIOcurrently has 76 MW in operation and a further 115 MW under construction11 (11[*https://www.energynews.es/english/renewable-capacity-in-japan-is-growing-at-an-average-annual-rate-of-29-since-2012/*](https://www.energynews.es/english/renewable-capacity-in-japan-is-growing-at-an-average-annual-rate-of-29-since-2012/)).  It is part of a wider trend that has seen the share of energy generated by renewable sources in Japan jump from 9% in 2011, to over 15% in 201612 ( 12https://   [*http://www.japantimes.co.jp/news/2017/10/14/business/balance-power-shift-toward-renewable-energy-appears-picking-steam/#.Wmikl2V0PeQ*](http://www.japantimes.co.jp/news/2017/10/14/business/balance-power-shift-toward-renewable-energy-appears-picking-steam/#.Wmikl2V0PeQ)).

5. Taiwan

Airbusreduced its CO2 emissions by 14% in absolute terms in the decade to 2016 and has set a clear target to improve fleet fuel efficiency by 1.5% per year between now and 202013 (13http://www. airbus.com/company/responsibility-sustainability/minimising-environmental-impact.html.html),  including introducing biofuels to some planes operated by China Airlines, headquartered in Taiwan14 (14[*http://www.airbus.com/newsroom/press-releases/en/2017/11/china-airlines-takes-delivery-of-a350-xwb-powered-with-biofuel-m.html*](http://www.airbus.com/newsroom/press-releases/en/2017/11/china-airlines-takes-delivery-of-a350-xwb-powered-with-biofuel-m.html)).

6. China

Auto maker Volkswagen will invest nearly $12bn by 2025 in developing five electric car models for the Chinese market15 (15[*https://www.wsj.com/articles/volkswagen-****plans****-12-billion-electric-car-blitz-in-china-1510820168).China*](https://www.wsj.com/articles/volkswagen-plans-12-billion-electric-car-blitz-in-china-1510820168).China) is the largest vehicle market in the world and has aggressive targets for new energy models such as electric vehicles16 ( 16   [*https://www.cdp.net/en/articles/*](https://www.cdp.net/en/articles/) media/low-carbon-and-high-tech-put-auto-sector-in-flux).

7. Australia

Infigenprovides over 500MW of renewable energy. It possesses a minimal supply chain with 74% of products and services procured in Australia, while its Sydney office is powered by 100% renewable energy17 ( 17[*http://s3-ap-southeast-2.amazonaws.com/infigen/wp-content/uploads/2016/*](http://s3-ap-southeast-2.amazonaws.com/infigen/wp-content/uploads/2016/) 10/ 24101556/ESG-Report-2016.pdf).

8. Brazil

Saneparhas achieved universal water access for the citizens of southern Brazil's Paraná state and has provided more than 3,000,000 water connections in the country18 (18http://www. globallegalchronicle.com/companhia-de-saneamento-do-parana-sanepars-315-million-follow-on-equity-offering/ ).

9. Canada

Brookfield Renewable Partnersowns and operates one of the world's largest renewable power portfolios, including more than 215 hydroelectric facilities. It has over 10,700 MW of installed capacity19 (19[*https://renewableops.brookfield.com*](https://renewableops.brookfield.com)).

10. USA

NASDAQ-listedAtlantica Yield20 (20[*https://www.atlanticayield.com/export/sites/yield/content/*](https://www.atlanticayield.com/export/sites/yield/content/) galleries/downloads/news /20180117-Atlantica-Yield-joins-UN-Global-Compact.pdf) was the first public US yieldco to join the UN Global Compact and their assets generate over 1,400 MW of renewable energy21 (21   [*https://www.atlanticayield.com/web/en/company-overview/overview/*](https://www.atlanticayield.com/web/en/company-overview/overview/)).

11. South Africa

Terraform Globalowns three solar plants in South Africa, which provide a total generating capacity of over 66 MW22 (22 TerraForm Power & TerraForm Global Overview 2016 ).

The Portfolio Manager currently organises the Company's portfolio around four investment themes: i) clean energy production; ii) sustainable transport; iii) resource and energy efficiency; and iv) water and waste management.

Clean energy

Clean energy has the biggest share of the Company's portfolio compared with the other three themes, with over a third of holdings invested in this area. In total the seven clean energy companies in Menhaden's portfolio generated approximately 49 million MWh of electricity in 2017.

These include investments such as X-ELIO, a global leader in renewable energy which currently has 41 solar plants in operation across 12 countries and has built more 650 MW in solar photovoltaic plants23 (23[*https://www.x-elio.com/en/who-we-are/*](https://www.x-elio.com/en/who-we-are/)).

As renewable electricity production is significantly less water-intensive than traditional types of generation (such as a coal-fired plant), we also estimate Menhaden's share of these portfolio companies helped save over 90,000m3 water in 2017.

Sustainable transport

Planes and cars remain fundamental to the global economy and Menhaden is invested in transport companies with best-in-class approaches to fuel efficiency. For example, the Portfolio Manager has selected Airbus rather than a more fuel intensive rival such as Boeing to support fuel efficiency in the emissions-intensive aviation industry24 (24[*http://www.airbus.com/company/responsibility-sustainability/minimising-environmental-impact.html*](http://www.airbus.com/company/responsibility-sustainability/minimising-environmental-impact.html)).

By providing fuel efficient alternatives we calculate that Menhaden's share in its portfolio companies has helped save over four million litres of fuel in 2017.

Resource and energy efficiency

From factories to freight systems this theme covers a wide range of companies that improve energy efficiency or create emissions reduction products or services. One of Menhaden's new allocations in 2017 was in Brazilian agribusiness company,Terra Santa Agro, whose use of natural byproducts from the production process of animal food helped create significant energy savings25 ( 25http://http://[*www.terrasantaagro.com/conteudo\_eni.asp?idioma=1&conta=46&tipo=61556*](http://www.terrasantaagro.com/conteudo_eni.asp?idioma=1&conta=46&tipo=61556)).

Menhaden's portfolio-wide CO2 and other greenhouse gas emission savings in this field were over 40,000 tons of carbon emissions avoided in 2017, equivalent of taking over 27,000 cars off the road.

Waste & water management

This theme covers companies generating positive impacts from products or services that enable reductions in usage or volumes of water and waste, or finding smarter ways to manage water and waste. In 2017, two new additions to this theme were Brazilian water companiesCopasaandSanepar- both of which also use renewable energy widely in their operations.

Menhaden's share in its listed equity portfolio helps save over 90,000m3 of water and prevented around 260 tonnes of waste from being sent to landfill.

Investing in better water supplies

According to the UN two thirds of the world's population currently live in areas experiencing some significant water scarcity. This affects millions of people and businesses even in a water-abundant country like Brazil26 (26 UN World Water Development Report for 2017 ).

Yet water demand is also predicted to increase significantly over the coming decades, and this creates both a sustainable development requirement and a sound financial case for investment in high-quality water supply infrastructure.

This is why two notable additions to the Menhaden portfolio this year have been Brazilian firms Sanepar and Copasa, which specialise in the provision of services in water supply, sewage and solid waste. Both companies also use clean energy extensively. Copasa has an energy re-use process, and Sanepar purchases and uses electricity from renewable energy sources.

Sanepar, for example, has this year begun work to transform water infrastructure in the city of Ponta Grossa in Southern Brazil, including construction of a new reservoir. The investment will increase access to safe drinking water and will benefit over 150,000 people27 (  27https://subscriber. bnamericas.com/en/news/brazils-sanepar-launches-water-improvement-works?position= 1&aut=true&idioma=en).  Projects like this helped Sanepar record net income in excess of R$600m (US$190m) in 201728 (28[*http://www.4-traders.com/COMPANHIA-DE-SANEAMENTO-P-6496420*](http://www.4-traders.com/COMPANHIA-DE-SANEAMENTO-P-6496420)/ financials/).

Menhaden's contribution to the SDGs

The UN Sustainable Development Goals (SDGs) offer a global framework for measuring progress towards all aspects of sustainability. There is a strong business case for getting behind them too, with research showing that achieving the SDGs could create economic opportunities worth US$12 trillion a year by 203029 ( 29[*http://businesscommission.org/news/release-sustainable-business-can-unlock-at-least-us-12-trillion-in-new-market-value-and-repair-economic-system*](http://businesscommission.org/news/release-sustainable-business-can-unlock-at-least-us-12-trillion-in-new-market-value-and-repair-economic-system)).

This year therefore, we piloted some analysis with sustainability analysts, Impact Cubed, to see which SDGs Menhaden's portfolio companies offered the most contribution to. Their analysis found it was the following eight goals:

·         Clean water and sanitation

·         Affordable and clean energy

·         Responsible consumption and production

·         Climate action

·         Life below water

·         Life on land

·         Peace, justice and strong institutions

·         Partnerships for the goals

Governance

Board of Directors

Sir Ian Cheshire (Chairman)

Sir Ian Cheshire was the Group Chief Executive of Kingfisher plc from January 2008 until February 2015. Prior to that he was Chief Executive of B&Q Plc from June 2005. Before joining Kingfisher in 1998 he worked for a number of retail businesses including Sears plc where he was Group Commercial Director.

Sir Ian is the Chairman of Barclays UK, the ring-fenced retail bank, Chairman of Debenhams plc and Government lead non-executive director. He is a non-executive director of Barclays PLC and Barclays Bank PLC.

In addition, Sir Ian is Chair of the RSA Commission on food, farming and the countryside and President of the Business Disability Forum.

Sir Ian was knighted in the 2014 New Year Honours for services to Business, Sustainability and the Environment.

Duncan Budge

Duncan Budge is Chairman of Dunedin Enterprise Investment Trust plc, Artemis Alpha Trust plc, and a non-executive director of Lazard World Trust Fund (SICAF), Lowland Investment Company plc, Biopharma Credit plc and Asset Value Investors Ltd.

He was previously a director of J. Rothschild Capital Management from 1988 to 2012 and a director and chief operating officer of RIT Capital Partners plc from 1995 to 2011. Between 1979 and 1985 he was with Lazard Brothers & Co. Ltd.

Emma Howard Boyd

Emma Howard Boyd has spent her career working in financial services, initially in corporate finance, and then in fund management, specialising in sustainable investment and corporate governance.

Emma currently serves on various boards and advisory committees including the Environment Agency (Chair), the Environment Agency Pension Fund (Chair of Investment Committee), ShareAction (Chair of Trustees), the Aldersgate Group, the 30% Club and the Executive Board of The Prince's Accounting for Sustainability Project. She is an ex-officio board member of the Department for Environment, Food and Rural Affairs.

Previously a Director of Stewardship at Jupiter Asset Management, Emma was integral to the development of their reputation in the corporate governance and sustainability fields. This work included research and analysis on companies' environmental, social and governance performance, engaging with companies at board level and public policy engagement.

Howard Pearce

Howard Pearce is the founder of HowESG Ltd, a specialist environmental, asset stewardship, and corporate governance consultancy business. His non-executive roles include independent Chair of the Bank of Montreal Global Asset Management (EMEA) Responsible Investment Advisory Council, independent Chair of the Boards of the Avon and Wiltshire Pension Funds, and Non-Executive Director of Response Global Media Limited, the publishers of responsible-investor.com (ESG and sustainable finance).

Previously he was a Board member and Chair of the Audit Committee of Cowes Harbour Commission, and a Trustee and Chair of the Investment and Audit Committees of the NHS 'Above and Beyond' charity. Between 2003 and 2013 Howard was the Head of the Environment Agency pension fund and a member of its Pensions and Investment Committee. Under his leadership, the fund won over 30 awards in the UK, Europe and globally for its financially and environmentally responsible investment, best practice fund governance, public reporting and e-communications. Prior to this, Howard held senior executive roles in the environment, water, leisure and e-publishing sectors.

Meeting Attendance

The number of scheduled meetings of the Board and its committees held during the year and each Director's attendance, is shown below:

|  |  |  |  |
| --- | --- | --- | --- |
| **Type and number of meetings held in 2017** | **Board**  **(4)** | **Audit Committee**  **(3)** | **Management**  **Engagement**  **Committee**  **(1)** |
| Sir Ian Cheshire | 4 | N/A | 1 |
| Duncan Budge | 4 | 3 | 1 |
| Emma Howard Boyd | 3 | 2 | 1 |
| Howard Pearce | 4 | 3 | 1 |

In addition to the above, a number ofad hocBoard and committee meetings were held to consider matters such as the approval of regulatory announcements.

Directors' Interests

The Directors' beneficial interests in the Company's shares, together with those of their families, are set out below.

|  |  |  |
| --- | --- | --- |
|  | **Ordinary Shares of 1p each** |  |
|  | **31 December** | **31 December** |
|  | **2017** | **2016** |
| Sir Ian Cheshire | 115,000 | 115,000 |
| Duncan Budge | 10,000 | 10,000 |
| Emma Howard Boyd | 18,000 | 18,000 |
| Howard Pearce | 15,000 | 8,000 |
| **Total** | **158,000** | **151,000** |

No changes have been notified to the date of this report.

Directors' Report

The Directors present their annual report on the affairs of the Company together with the audited financial statements and the Independent Auditors' Report for the year ended 31 December 2017. Disclosures relating to performance, future developments and risk management can be found within the ***Strategic*** Report.

Business and Status of the Company

The Company is registered as a public limited company in England and Wales (registered number 09242421) and is an investment company within the terms of Section 833 of the Companies Act 2006 (the "Act"). Its shares are traded on the main market of the London Stock Exchange, which is a regulated market as defined in Section 1173 of the Act.

The Company has received approval from HM Revenue & Customs as an authorised investment trust under Sections 1158 and 1159 of the Corporation Tax Act 2010. This approval is subject to there being no subsequent enquiry under corporation tax self-assessment. In the opinion of the Directors, the Company continues to direct its affairs so as to qualify for such approval.

Continuation of the Company

In accordance with the Company's Articles of Association, shareholders will have an opportunity to vote on the continuation of the Company at the 2020 Annual General Meeting and every five years thereafter.

Results and Dividends

The results attributable to shareholders for the year are shown on page 55. No dividends were declared during the year and the Directors have not recommended a final dividend for the year. Information on the Company's dividend policy is detailed in the Chairman's Statement.

Alternative Performance Measures

The Financial Statements (on pages 55 to 73) set out the required statutory reporting measures of the Company's financial performance. In addition, the Board assesses the Company's performance against a range of criteria which are viewed as particularly relevant for investment trusts, which are summarised on page 2 and explained in greater detail in the ***Strategic*** Report, under the heading 'Key Performance Indicators' on page 16.

Substantial Interests in Share Capital

The Company was aware of the following substantial interests in the voting rights of the Company as at 28 February 2018, the latest practicable date before publication of the Annual Report.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | **28 February 2018** |  | **31 December 2017** |  |  |
|  | **Number** | **% of** | **Number** | **% of** |  |
|  | **of** | **issued** | **of** | **issued** |  |
|  | **Ordinary** | **share** | **Ordinary** | **share** |  |
| **Shareholder** | **Shares** | **capital** | **Shares** | **capital** |  |
| Cavenham Private Equity and Directs | 12,500,000 | 15.6 | **12,500,000** | **15.6** |  |
| Generali Versicherung | 6,000,000 | 7.5 | **6,000,000** | **7.5** |  |
| Kendall Family Investments | 5,000,000 | 6.3 | **5,000,000** | **6.3** |  |
| Aachen Muenchener Versicherung | 4,000,000 | 5.0 | **4,000,000** | **5.0** |  |
| UBS Wealth Management | 3,327,293 | 4.2 | **3,472,293** | **4.3** |  |
| Ravenscroft | 3,242,500 | 4.1 | **3,327,500** | **4.2** |  |
| Santino Global Assets | 3,000,000 | 3.8 | **3,000,000** | **3.8** |  |
| Laxey Partners | 2,798,000 | 3.5 | **2,798,000** | **3.5** |  |
| Rathbones | 2,750,520 | 3.4 | **2,777,020** | **3.5** |  |
|  |  |  |  |  |  |

As at 31 December 2017 and to the date of this report, the Company had 80,000,001 Ordinary Shares in issue.

Capital Structure

The Company's capital structure at the end of the year under review and to the date of this report was comprised of 80,000,001 Ordinary Shares of 1p nominal value each.

The voting rights of the Ordinary Shares on a poll are one vote for each share held.

No shares were issued or repurchased during the year and to the date of this report.

There are no:

·         restrictions on transfer of, or in respect of the voting or dividend rights of, the Company's Ordinary Shares;

·         agreements, known to the Company, between holders of securities regarding the transfer of Ordinary Shares; or

·         special rights with regard to control of the Company attaching to the Ordinary Shares.

At the end of the year under review and to the date of this report, the Directors had Shareholder authority to issue a further 919,999,999 Ordinary Shares and to repurchase no more than 14.99% of the Company's issued share capital per annum. These authorities will expire on 1 July 2020 unless previously revoked, varied or renewed by the Company in a general meeting.

Going Concern

The content of the investment portfolio, trading activity, the Company's cash balances and revenue forecasts, and the trends and factors likely to affect the Company's performance are reviewed and discussed at each Board meeting. The Directors, having made relevant enquiries, are satisfied that it is appropriate to continue to adopt the going concern basis in preparing the financial statements as a significant proportion of the Company's holdings are readily realisable and, accordingly, the Company has adequate financial resources to continue in operation for at least the next 12 months.

Beneficial Owners of Shares - Information Rights

Beneficial owners of shares who have been nominated by the registered holder of those shares to receive information rights under section 146 of the Companies Act 2006 are required to direct all communications to the registered holder of their shares rather than to the Company's registrar or to the Company directly.

Greenhouse Gas Emissions

As the Board has engaged external firms to undertake the investment management, corporate secretarial and custodial activities of the Company, the Company has no greenhouse gas emissions to report from its operations, nor does it have responsibility for any other emissions-***producing*** sources under the Companies Act 2006 (***Strategic*** Report and Directors' Reports) Regulations 2013.

The Company ***produces*** an annual impact report which is included within the Annual Report and also published separately on[*http://www.menhaden.com*](http://www.menhaden.com). The impact report provides further detail on the environmental purpose and impact of the Company.

Directors' & Officers' Liability Insurance Cover

Directors' and officers' liability insurance cover was maintained by the Company during the year ended 31 December 2017. It is intended that this policy will continue for the year ending 31 December 2018 and subsequent years.

Directors' Indemnities

During the year under review and to the date of this report, indemnities were in force between the Company and each of its Directors under which the Company has agreed to indemnify each Director, to the extent permitted by law, in respect of certain liabilities incurred as a result of carrying out his or her role as a Director of the Company. The Directors are also indemnified against the costs of defending criminal or civil proceedings or any claim by the Company or a regulator as they are incurred provided that where the defence is unsuccessful the Director must repay those defence costs to the Company. The indemnities are qualifying third party indemnity provisions for the purposes of the Companies Act 2006.

A copy of each deed of indemnity is available for inspection at the Company's registered office during normal business hours and will be available for inspection at the Annual General Meeting.

Other Statutory Information

The following information is disclosed in accordance with the Companies Act 2006:

·         the rules on the appointment and replacement of directors are set out in the Company's articles of association (the "Articles"). Any change to the Articles would be governed by the Companies Act 2006.

·         subject to the provisions of the Companies Act 2006, to the Articles, and to any directions given by special resolution, the business of the Company shall be managed by the Directors who may exercise all the powers of the Company. The powers shall not be limited by any special powers given to the Directors by the Articles and a meeting of the Directors at which a quorum is present may exercise all the powers exercisable by the Directors. The Directors' powers to issue and buy back shares, in force at the end of the year, are set out above.

·         there are no agreements:

(i)       to which the Company is a party that might affect its control following a takeover bid; and/or

(ii)      between the Company and its directors concerning compensation for loss of office.

Listing Rule 9.8.4

Listing Rule 9.8.4 requires the Company to include certain information in a single identifiable section of the Annual Report or a cross reference table indicating where the information is set out. The Directors confirm that there are no disclosures to be made in this regard.

Common Reporting Standard (CRS)

CRS is a global standard for the automatic exchange of information commissioned by the Organisation for Economic Cooperation and Development and incorporated into UK law by the International Tax Compliance Regulations 2015. CRS requires the Company to provide certain additional details to HMRC in relation to certain shareholders. The reporting obligation began in 2016 and is an annual requirement. The Company's registrar, Link Asset Services, has been engaged to collate such information and file the reports with HMRC on behalf of the Company.

Political Donations

The Company has not and does not intend to make any political donations.

Whistleblowing Policy

As the Company has neither executive directors nor employees, a formal whistleblowing policy has not been adopted. However, the Board has agreed a procedure by means of which any directors or employees of external service providers can bring to the attention of the Chairman matters of concern to them.

Disclosure of Information to Auditors

The Directors at the time of approving the Directors' Report are listed above. Each Director in office at the date of this report confirms that:

·         to the best of each Director's knowledge and belief, there is no information relevant to the preparation of their report of which the Company's Auditors are unaware; and

·         each Director has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Company's Auditors are aware of that information.

This information is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

Annual General Meeting

The Company's Annual General Meeting ("AGM") will be held at the offices of Herbert Smith Freehills LLP, Exchange House, Primrose Street, London EC2A 2EG on Tuesday, 22 May 2018 at 12 noon.

The Board considers that the proposed resolutions are in the best interests of the shareholders as a whole. Accordingly, the Board unanimously recommends to the shareholders that they vote in favour of the resolutions to be proposed at the forthcoming AGM, as the Directors intend to do in respect of their own beneficial holdings.

By order of the Board

Frostrow Capital LLP

Company Secretary

23 March 2018

Statement of Directors' Responsibilities

Company law in the United Kingdom requires the Directors to prepare financial statements for each financial year. The Directors are responsible for preparing the financial statements in accordance with applicable law and regulations. In preparing these financial statements, the Directors have:

·         selected suitable accounting policies and applied them consistently;

·         made judgements and estimates that are reasonable and prudent;

·         followed applicable UK accounting standards; and

·         prepared the financial statements on a going concern basis.

The Directors are responsible for keeping adequate accounting records which disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for ensuring that the Directors' Report and other information included in the Annual Report is prepared in accordance with company law in the United Kingdom. They are also responsible for ensuring that the Annual Report includes information required by the Listing Rules of the FCA.

The financial statements are published on the Company's website[*http://www.menhaden.comand*](http://www.menhaden.comand) via Frostrow'swebsite   [*http://www.frostrow.com*](http://www.frostrow.com). The maintenance and integrity of these websites, so far as it relates to the Company, is the responsibility of Frostrow. The work carried out by the Auditors does not involve consideration of the maintenance and integrity of these websites and, accordingly, the Auditors accept no responsibility for any changes that have occurred to the financial statements since they were initially presented on these websites. Visitors to the websites need to be aware that legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in their jurisdiction.

Responsibility Statement of the Directors in respect of the Annual Report

The Directors, whose details can be found above, confirm to the best of their knowledge that:

·         the financial statements within this Annual Report, prepared in accordance with applicable accounting standards, give a true and fair view of the assets, liabilities, financial position and the return for the year ended 31 December 2017; and

·         the Chairman's Statement, ***Strategic*** Report and the Directors' Report include a fair review of the information required by 4.1.8R to 4.1.11R of the FCA's Disclosure and Transparency Rules.

The Directors consider that the Annual Report taken as a whole is fair, balanced and understandable and provides the information necessary to assess the Company's position, performance, business model and strategy.

On behalf of the Board

Sir Ian Cheshire

Chairman

23 March 2018

Corporate Governance Statement

The Board has considered the principles and recommendations of the AIC Code of Corporate Governance (the "AIC Code") by reference to the AIC Corporate Governance Guide for Investment Companies (the "AIC Guide"). The AIC Code, as explained by the AIC Guide, addresses all the principles set out in the UK Corporate Governance Code (the "UK Code"), as well as setting out additional principles and recommendations on issues that are of specific relevance to the Company.

The Board considers that reporting against the principles and recommendations of the AIC Code will provide better information to shareholders and the Financial Reporting Council has confirmed that by following the AIC Code and the AIC Guide, boards of investment companies will meet their obligations in relation to the UK Corporate Governance Code and paragraph 9.8.6 of the UK Listing Rules.

The AIC Code and the AIC Guide can be viewed on the AIC's website[*http://www.theaic.co.ukand*](http://www.theaic.co.ukand) the UK Code can be viewed on the Financial Reporting Council website   [*http://www.frc.org.uk*](http://www.frc.org.uk).

Statement of Compliance

The Company has complied with the recommendations of the AIC Code and the relevant provisions of the UK Corporate Governance Code, except as set out below:

The UK Corporate Governance Code includes certain provisions relating to:

·         the role of the chief executive;

·         executive directors' remuneration; and

·         the need for an internal audit function.

For the reasons set out in the AIC Guide, and as explained in the UK Corporate Governance Code, the Board considers these provisions are not relevant to the position of the Company as it is an externally managed investment company. In particular, all of the Company's day-to-day management and administrative functions are outsourced to third parties. As a result, the Company has no executive directors, employees or internal operations. Therefore the Company has not reported further in respect of these provisions.

The Board and Committees

Responsibility for effective governance lies with the Board. The governance framework of the Company reflects the fact that as an externally managed investment company, it has no employees and outsources portfolio management services to Menhaden Capital Management LLP and risk management, company management, company secretarial, administrative and marketing services to Frostrow Capital LLP.

The Board

Chairman - Sir Ian Cheshire

Three additional non-executive Directors, all considered independent.

Key roles and responsibilities:

-     to provide leadership and set strategy within a framework of prudent effective controls which enable risk to be assessed and managed;

-     to ensure that a robust corporate governance framework is implemented; and

to challenge constructively and scrutinise performance of all outsourced activities.

Management Engagement Committee

Chairman - Sir Ian Cheshire

All Directors

Key roles and responsibilities:

to review regularly the contracts, the performance and the remuneration of the Company's principal service providers.

Audit Committee

Chairman - Howard Pearce

Duncan Budge, Emma Howard Boyd

Key roles and responsibilities:

-     to review the Company's financial reports;

-     to oversee the risk and control environment; and

to review the performance of the Company's external Auditors.

Copies of the full terms of reference, which clearly define the responsibilities of each committee can be obtained from the Company Secretary, will be available for inspection at the Annual General Meeting, and can be found on the Company's website at[*http://www.menhaden.com*](http://www.menhaden.com).

The Directors have decided that, given the size of the Board, it is unnecessary to form separate remuneration and nomination committees; the duties that would fall to those committees are carried out by the Board as a whole.

Board of Directors

Directors' Independence

The Board consists of four non-executive Directors, each of whom is independent of Frostrow and Menhaden Capital Management LLP ("MCM"). No member of the Board has been an employee of the Company, Frostrow, MCM or any of its service providers. Accordingly, the Board considers that all the Directors are independent and there are no relationships or circumstances which are likely to affect or could appear to affect their judgement.

Board Evaluation

During the course of 2017 the performance of the Board, its committees and individual Directors (including each Director's independence) was evaluated through a formal assessment process led by the Chairman.

The Chairman is satisfied that the structure and operation of the Board continues to be effective and relevant and that there is a satisfactory mix of skills, experience, length of service and knowledge of the Company.

All Directors will submit themselves for annual re-election by shareholders. Following the evaluation process, the Board recommends that shareholders vote in favour of their re-election at the Annual General Meeting.

Policy on Director Tenure

The Board subscribes to the view expressed within the AIC Code that long-serving directors should not be prevented from forming part of an independent majority. It does not consider that a directors' tenure necessarily reduces his/her ability to act independently. The Board's policy on tenure is that continuity and experience are considered to add significantly to the strength of the Board and, as such, no limit on the overall length of service of any of the Directors, including the Chairman, has been imposed. In view of its non-executive nature, the Board considers that it is not appropriate for the Directors to be appointed for a specified term, although new Directors will be appointed with the expectation that they will serve for a minimum of three years, subject to shareholder approval.

Appointments to the Board

The rules governing the appointment and replacement of directors are set out in the Company's Articles of Association. Where the Board appoints a new director during the year, that director will stand for election by shareholders at the next Annual General Meeting. When considering new appointments, the Board will seek to add persons with complementary skills or skills and experience which fill any gaps in the Board's knowledge and who can devote sufficient time to the Company to carry out their duties effectively. The Company is committed to ensuring that any vacancies arising are filled by the most qualified candidates. The Board recognises the value of diversity in the composition of the Board and accordingly, the Board will ensure that a diverse group of candidates is considered should any vacancies arise.

Subject to there being no conflict of interest, all Directors are entitled to vote on candidates for the appointment of new Directors and on the recommendation for shareholders' approval for the Directors seeking re-election at the Annual General Meeting. The Chairman will not chair the meeting when the Board is dealing with the appointment of his successor.

Induction/Development

New appointees to the Board will be provided with a full induction ***programme***. The ***programme*** will cover the Company's investment strategy, policies and practices. New directors will also be given key information on the Company's regulatory and statutory requirements as they arise including information on the role of the Board, matters reserved for its decision, the terms of reference for the Board committees, the Company's corporate governance practices and procedures and the latest financial information. Directors are encouraged to participate in training courses where appropriate.

Conflicts of Interest

In line with the Companies Act 2006, the Board has the power to authorise any potential conflicts of interest that may arise and impose such limits or conditions as it thinks fit. A register of interests and potential conflicts is maintained and is reviewed at every Board meeting to ensure all details are kept up to date. It was resolved at each Board meeting during the year under review that there were no direct or indirect interests of a Director that conflicted with the interests of the Company. Appropriate authorisation will be sought prior to the appointment of any new director or if any new conflicts or potential conflicts arise.

Exercise of Voting Powers

The Board has delegated authority to MCM (as Portfolio Manager) to vote the shares owned by the Company that are held on its behalf by its Custodian.

The Board has instructed that the Portfolio Manager submit votes for such shares wherever possible and practicable. The Portfolio Manager may refer to the Board on any matters of a contentious nature.

Further details of the Company's voting record can be found in the Portfolio Manager's Stewardship Report on the Company's website[*http://www.menhaden.com*](http://www.menhaden.com).

Anti-Bribery and Corruption Policy

The Board has adopted a zero tolerance approach to instances of bribery and corruption. Accordingly it expressly prohibits any Director or associated persons when acting on behalf of the Company from accepting, soliciting, paying, offering or promising to pay or authorise any payment, public or private, in the United Kingdom or abroad to secure any improper benefit from themselves or for the Company.

The Board applies the same standards to its service providers in their activities for the Company.

A copy of the Company's Anti Bribery and Corruption Policy can be found on its website at[*http://www.menhaden.com*](http://www.menhaden.com). The policy is reviewed regularly by the Audit Committee.

Prevention of the Facilitation of Tax Evasion

During the year and in response to the implementation of the Criminal Finances Act 2017, the Board adopted a zero-tolerance approach to the criminal facilitation of tax evasion. A copy of the Company's policy on preventing the facilitation of tax evasion can be found on the Company's website[*http://www.menhaden.com*](http://www.menhaden.com). The policy is reviewed annually by the Audit Committee.

Independent Professional Advice

The Board has formalised arrangements under which the Directors, in the furtherance of their duties, may seek independent professional advice at the Company's expense.

The Company has also arranged Directors' and Officers' Liability Insurance which provides cover for legal expenses under certain circumstances. This was in force for the entire period under review and up to the date of this report.

Company Secretary

The Directors have access to the advice and services of a Company Secretary through its appointed representative which is responsible to the Board for ensuring that the Board procedures are followed and that the Company complies with applicable rules and regulations. The Company Secretary is also responsible for ensuring good information flows between all parties.

Board Meetings and Relations with the Investment Manager

The Board is responsible for strategy and reviews the continued appropriateness of the Company's investment objective, strategy and investment restrictions at each meeting. The Board meets regularly throughout the year and representatives from Frostrow and MCM are in attendance at each Board meeting to address questions on specific matters and to seek approval for specific transactions which the AIFM is required to refer to the Board. The Chairman encourages open debate to foster a supportive and co-operative approach for all participants.

The primary focus at regular Board meetings is the review of key investment and financial data, revenue and expenses projections, analyses of asset allocation, transactions and performance comparisons, share price and net asset value performance, marketing and shareholder communication strategies, the risks associated with pursuing the investment strategy, peer group information and industry issues.

The Board reviews the discount or premium to net asset value per share of the Company's share price at each Board meeting and considers the effectiveness of the Company's marketing and communication strategies, as well as any recommendations on share buybacks and issuance.

The Board has reviewed the Portfolio Manager's Statement of Compliance with the UK Stewardship Code, which is available on the FRC website[*http://www.frc.org.uk*](http://www.frc.org.uk).

Shareholder Communications

Shareholder Relations

Representatives of Frostrow and MCM regularly meet with institutional shareholders and private client asset managers to discuss strategy, to understand their issues and concerns and, if applicable, to discuss corporate governance issues. The results of such meetings are reported at the following Board meeting.

An analysis of the Company's shareholder register is provided to the Directors at each Board meeting. The Board receives marketing reports from Frostrow. The Board reviews and considers the marketing ***plans*** on a regular basis. Reports from the Company's broker are submitted to the Board on investor sentiment and industry issues.

Shareholder Communications

The Company aims to provide shareholders with a full understanding of the Company's investment objective, policy and activities, its performance and the principal investment risks by means of informative annual and half yearly reports. This is supplemented by the monthly publication through the London Stock Exchange, of the net asset value of the Company's shares.

The Company's website ([*http://www.menhaden.com*](http://www.menhaden.com)) is regularly updated with monthly fact sheets and provides useful information about the Company, including the Company's financial reports and announcements.

All substantive communications regarding any major corporate issues are discussed by the Board taking into account representations from the AIFM, the Portfolio Manager, the Auditor, legal advisers and the Corporate Stockbroker.

The Board supports the principle that the AGM be used to communicate with all investors. It is the intention that the full Board will attend the AGM under the chairmanship of the Chairman of the Board. All shareholders are encouraged to attend the AGM, where they are given the opportunity to question the Chairman, the Board and representatives of the AIFM and the Portfolio Manager. The Portfolio Manager will make a presentation to shareholders covering the investment performance and strategy of the Company at the forthcoming AGM. Details of proxy votes received in respect of each resolution will be made available to shareholders at the meeting and will also be published on the Company's website,[*http://www.menhaden.com*](http://www.menhaden.com).

The Directors welcome the views of all shareholders and place considerable importance on communications with them. Shareholders wishing to communicate with the Chairman, or any other member of the Board, may do so by writing to the Company Secretary at the offices of Frostrow.

Significant Holdings and Voting Rights

Details of the substantial interests in the Company's Shares, the voting rights of the shares and the Directors' authorities to issue and repurchase the Company's shares, are set out in the Directors' Report.

Nominee Share Code

Where the Company's shares are held via a nominee company name, the Company undertakes:

·         to provide the nominee company with multiple copies of shareholder communications, so long as an indication of quantities has been provided in advance; and

·         to allow investors holding shares through a nominee company to attend general meetings, provided the correct authority from the nominee company is available.

Nominee companies are encouraged to provide the necessary authority to underlying shareholders to attend the Company's general meeting.

By order of the Board

Frostrow Capital LLP

Company Secretary

23 March 2018

Audit Committee Report

Statement from the Chairman

I am pleased to present the Audit Committee report for the year ended 31 December 2017. The Committee met three times during the year under review.

The role of the Committee is to ensure that shareholder interests are properly protected in relation to the application of financial reporting and internal control principles and to assess the effectiveness of the audit. The Committee's role and responsibilities are set out in full in its terms of reference which are available on request from the Company Secretary and can be seen on the Company's website ([*http://www.menhaden.com*](http://www.menhaden.com)). A summary of the Committee's main responsibilities and how it has fulfilled them is set out below.

Composition

The Audit Committee comprises Howard Pearce (Chairman of the Committee), Duncan Budge and Emma Howard Boyd whose biographies are set out above. The Committee considers that each member has recent and relevant experience in accounting, auditing or financial reporting and that the Committee as a whole has experience relevant to the investment trust industry.

Responsibilities

The Committee's main responsibilities during the year under review were:

1.        To review the Company's annual and half-year reports. In particular, the Audit Committee has considered whether the annual report was fair, balanced and understandable, allowing shareholders to easily assess the Company's strategy, business model, financial position and performance. This review also included scrutiny of the valuation of investments, accounting policies and other significant reporting matters.

2.        To review the risk management and internal control processes of the Company and its key service providers. Further details are provided in the Internal Controls and Risk Management section.

3.        To recommend the appointment of the external Auditors, agreeing the scope of their work and their remuneration, and reviewing their independence. During the year the nature and scope of the third audit together with the audit ***plan*** were considered by the Committee. The Committee concluded that the appropriate areas of audit risk relevant to the Company had been identified and that there were suitable audit procedures in place to obtain reasonable assurance that the financial statements as a whole would be free of material misstatements.

4.        To consider any non-audit work to be carried out by the Auditors. The Audit Committee will consider the extent and nature of any non-audit work performed by the Auditors and seek assurance that such work does not impinge on their independence and is a cost effective way to operate.

5.        To consider the need for an internal audit function. Since the Company delegates its day to day operations to third parties and has no employees, the Committee determined that there is no requirement for such a function. The Committee considers the need for such a function on an annual basis.

Meetings and Business

The following matters were dealt with at the Committee's meetings:

March 2017

·         Review of the Committee's terms of reference;

·         Review of the Company's annual results;

·         Approval of the Annual Report and Impact Report;

·         Review of risk management, internal controls and compliance;

·         Review of the outcome and effectiveness of the audit and any matters arising; and

·         Review of the need for an internal audit function.

September 2017

·         Review of the Company's non-audit services policy;

·         Review of the Company's half yearly results;

·         Approval of the Half Yearly Report and financial statements;

·         Review of risk management, internal controls and compliance;

·         Review and approval of formal audit tender guidelines; and

·         Review of the Company's anti bribery and corruption policy and the measures put in place by the Company's service providers.

November 2017

·         Review of the Auditors' ***plan*** and terms of engagement for the 2018 audit; and

·         Review of risks, internal controls and compliance.

Performance Evaluation

The Committee reviewed the results of the annual evaluation of its performance at the November 2017 Board meeting. As part of the evaluation, the Committee reviewed the following:

·         the composition of the Committee;

·         the performance of the Committee Chairman;

·         how the Committee had monitored compliance with corporate governance regulations;

·         how the Committee had considered the quality and appropriateness of financial accounting and reporting;

·         the Committee's review of significant risks and internal controls; and

·         the Committee's assessment of the independence, competence and effectiveness of the Company's eternal auditors.

It was concluded that the Committee was performing satisfactorily and there were no formal recommendations made to the Board.

Internal Controls and Risk Management

The Board has overall responsibility for risk management and for the review of the internal controls of the Company, undertaken in the context of its investment objective.

A summary of the principal risks facing the Company is provided in the ***Strategic*** Report.

The review covers the key business, operational, compliance and financial risks facing the Company. In arriving at its judgement of what risks the Company faces, the Board has considered the Company's operations in light of the following factors:

·         the nature of the Company, with all management functions outsourced to third party service providers;

·         the nature and extent of risks which it regards as acceptable for the Company to bear within its overall investment objective;

·         the threat of such risks becoming a reality; and

·         the Company's ability to reduce the incidence and impact of risk on its performance.

Against this background, a risk matrix has been developed which covers all key risks that the Company faces, the likelihood of their occurrence and their potential impact, how these risks are monitored and mitigating controls in place.

The Board has delegated to the Audit Committee responsibility for the review and maintenance of the risk matrix and it reviews, in detail, the risk matrix each time it meets, bearing in mind any changes to the Company, its environment or service providers since the last review. Any significant changes to the risk matrix are discussed with the whole Board. There were no changes to the Company's risk management processes during the year and no significant failings or weaknesses were identified from the Committee's most recent risk review.

The Committee reviews internal controls reports from its principal service providers on an annual basis. The Committee is satisfied that appropriate systems have been in place for the year under review and up to the date of approval of this report.

Significant Reporting Matters

The Committee considered the significant issues in respect of the Annual Report including the financial statements. The table below sets out the key areas of risk identified and also explains how these were addressed.

|  |  |  |
| --- | --- | --- |
| **Significant risk** |  | **How the risk was addressed** |
| Valuation, existence and ownership of investments, in particular unquoted investments |  | The valuation of investments is undertaken in accordance with the accounting policies in note 1 to the financial statements. Controls are in place to ensure that valuations are appropriate and existence is verified through reconciliations with the Depositary. The Committee discussed with Frostrow and the Investment Committee the process by which the unquoted investments are valued, and ownership documented, including the reconciliation process with the Depositary. They also reviewed the valuation of the unquoted investments as at 31 December 2017, including the level of any discounts to net asset value applied to the unquoted valuations, to ensure that they were carried out in accordance with the accounting policy set out in note 1(b). Having reviewed the valuations, the Committee confirmed that they were satisfied that the investments had been valued correctly. |
| Risk of revenue being misstated due to the improper recognition of revenue. |  | The Committee took steps to gain an understanding of the processes in place to record investment income and transactions. In addition, the Committee reviewed the treatment of fixed income returns on debt securities. |

Financial Statements

The Board has asked the Committee to confirm that in its opinion the Board can make the required statement that the Annual Report taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position, performance, business model and strategy. The Committee has given this confirmation on the basis of its review of the whole document, underpinned by involvement in the ***planning*** for its preparation and review of the processes to assure the accuracy of factual content.

The Committee is satisfied that it is appropriate for the Board to prepare the financial statements on the going concern basis.

The Audit Committee also reviewed the financial position and principal risks of the Company in connection with the Board's statement on the longer-term viability of the Company, which is set out in the ***Strategic*** Report.

External Auditors

In addition to the reviews undertaken at Committee meetings, I met with Grant Thornton UK LLP ("Grant Thornton") on 26 February 2018 to discuss the outcome of the audit and the draft Annual Report. The Committee also met with Grant Thornton without Frostrow or the Portfolio Manager being present to discuss the outcome of the audit on 7 March 2018.

In order to fulfil the Committee's responsibility regarding the independence of the Auditors, the Committee reviewed:

·         the senior audit personnel in the audit ***plan*** for the year;

·         the Auditors' arrangements concerning any conflicts of interest; and

·         the statement by the Auditors that they remain independent within the meaning of the regulations and their professional standards.

In order to consider the effectiveness of the audit process, we reviewed:

·         the Auditors' execution and fulfilment of the agreed audit ***plan*** and the audit partner's leadership of the audit team;

·         the quality of the report arising from the audit itself and the communications from the Auditors; and

·         feedback from Frostrow on the conduct of the audit.

The Committee is satisfied with the Auditors' independence and the effectiveness of the audit process, together with the degree of diligence and professional scepticism brought to bear.

Non-Audit Services

The Auditor did not carry out any non-audit work during the year. The Audit Committee will monitor the level of non-audit work carried out by the Auditor, if any, and seeks assurances from the Auditor that they maintain suitable policies and procedures ensuring independence, and monitors compliance with the relevant regulatory requirements on an annual basis.

The Company operates on the basis whereby the provision of non-audit services by the Auditor is only permissible where no conflicts of interest arise, the service is not expressly prohibited by audit legislation, where the independence of the Auditor is not likely to be impinged by undertaking the work and the quality and the objectivity of both the non-audit work and audit work will not be compromised. In particular, non-audit services may be provided by the Auditor if they are inconsequential or would have no direct effect on the Company's financial statements and the audit firm would not place significant reliance on the work for the purposes of the statutory audit.

Auditors' Reappointment

Grant Thornton have been the appointed external Auditors since the Company launched in 2015. Grant Thornton carried out the audit for the period ending 31 December 2015 and the years ended 31 December 2016 and 2017, and were considered independent by the Board.

Marcus Swales has been the audit partner for the past two years, taking over from Julian Bartlett who oversaw the first audit.

As a public company listed on the London Stock Exchange, the Company is subject to the mandatory auditor rotation requirements of the European Union. The Company will put the external audit out to tender at least every 10 years and change auditor at least every 20 years. The Committee will, however, continue to consider annually the need to go to tender for audit quality or independence reasons and during the year the Audit Committee adopted formal audit tender guidelines to govern the audit tender process.

The Committee conducted a review of the performance of the Auditors during the audit period and concluded that performance was satisfactory and there were no grounds for change.

Grant Thornton have indicated their willingness to continue to act as Auditors to the Company for the forthcoming year and a resolution for their re-appointment will be proposed at the Annual General Meeting.

Howard Pearce

Chairman of the Audit Committee

23 March 2018

Directors' Remuneration Report

Statement from the Chairman

I am pleased to present the Directors' Remuneration Report to Shareholders. An ordinary resolution for the approval of this report will be put to shareholders at the Company's forthcoming Annual General Meeting. The law requires the Company's Auditors to audit certain disclosures provided in this report. Where disclosures have been audited, they are indicated as such and the Auditors' opinion is included in their report to shareholders.

The Board considers the framework for the remuneration of the Directors on an annual basis. It reviews the ongoing appropriateness of the Company's remuneration policy and the individual remuneration of the Directors by reference to the activities and particular complexities of the Company and in comparison with other companies of a similar structure and size. This is in-line with the AIC Code.

The Board as a whole considered the level of Directors' fees at their meeting in November 2017 and determined that it was appropriate to maintain them at their current levels for 2018.

The Directors are remunerated exclusively by fixed fees in cash and do not receive bonus payments or pension contributions from the Company, hold options to acquire shares in the Company, or other benefits.

All Directors are entitled to the reimbursement of reasonable out of pocket expenses incurred by them in order to perform their duties as directors of the Company.

No advice from remuneration consultants was received during the period under review.

As noted in the ***Strategic*** Report, all of the Directors are non-executive and therefore there is no Chief Executive Officer. The Company does not have employees. Therefore there is no CEO or employee information to disclose.

Single total figure of remuneration (audited)

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  | Date of |  | **2017** |  |  | 2016 |  |
|  | appointment |  | **Taxable** |  |  | Taxable |  |
| Director | to the Board | **Fees** | **expenses1** | **Total** | Fees | expenses1 | Total |
| Sir Ian Cheshire | 3 October 2014 | **50,000** | **-** | **50,000** | 50,000 | - | 50,000 |
| Duncan Budge | 3 October 2014 | **40,000** | **-** | **40,000** | 40,000 | - | 40,000 |
| Emma Howard Boyd | 3 October 2014 | **40,000** | **-** | **40,000** | 40,000 | - | 40,000 |
| Howard Pearce | 3 October 2014 | **40,000** | **2,558** | **42,558** | 40,000 | 3,744 | 43,744 |
| **TOTAL** |  | **170,000** | **2,558** | **172,558** | **170,000** | **3,744** | **173,744** |

1 Under revised HMRC guidance, travel expenses and other out of pocket expenses are considered taxable benefits for UK-based directors. The expenses in this column comprise out of pocket travel expenses together with the associated tax liability incurred by the Directors in the performance of their duties.

No payments have been made to any former directors. It is the Company's policy not to pay compensation upon leaving office for whatever reason. None of the fees referred to in the above table were paid to any third party in respect of the services provided by any of the Directors.

Directors' Interests in the Company's Shares (audited)

|  |  |  |
| --- | --- | --- |
|  | **Ordinary Shares** | Ordinary Shares |
|  | **of 1p each** | of 1p each |
|  | **as at** | as at |
|  | **31 Dec 2017** | 31 Dec 2016 |
| Sir Ian Cheshire | **115,000** | 115,000 |
| Duncan Bridge | **10,000** | 10,000 |
| Emma Howard Boyd | **18,000** | 18,000 |
| Howard Pearce | **15,000** | 8,000 |
| **Total** | **158,000** | **151,000** |

No changes have been notified to the date of this report.

The Company does not have share options or a share scheme, and does not operate a pension scheme. None of the Directors are required to own shares in the Company.

Performance

A graph in the annual report shows the total shareholder return of the Company since its launch on 31 July 2015 against the total return of the MSCI World Total Return Index.

This report is required to include a table showing actual expenditure by the Company on remuneration and distributions to shareholders for the current and prior year. However, as the Directors have not yet declared or recommended payment of a dividend, and as the Company has not repurchased any of its shares, there is no such information to include.

Statement of Voting at the AGM

At the Annual General Meeting held in May 2017 the results in respect of the resolution to approve the Directors' Remuneration Report were as follows:

|  |  |  |
| --- | --- | --- |
| Votes cast | **Votes cast** | Votes |
| for | **against** | withheld |
| 33,122,809 | **0** | 0\* |
| 100% | **0%** |  |

\* Votes withheld are not votes by law and are therefore not counted in the calculation of votes for or against a resolution.

The results in respect of the resolution to approve the Director's Remmuneration Policy (at the AGM held in May 2016) were as follows:

|  |  |  |
| --- | --- | --- |
| Votes cast | **Votes cast** | Votes |
| for | **against** | withheld |
| 33,122,809 | **0** | 0\* |
| 100% | **0%** |  |

\* Votes withheld are not votes by law and are therefore not counted in the calculation of votes for or against a resolution.

By order of the Board

Sir Ian Cheshire

Chairman

23 March 2018

Directors' Remuneration Policy

The Company's remuneration policy is that the remuneration of each Director should be commensurate with the duties, responsibilities and time commitment of each respective role and consistent with the requirement to attract and retain directors of appropriate quality and experience. The remuneration should also be comparable to that of investment trusts of similar size and structure.

Directors are remunerated in the form of fixed fees payable monthly in arrears. There are no long or short-term incentive schemes, share option schemes or pension arrangements and the fees are not specifically related to the Directors' performance, either individually or collectively.

The Directors' remuneration is determined within the limits set out in the Company's Articles of Association. The present limit is £500,000 in aggregate per annum.

It is the Board's intention that the remuneration policy will be considered by shareholders at the annual general meeting at least once every three years. If, however, the remuneration policy is varied, shareholder approval will be sought at the AGM following such variation. The Board will formally review the remuneration policy at least once a year to ensure that it remains appropriate.

This policy was last approved by Shareholders at the AGM held in 2016. Accordingly, an ordinary resolution for the approval of this policy will next be considered by shareholders at the Annual General Meeting to be held in 2019. It is intended that this policy will remain in place for the following financial year and subsequent financial periods.

No communications have been received from shareholders regarding Directors' remuneration. The Board will consider any comments received from shareholders on the remuneration policy.

This policy, together with the Directors' letters of appointment, may be inspected at the Company's registered office.

The current and projected Directors' fees for 2017 and 2018 are shown in the table below. The Company does not have any employees.

Directors' Fees Current and Projected

|  |  |  |
| --- | --- | --- |
|  |  | **Total** |
|  | Fees (£) | **Fees (£)** |
|  | 2018 | **2017** |
| Sir Ian Cheshire | 50,000 | **50,000** |
| Duncan Budge | 40,000 | **40,000** |
| Howard Pearce | 40,000 | **40,000** |
| Emma Howard Boyd | 40,000 | **40,000** |
|  | 170,000 | **170,000** |

Any new director appointed to the Board will, under current remuneration levels, receive a fee of £25,000 per annum. Directors who serve on the Audit Committee receive an additional fee of £15,000 per annum. The Chairman receives an additional fee of £25,000 per annum.

All Directors are non-executive, appointed under the terms of letters of appointment and none has a service contract. The terms of their appointment provide that Directors shall retire and be subject to election at the first annual general meeting after their appointment and to re-election every three years thereafter. The terms also provide that a Director may be removed without notice and that compensation will not be due on leaving office.

Independent Auditor's Report to the Members of Menhaden Capital PLC

Our opinion on the financial statements is unmodified

We have audited the financial statements of Menhaden Capital PLC (the 'Company') for the year ended 31 December 2017 which comprise the Income Statement, the Statement of Changes in Equity, the Statement of Financial Position, the Statement of Cash Flows and Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

·         give a true and fair view of the state of the Company's affairs as at 31 December 2017 and of its net return for the year then ended;

·         have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and

·         have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Who we are reporting to

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Conclusions relating to principal risks, going concern and viability statement

We have nothing to report in respect of the following information in the annual report, in relation to which the ISAs (UK) require us to report to you whether we have anything material to add or draw attention to:

·         the disclosures in the annual report that describe the principal risks and explain how they are being managed or mitigated;

·         the directors' confirmation, set out in the annual report, that they have carried out a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity;

·         the directors' statement, set out in the financial statements, about whether the directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the directors' identification of any material uncertainties to the Company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;

·         whether the directors' statement relating to going concern required under the Listing Rules in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit; or

·         the directors' explanation, set out in the annual report, as to how they have assessed the prospects of the Company, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Overview of our audit approach

·         Overall materiality £724,000, which represents approximately 1% of the Company's net assets

·         Key audit matters were identified as valuation, existence and ownership of quoted and unquoted investments, and completeness and occurrence of investment income

·         Our audit approach was a risk based substantive audit focused on investments at the year end and investment income recognised during the year. There was no change in our approach from prior year

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those that had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter: Valuation, existence and ownership of unquoted and quoted investments

The Company's investement objective is to generate long-term shareholders returns, mainly in the form of capital growth.

This objective is pursued through a portfolio comprising of quoted and unquoted holdings.

As at the year end, the Company holds a small number of significant holdings in unquoted investments and number of quoted investments.

The investment portfolio at the year end had a carrying value of £64m, of which £43m of investments were listed on recognised stock exchanges, and £0.5m were held in the form of derivative financial instruments.

As different valuation approaches are applied to the different types of investments, there are risks that the investment valuation recorded in the Statement of Financial Position may be misstated. Also, there is a risk that investments recorded might not, exist or might not be owned by the Company.

We therefore identified valuation, existence and ownership of investments as a significant risk, which was one of the most significant assessed risks of material misstatement.

How the matter was addressed in the audit:

Unquoted investments

Our audit work included, but was not restricted to:

·         understanding management's process to value unquoted investments through discussions with the management and examination of control reports on third party administrators and assessing whether the accounting policy for unquoted investments is in accordance with the requirements of United Kingdom Generally Accepted Accounting Practice and the Statement of Recommended Practice ('SORP') issued by Association of Investment Companies ('AIC');

·         considering whether the techniques applied for valuing unquoted investments were in accordance with published guidance, principally the International Private Equity and Venture Capital Valuation Guidelines. This was done through obtaining and reviewing the investment valuation policies of the private equity funds, review of the fund's latest available audited financial statements, review of the fund's latest quarterly reports and discussion with the fund's management where applicable;

·         agreeing the valuation of unquoted investments to year end fair values as reported in valuation statements received directly from the investee funds; and

·         substantively testing a sample of additions and disposals of unquoted investments during the year by agreeing such transactions to bank statements and notifications from the investee funds.

Quoted investments

Our audit work included, but was not restricted to:

·         understanding management's process to value quoted investments through discussions with the management and examination of control reports on third party administrators and assessing whether the accounting policy for quoted investments is in accordance with the requirements of United Kingdom Generally Accepted Accounting Practice and the SORP issued by the AIC;

|  |  |
| --- | --- |
|  | ·          agreeing the valuation of quoted investments to an independent source of market prices and nominal holdings to confirmation from the custodian in order to obtain comfort over existence and ownership of investments; and  ·          substantively testing a sample of additions and disposals of quoted investments during the year by agreeing such transactions to list of trade confirmations and bank statements as applicable.  The Company's accounting policy on investments is shown in note 1(b) to the financial statements and related disclosures are included in note 7. The Audit Committee identified valuation and ownership of the Company's investments as a significant issue in its report on page 37, where the Committee also described the action that it has taken to address this issue.  *Key observations*  Our testing did not identify any material misstatements in the valuation of the Company's investment portfolio as at the year end nor were any issues noted with regards to the existence or the Company's ownership of the underlying investments at the year end. |

Key Audit Matter: Completeness and occurrence of investment income

The Company aims to provide long-term shareholder returns by investing in businesses and opportunities delivering or benefiting from the efficient use of energy and resources. Income from investments is a significant, material item in the income statement. The Company measures performance on a total return basis and investment income is one of the significant components of this performance measure in the Income Statement.

Under International Standard on Auditing (UK) 240 'The auditor's responsibilities relating to fraud in an audit of financial statements', there is a presumed risk of fraud in revenue recognition.

We therefore identified completeness and occurrence of investment income as a significant risk, which was one of the most significant assessed risks of material misstatement.

How the matter was addressed in the audit:

Our audit work included, but was not restricted to:

·         assessing whether the Company's accounting policy for revenue recognition is in accordance with the requirements of United Kingdom Generally Accepted Accounting Practice and the AIC SORP and testing its consistent application on revenue recognised during the year;

·         substantively testing income transactions to assess if they were recognised in accordance with the policy;

·         for investments held during the year, obtaining the ex-dividend dates and rates for dividends declared during the year from an independent source and agreeing the expected dividend entitlements to those recognised in the Income Statement and agreeing dividend income recognised by the Company to an independent source. For unquoted investment this was achieved by obtaining distribution notices issued during the year directly from the investee funds; and

·         assessing the categorisation of corporate actions and special dividends to identify whether the treatment is correct.

The Company's accounting policy on income, including its recognition, is shown in note 1(c) to the financial statements and related disclosures are included in note 2. The Audit Committee identified recognition of income as a significant issue in its report, where the Committee also described the action that it has taken to address this issue.

Key observations

Our testing did not identify any material misstatements in the amount of revenue recognised during the year

Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality in determining the nature, timing and extent of our work and in evaluating the results of that work.

We determined materiality for the audit of the financial statements as a whole to be £724,000, which is approximately 1% of the Company's net assets. This benchmark is considered the most appropriate because net assets, which primarily comprise the Company's investment portfolio, are considered to be the key driver of the Company's total return performance and form a part of the net asset value calculation.

Materiality for the current year is higher than the level that we determined for the year ended 31 December 2016 to reflect the increased value of the Company's net assets, including its investment portfolio, at the year end.

We use a different level of materiality, performance materiality, to drive the extent of our testing and this was set at 75% of financial statement materiality.

We also determine a lower level of specific materiality for certain areas such as investment income and related party transactions, being the management fee and directors' remuneration.

We determined the threshold at which we will communicate misstatements to the audit committee to be £36,200. In addition we will communicate misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

An overview of the scope of our audit

Our audit approach was a risk-based approach founded on a thorough understanding of the Company's business, its environment and risk profile and in particular included:

·         obtaining an understanding of relevant internal controls at both the Company and third-party service providers. This included obtaining and reading internal controls reports prepared by the third-party service providers on the description, design, and operating effectiveness of the internal controls at the investment manager, custodian and administrator; and

·         performing substantive audit procedures on specific transactions, which included journal entries and individual material balances and disclosures, the extent of which was based on various factors such as our overall assessment of the control environment and our evaluation of the design and implementation of controls that address significant audit risk.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

In this context, we also have nothing to report in regard to our responsibility to specifically address the following items in the other information and to report as uncorrected material misstatements of the other information where we conclude that those items meet the following conditions:

·         Fair, balanced and understandable - the statement given by the directors that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or

·         Audit committee reporting - the section describing the work of the audit committee does not appropriately address matters communicated by us to the audit committee is materially inconsistent with our knowledge obtained in the audit; or

·         Directors' statement of compliance with the UK Corporate Governance Code - the parts of the directors' statement required under the Listing Rules relating to the Company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R (2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

Our opinions on other matters prescribed by the Companies Act 2006 are unmodified

In our opinion, the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

·         the information given in the ***strategic*** report and the report of the directors for the financial year for which the financial statements are prepared is consistent with the financial statements; and

·         the ***strategic*** report and the report of the directors have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report under the Companies Act 2006

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the ***strategic*** report or the report of the directors.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

·         adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or

·         the financial statements and the part of the directors' remuneration report to be audited are not in agreement with the accounting records and returns; or

·         certain disclosures of directors' remuneration specified by law are not made; or

·         we have not received all the information and explanations we require for our audit.

Responsibilities of directors for the financial statements

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

We are responsible for obtaining reasonable assurance that the financial statements taken as a whole are free from material misstatement, whether caused by fraud or error. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements of the financial statements may not be detected, even though the audit is properly ***planned*** and performed in accordance with the ISAs (UK). Our audit approach is a risk-based approach and is explained more fully in the 'An overview of the scope of our audit' section of our audit report.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at:[*http://www.frc.org.uk/auditorsresponsibilities*](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

Other matters which we are required to address

We were appointed by the members on 23 May 2016. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 3 years.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Company and we remain independent of the Company in conducting our audit.

Our audit opinion is consistent with the additional report to the audit committee.

Marcus Swales

Senior Statutory Auditor

for and on behalf of Grant Thornton UK LLP

Statutory Auditor, Chartered Accountants

London

23 March 2018

Income Statement

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **For the year ended 31 December 2017** | **For the year ended 31 December 2016** |  |  |  |  |
|  |  | **Revenue** | **Capital** | **Total** | **Revenue** | **Capital** | **Total** |
|  | **Notes** | **£'000** | **£'000** | **£'000** | **£'000** | **£'000** | **£'000** |
| Gains on investments at fair value through profit or loss | 7 | **-** | **6,189** | **6,189** | - | 2,075 | 2,075 |
| Income from investments | 2 | **828** | **-** | **828** | 532 | - | 532 |
| AIFM and Portfolio management fees | 3 | **(209)** | **(837)** | **(1,046)** | (191) | (777) | (968) |
| Other expenses | 4 | **(454)** | **(60)** | **(514)** | (428) | - | (428) |
| **Net return/(loss) before taxation** |  | **165** | **5,292** | **5,457** | (87) | 1,298 | 1,211 |
| Taxation on net return | 5 | **(48)** | **-** | **(48)** | (43) | - | (43) |
| **Net return/(loss) after taxation** |  | **117** | **5,292** | **5,409** | (130) | 1,298 | 1,168 |
| **Return/(loss) per share** | 6 | **0.1p** | **6.6p** | **6.7p** | (0.1)p | 1.6p | 1.5p |

The "Total" column of this statement is the Income Statement of the Company. The "Revenue" and "Capital" columns are supplementary to this and are prepared under guidance published by the Association of Investment Companies.

All revenue and capital items in the above statement derive from continuing operations.

The Company has no recognised gains and losses other than those shown above and therefore no separate Statement of Total Comprehensive Income has been presented.

The accompanying notes are an integral part of these financial statements.

Statement of Changes in Equity

For the year ended 31 December 2017

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | **Ordinary** | **Share** |  |  |  |  |
|  | **share** | **premium** | **Special** | **Capital** | **Revenue** |  |
|  | **capital** | **account** | **reserve** | **reserve** | **reserve** | **Total** |
|  | **£'000** | **£'000** | **£'000** | **£'000** | **£'000** | **£'000** |
| At 31 December 2016 | **800** | **-** | **77,371** | **(9,831)** | **(57)** | **68,283** |
| Net return after taxation | **-** | **-** | **-** | **5,292** | **117** | **5,409** |
| **At 31 December 2017** | **800** | **-** | **77,371** | **(4,539)** | **60** | **73,692** |
|  |  |  |  |  |  |  |
| For the year ended 31 December 2016 |  |  |  |  |  |  |
|  |  |  |  |  |  |  |
|  | **Ordinary** | **Share** |  |  |  |  |
|  | **share** | **premium** | **Special** | **Capital** | **Revenue** |  |
|  | **capital** | **account** | **reserve** | **reserve** | **reserve** | **Total** |
|  | **£'000** | **£'000** | **£'000** | **£'000** | **£'000** | **£'000** |
| At 31 December 2015 | 800 | 77,371 | - | (11,129) | 73 | 67,115 |
| Cancellation of Share premium account | - | (77,371) | 77,371 | - | - | - |
| Net return/(loss) after taxation | - | - | - | 1,298 | (130) | 1,168 |
| **At 31 December 2016** | 800 | - | 77,371 | (9,831) | (57) | 68,283 |

The accompanying notes are an integral part of these financial statements.

Statement of Financial Position

|  |  |  |  |
| --- | --- | --- | --- |
|  |  | **As at** | **As at** |
|  |  | **31 December** | **31 December** |
|  |  | **2017** | **2016** |
|  | **Notes** | **£000** | **£000** |
| **Fixed assets** |  |  |  |
| Investments at fair value through profit or loss | 7 | **63,333** | 52,547 |
| **Current assets** |  |  |  |
| Debtors | 8 | **85** | 65 |
| Derivative financial instruments at fair value through profit or loss | 7 | **454** | - |
| Cash |  | **9,987** | 15,872 |
|  |  | **10,526** | 15,937 |
| **Current liabilities** |  |  |  |
| Creditors: amounts falling due within one year | 9 | **(167)** | (201) |
| **Net current assets** |  | **10,359** | 15,736 |
| **Total net assets** |  | **73,692** | 68,283 |
| **Capital and reserves** |  |  |  |
| Ordinary share capital | 10 | **800** | 800 |
| Special reserve |  | **77,371** | 77,371 |
| Capital reserve | 15 | **(4,539)** | (9,831) |
| Revenue reserve |  | **60** | (57) |
| **Total shareholders' funds** |  | **73,692** | 68,283 |
| **Net asset value per share** | 11 | **92.1p** | 85.4p |

The financial statements were approved by the Board of Directors and authorised for issue on

23 March 2018 and were signed on its behalf by:

Sir Ian Cheshire

Chairman

The accompanying notes are an integral part of these financial statements.

Menhaden Capital PLC - Company Registration Number 09242421 (Registered in England and Wales)

Statement of Cash Flows

|  |  |  |  |
| --- | --- | --- | --- |
|  |  | **For the** | **For the** |
|  |  | **year ended** | **year ended** |
|  |  | **31 December** | **31 December** |
|  |  | **2017** | **2016** |
|  | **Notes** | **£000** | **£000** |
| **Net cash outflow from operating activities** | 12 | **(885)** | (739) |
| **Investing activities** |  |  |  |
| Purchases of investments |  | **(27,891)** | (23,438) |
| Sales of investments |  | **22,891** | 36,678 |
| **Net cash (outflow)/inflow from investing activities** |  | **(5,000)** | 13,240 |
| **(Decrease)/increase in cash and cash equivalents** |  | **(5,885)** | 12,501 |
| **Cash and cash equivalents at beginning of the year** |  | **15,872** | 3,371 |
| **Cash and cash equivalents at end of the year** |  | **9,987** | 15,872 |

The accompanying notes are an integral part of these financial statements.

Notes to the Financial Statements

For the year ended 31 December 2017

1.            ACCOUNTING POLICIES

The principal accounting policies, all of which have been applied consistently throughout the year in the preparation of these financial statements, are set out below:

(a)          Basis of Preparation

The financial statements have been prepared in accordance with United Kingdom company law, FRS 102 'The Financial Reporting Standard applicable in the UK and Ireland', the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies and Venture Capital Trusts' issued in November 2014 and updated in January 2017 (the 'SORP'), the historical cost convention, as modified by the valuation of investments at fair value through profit or loss and on a going concern basis.

The Company's financial statements are presented in sterling, being the functional and presentational currency of the Company. All values are rounded to the nearest thousand pounds (£'000) except where otherwise indicated.

Fair value measurements are categorised into a fair value hierarchy based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

·         Level 1 - Quoted prices in active markets;

·         Level 2 - Inputs other than quoted prices included within Level 1 that are observable (ie developed using market data), either directly or indirectly.

·         Level 3 - Inputs are unobservable (ie for which market data is unavailable)

Presentation of the Income Statement

In order to reflect better the activities of an investment trust company and in accordance with the SORP, supplementary information which analyses the Income Statement between items of a revenue and capital nature has been presented alongside the Income Statement. The net revenue return is the measure the Directors believe appropriate in assessing the Company's compliance with certain requirements set out in Sections 1158 and 1159 of the Corporation Tax Act 2010.

Critical Accounting Judgements and Key Sources of Estimation Uncertainty

Critical accounting judgements and key sources of estimation uncertainty used in preparing the financial information are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable. The resulting estimates will, by definition, seldom equal the related actual results.

The critical judgement and key estimates, and assumptions, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities relate to the valuation of the Company's unquoted (Level 3) investments. 31.1% (2016: 30.3%) of the Company's portfolio is comprised of unquoted investments. These are all valued in line with accounting policy 1(b). Under the accounting policy the reported net asset value methodology has been adopted in valuing those investments.

Key sources of estimation uncertainty

As the Company has judged that it is appropriate to use reported NAVs in valuing the unquoted investments as set out in Note 14 (vi), the Company does not have any key assumptions concerning the future, or other key sources of estimation uncertainty in the reporting period, which may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Whilst the Board considers the methodologies and assumptions adopted in the valuation of unquoted investments are supportable, reasonable and robust, because of the inherent uncertainty of valuation, the values used may differ significantly from the values that would have been used had a ready market for the investment existed and the differences could be significant. These values may need to be revised as circumstances change and material adjustments may still arise as a result of a reappraisal of the unquoted investments fair value within the next year.

In using a figure of 25% in the disclosures in relation to unquoted investments the Directors had regard to the nature of the investments, the wide range of possible outcomes, and public information on secondary market transactions in private equity funds.

(b)          Investments Held at Fair Value Through Profit or Loss

All investments are measured on initial recognition and at subsequent reporting dates at fair value in accordance with FRS 102 Section 11: Basic Financial Instruments and Section 12: Other Financial Instruments Issues.

Purchases and sales of quoted investments are recognised on the trade date where a contract exists whose terms require delivery within a time frame determined by the relevant market. Purchases and sales of unlisted investments are recognised when the contract for acquisition or sale becomes unconditional.

Changes in the fair value of investments and gains and losses on disposal are recognised in the Income Statement as 'gains or losses on investments'. Also included within this caption are transaction costs in relation to the purchase or sale of investments, including the difference between the purchase price of an investment and its price at the time of purchase. The fair value of the different types of investment held by the Company is determined as follows:

·         Quoted Investments

Fair value is deemed to be bid, or last trade, price depending on the convention of the exchange on which it is quoted.

·         Unquoted Investments

Unquoted investments are fair valued using recognised valuation methodologies in accordance with the International Private Equity and Venture Capital Association valuation guidelines (IPEVCA Guidelines).

Where an investment has been made recently the Company may use cost as the best indicator of fair value. In such a case changes or events subsequent to the relevant transaction date would be assessed to ascertain if they imply a change in the investment's fair value.

The Company's unquoted investments comprise of limited partnerships or other entities set up by third parties to invest in a wider range of investments, or to participate in a larger investment opportunity than would be feasible for an individual investor, and to share the costs and benefits of such investment.

For these investments and in line with the IPEVCA Guidelines, the fair value estimate is based on the attributable proportion of the reported net asset value of the unquoted investment derived from the fair value of underlying investments. Valuation reports, provided by the manager or general partner of the unquoted investments are used to calculate fair value where there is evidence that the valuation is derived using fair value principles that are consistent with the Company's accounting policies and valuation methods. Such valuation reports may be adjusted to take account of changes or events to the reporting date, or other facts and circumstances which might impact the underlying value.

If a decision to sell an unquoted investment or portion thereof has been made then the fair value would be the expected sales price where this is known or can be reliably estimated.

Where a portion of an unquoted investment has been sold the level of any discount, implicit in the sale price, will be reviewed at each measurement date for that unquoted investment taking account of the performance of the unquoted investment, as well as any other factors relevant to the value of the unquoted investment.

(c)           Investment Income

Dividends receivable are recognised on the ex-dividend date. Where no ex-dividend date is quoted, dividends are recognised when the Company's right to receive payment is established. UK dividends are shown net of tax credits and foreign dividends are grossed up at the appropriate rate of withholding tax.

Fixed returns on non-equity shares and debt securities are recognised on a time apportionment basis so as to reflect the effective yield when it is probable that economic benefit will flow to the Company. Where income accruals previously recognised, but not received, are no longer considered to be reasonably expected to be received, due to doubt over their receipt, then these amounts are reversed through expenses.

Income distributions from limited partnership funds are recognised when the right to the distribution is established.

(d)          Expenses

All expenses are accounted for on an accruals basis. Expenses are charged through the revenue column of the Income Statement except as follows:

·         expenses which are incidental to the acquisition or disposal of an investment, are charged to the capital column of the Income Statement; and

·         expenses are charged to the capital column of the Income Statement where a connection with the maintenance or enhancement of the value of the investments can be demonstrated. In this respect the portfolio management and AIFM fees have been charged to the Income Statement in line with the Board's expected long-term split of returns, in the form of capital gains and income, from the Company's portfolio. As a result 20% of the portfolio management and AIFM fees are charged to the revenue column of the Income Statement and 80% are charged to the capital column of the Income Statement.

Any performance fee accrued or paid is charged in full to the capital column of the Income Statement.

(e)          Taxation

The tax effect of different items of expenditure is allocated between capital and revenue using the marginal basis. Deferred taxation is provided on all timing differences that have originated but not been reversed by the Statement of Financial Position date other than those differences regarded as permanent. This is subject to deferred tax assets only being recognised if it is considered more likely than not that there will be suitable profits from which the reversal of timing differences can be deducted. Any liability to deferred tax is provided for at the rate of tax enacted or substantially enacted.

(f)           Foreign Currency

Transactions recorded in overseas currencies during the year are translated into sterling at the exchange rate ruling on the date of the transaction. Assets and liabilities denominated in overseas currencies are translated into sterling at the exchange rates ruling at the date of the balance sheet. Non-monetary items that are measured at historical cost are translated using the historical exchange rate at the date of the transaction.

Any gains or losses on the translation of foreign currency balances, whether realised or unrealised, are taken to the capital or the revenue column of the Income Statement, depending on whether the gain or loss is of a capital or revenue nature.

(g)          Cash and Cash Equivalents

Cash and cash equivalents are defined as cash and demand deposits readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

(h)          Capital Reserves

The following are transferred to this reserve: gains and losses on the realisation of investments; changes in the fair values of investments; and, expenses, together with the related taxation effect, charged to capital in accordance with the Expenses Policy.

Any gains in the fair value of investments that are not readily convertible to cash are treated as unrealised gains in the capital reserve.

(i)           Cost of share issues

Costs of share issuance have been offset against the proceeds of the relevant share issue and dealt with in the share premium account.

(j)           Special Reserve

During 2016, in order to enable the Company to make share repurchases out of distributable reserves and to increase the distributable reserves available to facilitate the payment of future dividends, following the approval of the Court, the share premium account was cancelled and the balance of the account was transferred to the Special Reserve.

2.            INCOME FROM INVESTMENTS HELD AT FAIR VALUE THROUGH PROFIT OR LOSS

|  |  |  |
| --- | --- | --- |
|  | **2017** | **2016** |
|  | **£'000** | **£'000** |
| **Income from investments** |  |  |
| UK listed dividends | **125** | 96 |
| Overseas dividends | **589** | 426 |
| Fixed interest income | **114** | 10 |
|  | **828** | 532 |
| Total income comprises: |  |  |
| Dividends | **714** | 522 |
| Interest | **114** | 10 |
|  | **828** | 532 |

3.            AIFM AND PORTFOLIO MANAGEMENT FEES

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | **2017** | **2016** |  |  |  |  |
|  | **Revenue** | **Capital** | **Total** | **Revenue** | **Capital** | **Total** |
|  | **£'000** | **£'000** | **£'000** | **£'000** | **£'000** | **£'000** |
| AIFM fee | **32** | **128** | **160** | 27 | 110 | 137 |
| Portfolio management fee | **177** | **709** | **886** | 164 | 667 | 831 |
|  | **209** | **837** | **1,046** | 191 | 777 | 968 |
|  |  |  |  |  |  |  |
| **4.            OTHER EXPENSES** |  |  |  |  |  |  |
|  |  |  |  |  |  |  |
|  | **2017** | **2016** |  |  |  |  |
|  | **Revenue** | **Capital** | **Total** | **Revenue** | **Capital** | **Total** |
|  | **£'000** | **£'000** | **£'000** | **£'000** | **£'000** | **£'000** |
| Directors' remuneration | **170** | **-** | **170** | 170 | - | 170 |
| Employers NIC on directors' remuneration | **18** | **-** | **18** | 18 | - | 18 |
| Auditors' remuneration for the audit of the Company's financial statements | **32** | **-** | **32** | 32 | - | 32 |
| Registrar fees | **21** | **-** | **21** | 13 | - | 13 |
| Broker fees | **30** | **-** | **30** | 30 | - | 30 |
| Legal and professional costs | **56** | **53** | **109** | 57 | - | 57 |
| Listing fees | **12** | **-** | **12** | 18 | - | 18 |
| Depositary fees | **50** | **-** | **50** | 44 | - | 44 |
| Marketing costs | **-** | **-** | **-** | 13 | - | 13 |
| Other costs | **65** | **7** | **72** | 33 | - | 33 |
| **Total expenses** | **454** | **60** | **514** | 428 | - | 428 |

Details of the amounts paid to Directors are included in the Directors' Remuneration Report.

5.            TAXATION ON NET RETURN

(a)          Analysis of charge in period

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | **2017** | **2016** |  |  |  |  |
|  | **Revenue** | **Capital** | **Total** | **Revenue** | **Capital** | **Total** |
|  | **£'000** | **£'000** | **£'000** | **£'000** | **£'000** | **£'000** |
| **Corporation tax** |  |  |  |  |  |  |
| Overseas taxation | **48** | **-** | **48** | 43 | - | 43 |

(b)          Factors affecting current tax charge for the year

Approved investment trusts are exempt from tax on capital gains made within the Company.

The tax charged for the period is lower than the standard rate of corporation tax in the UK of 19.25%. The difference is explained below.

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | **2017** | **2016** |  |  |  |  |
|  | **Revenue** | **Capital** | **Total** | **Revenue** | **Capital** | **Total** |
|  | **£'000** | **£'000** | **£'000** | **£'000** | **£'000** | **£'000** |
| **Net return/(loss) before taxation** | **165** | **5,292** | **5,457** | (87) | 1,298 | 1,211 |
| Corporation tax at 19.25% (2016: 20.00%) | **32** | **1,015** | **1,031** | (17) | 260 | 243 |
| Non-taxable gains on investments | **-** | **(1,191)** | **(1,191)** | - | (415) | (415) |
| Overseas withholding taxation | **48** | **-** | **48** | 43 | - | 43 |
| Non taxable overseas dividends | **(113)** | **-** | **(113)** | (83) | - | (83) |
| Non taxable UK dividends | **(24)** | **-** | **(24)** | (19) | - | (19) |
| Excess management expenses | **105** | **172** | **277** | 119 | 155 | 274 |
| **Total tax charge** | **48** | **-** | **48** | 43 | - | 43 |

(c)           Provision for deferred tax

No provision for deferred taxation has been made in the current period. The Company has not provided for deferred tax on capital profits and losses arising on the revaluation or disposal of investments, as it is exempt from tax on these items because of its status as an investment trust company.

The Company has not recognised a deferred tax asset of £585,000 (17% tax rate) (2016: £333,000, 17%) as a result of excess management expenses. It is not anticipated that these excess expenses will be utilised in the foreseeable future. The reduction in the standard rate of corporation tax was substantially enacted on 13 September 2016 and will be effective on 1 April 2020.

6.            RETURN/(LOSS) PER SHARE

|  |  |  |
| --- | --- | --- |
|  | **2017** | **2016** |
|  | **£'000** | **£'000** |
| The return per share is based on the following figures: |  |  |
| Revenue return/(loss) | **117** | (130) |
| Capital return | **5,292** | 1,298 |
|  | **5,409** | 1,168 |
| Weighted average number of shares in issue during the period | **80,000,001** | 80,000,001 |
| Revenue return/(loss) per ordinary share | **0.1p** | (0.1)p |
| Capital return per ordinary share | **6.6p** | 1.6p |
|  | **6.7p** | 1.5p |

The calculation of the total, revenue and capital returns/(losses) per Ordinary Share is carried out in accordance with IAS 33 Earnings per share.

7.            INVESTMENTS

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **2017** |  |  |  | **2016** |  |
|  |  |  | **Derivative** |  |  |  |  |
|  | **Quoted** | **Unquoted** | **Financial** |  | **Quoted** | **Unquoted** |  |
|  | **Investments** | **Investments** | **Instruments\*** | **Total** | **Investments** | **Investments** | **Total** |
|  | **£'000** | **£'000** | **£'000** | **£'000** | **£'000** | **£'000** | **£'000** |
| Opening balance |  |  |  |  |  |  |  |
| Cost at 1 January | **38,630** | **20,386** | **-** | **59,016** | 52,953 | 20,985 | 73,938 |
| Investment holding losses at 1 January | **(2,024)** | **(4,445)** | **-** | **(6,469)** | (7,417) | (2,812) | (10,229) |
| **Valuation at 1 January** | **36,606** | **15,941** | **-** | **52,547** | 45,536 | 18,173 | 63,709 |
| Movement in the period: |  |  |  |  |  |  |  |
| Purchases at cost | **22,311** | **5,631** | **-** | **27,942** | 21,741 | 1,700 | 23,441 |
| Sales -  proceeds | **(20,130)** | **(2,761)** | **-** | **(22,891)** | (34,110) | (2,568) | (36,678) |
| -  (losses)/gains on sales | **(3,186)** | **(476)** | **-** | **(3,662)** | (1,954) | 269 | (1,685) |
| Net movement in investment holdings gains/(losses) | **7,195** | **2,202** | **454** | **9,851** | 5,393 | (1,633) | 3,760 |
| **Valuation at 31 December** | **42,796** | **20,537** | **454** | **63,787** | 36,606 | 15,941 | 52,547 |
| Closing balance |  |  |  |  |  |  |  |
| Cost at 31 December | **37,625** | **22,780** | **-** | **60,405** | 38,630 | 20,386 | 59,016 |
| Investment holding gains/(losses) at 31 December | **5,171** | **(2,243)** | **454** | **3,382** | (2,024) | (4,445) | (6,469) |
| **Valuation at 31 December** | **42,796** | **20,537** | **454** | **63,787** | 36,606 | 15,941 | 52,547 |

\* Derivative financial instruments comprise foreign exchange forwards. Further details are included in note 14.

|  |  |  |
| --- | --- | --- |
|  | **2017** | **2016** |
|  | **£'000** | **£'000** |
| Losses based on historical cost - sales | **(3,662)** | (1,685) |
| Movement in investment holding gains in the year | **9,851** | 3,760 |
| **Gains on investments** | **6,189** | 2,075 |

Purchase transaction costs were £23,000 (2016: £9,000). These comprise mainly commission and stamp duty.

Sales transaction costs were £30,000 (2016: £48,000). These comprise mainly commission.

8.            DEBTORS

|  |  |  |
| --- | --- | --- |
|  | **2017** | **2016** |
|  | **£'000** | **£'000** |
| VAT recoverable | **20** | - |
| Withholding tax recoverable | **33** | 6 |
| Prepayments and accrued income | **32** | 59 |
|  | **85** | 65 |
|  |  |  |
| **9.            CREDITORS** |  |  |
|  |  |  |
|  | **2017** | **2016** |
|  | **£'000** | **£'000** |
| **Amounts falling due within one year** |  |  |
| Other creditors and accruals | **167** | 201 |
|  |  |  |
| **10.          SHARE CAPITAL** |  |  |
|  |  |  |
|  | **2017** | **2016** |
|  | **£'000** | **£'000** |
| Issued and fully paid: |  |  |
| Ordinary shares of 1p | **800** | 800 |
|  |  |  |
| **11.          NET ASSET VALUE PER SHARE** |  |  |
|  |  |  |
|  | **2017** | **2016** |
| Net asset value per share | **92.1p** | 85.4p |

Net asset value per share

The net asset value per share is based on the assets attributable to equity shareholders of £73,692,000 (2016: £68,283,000) and on the number of Ordinary Shares in issue at the year end of 80,000,001.

12.          RECONCILIATION OF NET CASH OUTFLOW FROM OPERATING ACTIVITIES

|  |  |  |
| --- | --- | --- |
|  | **2017** | **2016** |
|  | **£'000** | **£'000** |
| Gains before finance costs and taxation | **5,457** | 1,211 |
| Deduct: Gains made on investments | **(6,189)** | (2,075) |
|  | **(732)** | (864) |
| Decrease in other debtors | **7** | 145 |
| (Decrease)/increase in creditors and accruals | **(34)** | 32 |
| Effective interest rate amortisation | **(51)** | (3) |
| Net taxation suffered on investment income | **(75)** | (49) |
| **Net cash outflow from operating activities** | **(885)** | (739) |

13.          RELATED PARTIES

The following are considered to be related parties:

·         Frostrow Capital LLP

·         The Directors of the Company

Details of the relationship between the Company and the Company's AIFM are disclosed in the ***Strategic*** Report. Details of fees paid to Frostrow by the Company can be found in note 3 to the financial statements. All material related party transactions have been disclosed in note 3. Details of the remuneration of all Directors can be found in note 4. Details of the Directors' interests in the capital of the Company can be found in the Directors' Remuneration Report.

Ben Goldsmith, a member of the Porfolio Manager, holds a minority membership interest in Alpina Partners LLP (formerly WHEB Capital Partners LLP), the investment manager of the WCP Growth Fund LP and the Alpina Partners Fund LP. He also has a small carried interest participation in each of these funds.

14.          FINANCIAL INSTRUMENTS

Risk management policies and procedures

The Company's financial instruments comprise securities and other investments, cash balances and certain debtors and creditors that arise directly from its operations.

As an investment trust, the Company invests in equities and other investments for the long term so as to achieve its investment objective.  In pursuing its investment objective, the Company is exposed to a variety of risks that could result in a reduction in the Company's net assets.

The main risks that the Company faces arising from its use of financial instruments are:

(i)       market risk (including foreign currency risk, interest rate risk and other price risk)

(ii)      liquidity risk

(iii)     credit risk

These risks, with the exception of liquidity risk, and the Directors' approach to the management of them, are set out in the ***Strategic*** Report. The AIFM, in close co-operation with the Board and the Menhaden Team, co-ordinates the Company's risk management.

(i)           Other price risk

In pursuance of the Company's Investment Objective the Company's portfolio is exposed to the risk of fluctuations in market prices and foreign exchange rates.

The Board manage these risks through the use of investment limits and guidelines, and monitor the risks through monthly compliance reports from Frostrow, with reports from Frostrow and the Menhaden Team also presented at each Board meeting. In addition, Frostrow monitor the exposure of the Company and compliance with the investment limits and guidelines on a daily basis.

Other price risk sensitivity

Other price risk may affect the value of the quoted investments.

If market prices at the date of the Statement of Financial Position had been 25% higher or lower while all other variables had remained constant: the revenue return would have decreased/increased by £46,000 (2016: £39,000); the capital return would have increased/decreased by £15,341,000 (2016: £12,982,000); and, the return on equity would have increased/decreased by £15,295,000 (2016: £12,943,000). The calculations are based on the portfolio as at the respective dates of the Statement of Financial Position and are not representative of the year as a whole.

(ii)          Foreign currency risk

A significant proportion of the Company's portfolio positions are denominated in currencies other than sterling (the Company's functional currency, and the currency in which it reports its results). As a result, movements in exchange rates can significantly affect the sterling value of those items.

Foreign currency risk is managed and maintained in conjunction with other price risk as described above.

Foreign currency exposure

The fair values of the Company's assets and liabilities that are denominated in foreign currencies are shown below:

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  | **2017** | **2016** |  |  |  |  |  |
|  |  |  | **Current** |  |  | **Current** |  |
|  | **Investments** | **Derivatives\*** | **assets** | **Net** | **Investments** | **assets** | **Net** |
|  | **£'000** | **£'000** | **£'000** | **£'000** | **£'000** | **£'000** | **£'000** |
| U.S. dollar | **25,093** | **(12,921)** | **13** | **12,185** | 33,160 | 15 | 33,175 |
| Euro | **25,159** | **(12,884)** | **33** | **12,308** | 12,987 | 4 | 12,991 |
| Other | **6,415** | **-** | **-** | **6,415** | 914 | 3 | 917 |
|  | **56,667** | **(25,805)** | **46** | **30,908** | 47,061 | 22 | 47,083 |

\* Derivatives comprise foreign currency forwards used to partially hedge the Company's exposure to overseas currencies.

Foreign currency sensitivity

The following table details the sensitivity of the Company's net return for the year and shareholders' funds to a 10% increase and decrease in sterling against the relevant currency.

These percentages have been determined based on market volatility in exchange rates over the period since launch. The sensitivity analysis is based on the Company's significant foreign currency exposures at each Balance Sheet date.

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | **2017** | **2016** |  |  |  |  |
|  | **USD** | **EUR** | **Other** | **USD** | **EUR** | **Other** |
|  | **£'000** | **£'000** | **£'000** | **£'000** | **£'000** | **£'000** |
| Sterling depreciates | **1,511** | **1,278** | **702** | 3,635 | 1,427 | 100 |
| Sterling appreciates | **(1,236)** | **(1,045)** | **(575)** | (2,974) | (1,163) | (82) |

(iii)         Interest rate risk

Interest rate changes may affect:

-         the level of income receivable from floating and fixed rate securities and cash at bank and on deposit;

-         the fair value of investments in fixed interest securities.

Interest rate exposure

The exposure of financial assets and liabilities to fixed and floating interest rates, is shown below.

At 31 December 2017, the Company held 0.3% (2016: 0.9%) of the portfolio in debt instruments. The exposure is shown in the table below:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **2017** | **2016** |  |  |
|  | **Fixed** | **Floating** | **Fixed** | **Floating** |
|  | **rate** | **rate** | **rate** | **rate** |
|  | **£'000** | **£'000** | **£'000** | **£'000** |
| Quoted debt investments | **156** | **-** | 165 | - |
| Cash | **-** | **9,987** | - | 15,872 |
|  | **156** | **9,987** | 165 | 15,872 |

Interest rate sensitivity

If interest rates had been 1% higher or lower and all other variables were held constant, the Company's net return for the year ended 31 December 2016 and the net assets would increase/decrease by £100,000 (2016: £157,000).

(iv)         Liquidity risk

This is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities.

The main liquidity requirements the Company may face are its commitments to the investments in limited partnership funds.  These commitments can be drawn down on 3 or 10 days notice, although it is considered unlikely that they would all be drawn at once. Frostrow and the Portfolio Manager are in regular contact with the managers of the limited partnership funds, as a part of which they would be made aware, and ***plan*** accordingly, of any material drawdowns under those commitments.

The Company's assets comprise quoted securities (equity shares, fixed income and fund investments), cash, and unquoted limited partnership funds and investments. Whilst the unquoted investments are illiquid, short-term flexibility is achieved through the quoted securities, which are liquid, and cash which is available on demand.

The liquidity of the quoted securities is monitored on a monthly basis to ensure that there is sufficient liquidity to meet the company's liabilities and any forthcoming drawdowns.

(v)          Credit risk

Credit risk is the risk of failure of a counterparty to discharge its obligations resulting in the Company suffering a financial loss. The quoted debt investments are managed as part of an investment portfolio, and their credit risk is considered in the context of their overall investment risk.

Credit risk exposure

|  |  |  |
| --- | --- | --- |
|  | **2017** | **2016** |
|  | **£'000** | **£'000** |
| Quoted debt investments | **156** | 479 |
| Derivative financial instruments | **454** | - |
| Current assets: |  |  |
| Other receivables (amounts due from brokers, dividends and interest receivable) | **65** | 67 |
| Cash | **9,987** | 15,681 |

(vi)         Hierarchy of investments

The Company's investments are valued within a fair value hierarchy that reflects the significance of the inputs used in making the fair value measurements as described in the accounting policies.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **Level 1** | **Level 2** | **Level 3** | **Total** |
| **As of 31 December 2017** | **£'000** | **£'000** | **£'000** | **£'000** |
| Investments | **42,640** | **156** | **20,537** | **63,333** |
| Derivatives | **-** | **454** | **-** | **454** |
|  |  |  |  |  |
|  | **Level 1** | **Level 2** | **Level 3** | **Total** |
| **As of 31 December 2016** | **£'000** | **£'000** | **£'000** | **£'000** |
| Investments | 36,292 | 314 | 15,941 | 52,547 |
|  |  |  |  |  |
| **Level 3 investments as of 31 December 2017** |  |  |  |  |
|  |  |  |  |  |
|  |  | **Value** |  | **Valuation** |
|  | **Cost** | **£** | **Ownership** | **basis** |
| Alpina Partners Fund LP | (EURO)3,529,000 | 3,620,000 | 4.70% | NAV |
| KKR Evergreen Co-Invest LP 1 | £3,518,000 | 3,500,000 | 1.25% | NAV |
| Perfin Apollo FIP | BRL3,054,000 | 680,000 | 5.80% | NAV |
| Helios Co-Invest LP 2 | $12,562,000 | 11,675,000 | 6.00% | NAV |
| WCP Growth Fund LP | £7,742,000 | 1,062,000 | 10.30% | Discount to NAV |

1 Described as Calvin Capital in the portfolio statement

2 Described as X-Elio in the portfolio statement

During 2017 the WCP Growth Fund LP (WCP Fund) was written down by £1,346,000 and the Alpina Partners Fund LP (Alpina Fund) was written up by £1,352,000. In addition, the WCP Fund made net capital distributions of £561,000 during the year and the Alpina Fund made net drawdowns of £547,000. Helios Co-Invest LP's (Helios) fair value increased by £967,000 and it made a capital distribution of £363,000.

As set out below, the Company sold half its stake in the Alpina Fund for £1,205,000 during the year. The cost of the stake sold was (EURO)2,428,000 and its previous carrying value (adjusted for distributions and drawdowns prior to the sale) was £1,182,000.

If a 25% discount to NAV was applied to the NAV of the level 3 investments as at 31 December 2017, or the discount already applied was increased by 25%, the impact would have been a decrease of £5,134,000 in net assets and the net return for the year.

Level 3 investments as of 31 December 2016

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  | **Value** |  |  |
|  | **Cost** | **£** | **Ownership** | **Valuation basis** |
| Alpina Partners Fund LP | (EURO)5,335,000 | 2,806,000 | 9.40% | Sales price |
| Helios Co-Invest LP | $12,562,000 | 10,167,000 | 6.00% | NAV |
| WCP Growth Fund LP | £8,303,000 | 2,968,000 | 10.30% | NAV |

During 2016 the WCP Fund was written down by £2,390,000 and the Alpina Fund was written down by £528,000. In addition, the WCP Fund made net distributions of £2,495,000 during the year. The value of Helios increased by £1,889,000 due to the depreciation of sterling during 2016.

If a 25% discount to NAV was applied to the NAV of Helios Co Invest LP and the WCP Fund as at 31 December 2016 the impact would have been a decrease of £3,284,000 in net assets and the net return for the year.

The Company agreed a sale for half the Alpina Fund interest in March 2017 and, in accordance with the Company's accounting policy the expected sales price was used to value the holding as at 31 December 2016. If the net asset basis had been used to value the interest being retained by the Company, the impact would have been an increase of £1,186,000 in net assets and the return for the year.

(vii)        Capital management policies and procedures

The Company's capital management objectives are to ensure that it will be able to continue as a going concern and to maximise the income and capital return to its equity shareholders through an appropriate level of gearing.

The Board's policy is to limit gearing to a maximum of 20% of the Company's net assets. Currently the Company does not have any gearing and there are no facilities in place.

The capital structure of the Company consists of the equity share capital, retained earnings and other reserves as disclosed on the Statement of Financial Position.

The Board, with the assistance of the AIFM and the Portfolio Manager, monitors and reviews the broad structure of the Company's capital on an ongoing basis. This includes a review of:

-         the ***planned*** level of gearing, which takes into account the Portfolio Manager's view of the market;

-         the need to buy back equity shares, either for cancellation or to hold in treasury, in light of any share price discount to net asset value per share;

-         the need for new issues of equity shares; and,

-         the extent to which revenue in excess of that which is required to be distributed should be retained.

15.          CAPITAL RESERVE

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | **2017** | **2016** |  |  |  |  |
|  | **Capital Reserves** | **Capital Reserves** |  |  |  |  |
|  |  | **Investment** |  |  |  |  |
|  |  | **Holding** |  |  | **Investment** |  |
|  |  | **(Losses)** |  |  | **Holding** |  |
|  | **Other** | **/Gains** | **Total** | **Other** | **Losses** | **Total** |
|  | **£'000** | **£'000** | **£'000** | **£'000** | **£'000** | **£'000** |
| **At 1 January** | **(3,362)** | **(6,469)** | **(9,831)** | (900) | (10,229) | (11,129) |
| Net gains on investments | **(3,662)** | **9,851** | **6,189** | (1,685) | 3,760 | 2,075 |
| Expenses charged to capital | **(897)** | **-** | **(897)** | (777) | - | (777) |
| **At 31 December** | **(7,921)** | **3,382** | **(4,539)** | (3,362) | (6,469) | (9,831) |

Sums within the Total Capital Reserve less unrealised gains (those on investments not readily convertible to cash) are available for distribution. In addition the Revenue Reserve is available for distribution.

16.          FINANCIAL COMMITMENT

The Company has made commitments to provide additional funds to the following investments:

|  |  |  |
| --- | --- | --- |
|  |  | **Notice of** |
|  | **Commitment** | **drawdown** |
| Alpina Partners Fund LP | (EURO)2,693,000 | 10 business days |
| KKR Evergreen Co-Invest LP | £175,000 | 10 business days |
| Perfin Apollo | BRL18,000,000 | 10 days |
| WCP Growth Fund LP | £338,000 | 10 business days |
| Helios Co-Invest LP | $62,000 | 3 business days |

17.          THE COMPANY

The Company is a public limited company (PLC) incorporated in England and Wales, with registered office at One Wood Street, London, EC2V 7WS. The Company's principal place of business is 25 Southampton Buildings, London, WC2A 1AL.

Further Information

Shareholder Information

Financial Calendar

31 December                                       Financial Year End

March/April                                          Final Results Announced

May                                                         Annual General Meeting

30 June                                                  Half Year End

September                                           Half Year End Results Announced

Annual General Meeting

The Annual General Meeting of Menhaden Capital PLC will be held at the offices of Herbert Smith Freehills LLP, Exchange House, Primrose Street, London EC2A 2EG on Tuesday, 22 May 2018 at 12 noon.

Share Prices

The Company's Ordinary Shares are listed on the London Stock Exchange under 'Investment Companies'. The price is given daily in the Financial Times and other newspapers.

Change of Address

Communications with shareholders are mailed to the address held on the share register. In the event of a change of address or other amendment this should be notified to the Company's Registrars, Link Asset Services, under the signature of the registered holder.

Net Asset Value

The net asset value of the Company's shares can be obtained on the Company's website at[*http://www.menhaden.comand*](http://www.menhaden.comand) is published monthly via the London Stock Exchange.

AIFMD Disclosures

The Company's AIFM, Frostrow Capital LLP and the Company are required to make certain disclosures available to investors in accordance with the Alternative Investment Fund Managers Directive ("AIFMD").

Those disclosures that are required to be made pre-investment are included within an Investor Disclosure Document which can be found on the Company's website[*http://www.menhaden.com*](http://www.menhaden.com).

The periodic disclosures to investors are made below:

·         Information on the investment strategy, sector investment focus and principal stock exposures are included in the ***Strategic*** Report.

·         None of the Company's assets are subject to special arrangements arising from their illiquid nature.

·         There are no new arrangements for managing the liquidity of the Company or any material changes to the liquidity management systems and procedures employed by Frostrow.

·         The ***Strategic*** Report and note 14 to the Financial Statements set out the risk profile and risk management systems in place. There have been no changes to the risk management systems in place during the year under review and no breaches of the risk limits set, with no breach expected.

·         The maximum level of leverage has not changed in the period under review: the maximum permitted levels are 200% on a gross basis and 120% on a commitment basis (see Glossary on page 76 for further details). Gross leverage was 118.2% (2016: nil) and commitment leverage was 97.3% (2016: nil).

·         No right of re-use of collateral or any guarantee granted under the leveraging arrangement has arisen during the period.

·         Following completion of an assessment of the application of the proportionality principle to the FCA's AIFM Remuneration Code, the AIFM has disapplied the pay-out process rules with respect to it and any of its delegates. This is because the AIFM considers that it carries out non-complex activities and is operating on a small scale.

Note: These disclosures are not audited by the Company's statutory auditor.

Glossary

Alternative Investment Fund Managers Directive (AIFMD)

Agreed by the European Parliament and the Council of the European Union and transposed into UK legislation, the AIFMD classifies certain investment vehicles, including investment companies, as Alternative Investment Funds (AIFs) and requires them to appoint an Alternative Investment Fund Manager (AIFM) and depositary to manage and oversee the operations of the investment vehicle. The Board of the Company retains responsibility for strategy, operations and compliance and the Directors retain a fiduciary duty to shareholders.

Compounding Hurdle

The payment of a performance fee is conditional on the Company's NAV being above the high watermark and the return on the gross proceeds from the IPO of the Company exceeding an annualised compound return of 5%.

Discount or Premium

A description of the difference between the share price and the net asset value per share. The size of the discount or premium is calculated by subtracting the share price from the net asset value per share and is usually expressed as a percentage (%) of the net asset value per share. If the share price is higher than the net asset value per share the result is a premium. If the share price is lower than the net asset value per share, the shares are trading at a discount.

Gearing

In simple terms gearing is borrowing. An investment trust can borrow money to invest in additional investments for its portfolio. The effect of the borrowing on shareholders' funds is called 'gearing'. If the Company's assets grow, shareholders' funds grow proportionately more because the debt remains the same. But if the value of the Company's assets falls, the situation is reversed. Gearing can therefore enhance performance in rising markets but can adversely impact performance in falling markets.

Gearing represents borrowings at par less cash and cash equivalents expressed as a percentage of shareholders' funds.

Potential gearing is the company's borrowings expressed as a percentage of shareholders' funds.

High Watermark

The high watermark is the highest net asset value that the Company has reached. Its initial level was set at 100p on the launch of the Company.

Leverage

For the purposes of the Alternative Investment Fund Managers (AIFM) Directive, leverage is any method which increases the Company's exposure, including the borrowing of cash and the use of derivatives. It is expressed as a ratio between the Company's exposure and its net asset value and can be calculated on agrossand acommitmentmethod. Under the gross method, exposure represents the sum of the Company's positions after the deduction of sterling cash balances, without taking into account any hedging and netting arrangements. Under the commitment method, exposure is calculated without the deduction of sterling cash balances and after certain hedging and netting positions are offset against each other.

Net Asset Value (NAV)

The value of the Company's assets, principally investments made in other companies and cash being held, minus any liabilities. The NAV per share is also described as 'shareholders' funds' per share. The NAV is often expressed in pence per share after being divided by the number of shares which are in issue. The NAV per share is unlikely to be the same as the share price which is the price at which the Company's shares can be bought or sold by an investor. The share price is determined by the relationship between the demand and supply of the shares.

NAV Total Return

The theoretical total return on shareholders' funds per share, including an assumed £100 original investment at the beginning of the period specified, reflecting the change in NAV assuming that any dividends paid to shareholders were reinvested at NAV at the time the shares were quoted ex-dividend. A way of measuring investment management performance of investment trusts which is not affected by movements in the Share price discount/premium.

Share Price Total Return

Return to the investor on mid-market prices assuming that all dividends paid were reinvested, usually expressed as a percentage.

Ongoing Charges

Ongoing charges are calculated by taking the Company's annualised ongoing charges, excluding finance costs, taxation, performance fees and exceptional items, and expressing them as a percentage of the average daily net asset value of the Company over the year.

|  |  |  |
| --- | --- | --- |
|  | **31 December** | **31 December** |
|  | **2017** | **2016** |
|  | **£'000** | **£'000** |
| Total Operating Expenses | **1,560** | 1,396 |
| Deduct: Non-recurring items | **(2)** | (34) |
| Investment due diligence costs | **(103)** | - |
| **Adjusted Operating Expenses** | **1,453** | **1,362** |
| Average Net Assets during the year | **70,680** | 65,754 |
| Ongoing Charges | **2.1%** | 2.1% |

Notice of the Annual General Meeting

Notice is hereby given that the Annual General Meeting of Menhaden Capital PLC will be held at the offices of Herbert Smith Freehills LLP, Exchange House, Primrose Street, London EC2A 2EG on Tuesday, 22 May 2018 at 12 noon for the following purposes:

Ordinary Business

To consider and, if thought fit, pass the following as ordinary resolutions:

1.        To receive and accept the Annual Report for the year ended 31 December 2017.

2.        To re-elect Sir Ian Cheshire as a Director of the Company.

3.        To re-elect Duncan Budge as a Director of the Company.

4.        To re-elect Emma Howard Boyd as a Director of the Company.

5.        To re-elect Howard Pearce as a Director of the Company.

6.        To re-appoint Grant Thornton UK LLP as the Company's Auditors and to authorise the Audit Committee to determine their remuneration.

7.        To receive and approve the Directors' Remuneration Report for the year ended 31 December 2017.

Special Business

To consider and, if thought fit, pass the following resolution as a special resolution:

General Meetings

8.        THAT the Directors be authorised to call general meetings (other than the Annual General Meeting of the Company) on not less than 14 clear days' notice, such authority to expire on the conclusion of the next Annual General Meeting of the Company or if earlier, on the expiry 15 months from the date of the passing of the resolution.

By order of the Board

Registered Office:

One Wood Street

 London EC2V 7WS

Frostrow Capital LLP

Company Secretary

23 March 2018

Notes

1.        Members are entitled to appoint a proxy to exercise all or any of their rights to attend and to speak and vote on their behalf at the meeting. A shareholder may appoint more than one proxy in relation to the meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that shareholder. A proxy need not be a shareholder of the Company. A proxy form which may be used to make such appointment and give proxy instructions accompanies this notice. Members can also vote via the share portal at[*http://www.signalshares.com*](http://www.signalshares.com)

2.        A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolutions. If no voting indication is given, a proxy may vote or abstain from voting at his/her discretion. A proxy may vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the meeting.

3.        To be valid any proxy form or other instrument appointing a proxy must be completed and signed and received by post or (during normal business hours only) by hand at Link Asset Services, PXS1, 34 Beckenham Road, Beckenham, Kent BR3 4ZF no later than 12 noon on 18 May 2018.

4.        In the case of a member which is a company, the instrument appointing a proxy must be executed under its seal or signed on its behalf by a duly authorised officer or attorney or other person authorised to sign. Any power of attorney or other authority under which the instrument is signed (or a certified copy of it) must be included with the instrument.

5.        The return of a completed proxy form, other such instrument or any CREST Proxy Instruction (as described below) will not prevent a shareholder attending the meeting and voting in person if he/she wishes to do so.

6.        Any person to whom this notice is sent who is a person nominated under section 146 of the Companies Act 2006 to enjoy information rights (a "Nominated Person") may, under an agreement between him/her and the shareholder by whom he/she was nominated, have a right to be appointed (or have someone else appointed) as a proxy for the meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights.

7.        The statement of the rights of shareholders in relation to the appointment of proxies in paragraphs 1 and 3 above does not apply to Nominated Persons. The rights described in these paragraphs can only be exercised by shareholders of the Company.

8.        Pursuant to regulation 41 of the Uncertificated Securities Regulations 2001, only shareholders registered on the register of members of the Company (the "Register of Members") at close of business on Friday, 18 May 2018 (or, in the event of any adjournment, on the date which is two days before the time of the adjourned meeting) will be entitled to attend and vote or be represented at the meeting in respect of shares registered in their name at that time. Changes to the Register of Members after that time will be disregarded in determining the rights of any person to attend and vote at the meeting.

9.        As at 22 March 2018 (being the last business day prior to the publication of this notice) the Company's issued share capital consists of 80,000,001 ordinary shares, carrying one vote each. Therefore, the total voting rights in the Company as at 22 March 2018 are 80,000,001.

10.      CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

11.      In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with the specifications of Euroclear UK and Ireland Limited ("CRESTCo"), and must contain the information required for such instruction, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID RA10) no later than 48 hours before the time appointed for holding the meeting, excluding non-business days. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Application Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

12.      CREST members and, where applicable, their CREST sponsors, or voting service providers should note that CRESTCo does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed a voting service provider, to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting system providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

13.      The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

14.      In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Register of Members in respect of the joint holding (the first named being the most senior).

15.      Members who wish to change their proxy instructions should submit a new proxy appointment using the methods set out above. Note that the cut-off time for receipt of proxy appointments (see above) also applies in relation to amended instructions; any amended proxy appointment received after the relevant cut-off time will be disregarded.

16.      Members who have appointed a proxy using the hard-copy proxy form and who wish to change the instructions using another hard-copy form, should contact Link Asset Services on 0871 664 0300 (calls cost 12p per minute plus network extras). Lines are open 9.00 a.m. to 5.30 p.m. Monday to Friday.

17.      If a member submits more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.

18.      In order to revoke a proxy instruction, members will need to inform the Company. Members should send a signed hard copy notice clearly stating their intention to revoke a proxy appointment to Link Asset Services, PXS1, 34 Beckenham Road, Beckenham, Kent BR3 4ZF.

In the case of a member which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power of attorney) must be included with the revocation notice. If a member attempts to revoke their proxy appointment but the revocation is received after the time for receipt of proxy appointments then, subject to paragraph 4, the proxy appointment will remain valid.

Explanatory Notes to the Resolutions

Resolution 1 - To receive the Annual Report

The Annual Report for the year ended 31 December 2017 will be presented to the Annual General Meeting (AGM). These financial statements accompany this Notice of Meeting and shareholders will be given an opportunity at the meeting to ask questions.

Resolutions 2 to 5 - Re-election of Directors

Resolutions 2 to 5 deal with the re-election of each Director. Biographies of each of the Directors can be found above.

Resolution 6 - Re-appointment of Auditors and the determination of their remuneration

Resolution 6 relates to the re-appointment of Grant Thornton UK LLP as the Company's independent Auditors to hold office until the next AGM of the Company and also authorises the Audit Committee to set their remuneration. Following the implementation of the Competition and Markets Authority order on Statutory Audit Services, only the Audit Committee may negotiate and agree the terms of the Auditors' service agreement.

Resolution 7 - Directors' Remuneration

It is mandatory for all listed companies to put their report on Directors' remuneration to a shareholder vote every year and their report on the Directors' remuneration policy to a shareholder vote every three years. The remuneration policy will next be put to shareholders at the AGM in 2019.

The Directors' Remuneration Report and the Remuneration Policy are set out in full in the Annual Report.

Resolution 8 - General Meetings

Special Resolution No. 8 seeks shareholder approval for the Company to hold General Meetings (other than the AGM) on 14 clear days' notice.

The Company will only use this shorter notice period where it is merited by the purpose of the meeting and will endeavour to give at least 14 working days' notice if possible, in line with the recommendations of the UK Corporate Governance Code.

Recommendation

The Board considers that the resolutions relating to the above items are in the best interests of shareholders as a whole. Accordingly, the Board unanimously recommends to the shareholders that they vote in favour of the above resolutions to be proposed at the forthcoming AGM as the Directors intend to do in respect of their own beneficial holdings totalling 158,000 shares.

Disclaimer: Neither the contents of the Company's website nor the contents of any website accessible from hyperlinks on the Company's website (or any other website) is incorporated into or forms part of this announcement.

END

**Load-Date:** May 16, 2018

**End of Document**



[***Pacific Assets Trust Plc - Annual Financial Report***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5S09-SG31-DXP3-R1KN-00000-00&context=1516831)

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**Body**

LONDON STOCK EXCHANGE ANNOUNCEMENT

Pacific Assets Trust plc

Audited Results for the Year Ended 31 January 2018

The Company's annual report will be posted to shareholders on 9 April 2018. Members of the public may obtain copies from Frostrow Capital LLP, 25 Southampton Buildings, London WC2A 1AL or from the Company's website at[*http://www.pacific-assets.co.ukwhere*](http://www.pacific-assets.co.ukwhere) up to date information on the Company, including daily NAV, share prices and fact sheets, can also be found.

The Company's annual report for the year ended 31 January 2018 has been submitted to the UK Listing Authority, and will shortly be available for inspection on the National Storage Mechanism (NSM):

[*http://www.morningstar.co.uk/uk/nsm*](http://www.morningstar.co.uk/uk/NSM)

(Documents will usually be available for inspection within two business days of this notice being given)

Mark Pope, Frostrow Capital LLP, Company Secretary - 0203 008 4913

29 March 2018

***Strategic*** Report / Key Information

Pacific Assets Trust plc (the "Company") aims to achieve long-term capital growth through investment in selected companies in the Asia Pacific region and the Indian sub-continent, but excluding Japan, Australia and New Zealand (the 'Asia Pacific Region'). Up to a maximum of 20% of the Company's total assets (at the time of investment) may be invested in companies incorporated and/or listed outside the Asia Pacific Region, (as defined above); at least 25% of their economic activities (at the time of investment) are within the Asia Pacific Region with this proportion being expected to grow significantly over the long term.

Investment Manager

Stewart Investors have been the Company's Investment Manager since 1 July 2010 and they adopt a sustainable investment strategy in selecting the investments that make up the Company's portfolio.

Investment Philosophy

Stewart Investors seek to invest only in good quality companies. They focus on the quality of management, franchise and financials. By analysing the sustainable development performance and positioning of companies they believe they can better measure less tangible elements of quality and identify less obvious risks.

Stewart Investors strives to make investment decisions with a minimum five-year time horizon. They have an absolute return mind-set and define risk as that of losing client money, rather than deviation from any benchmark index. They focus as much on the potential downside of investment decisions as on the anticipated upside. They believe that the identification of long-term sustainable development risks is an extremely important way of managing risk.

Their willingness to differ substantially from index weightings, both country and company, means they are not obliged to invest in any company or country if they have particular sustainability concerns.

What does Stewart Investors mean by Sustainable Development?

The root causes of the sustainable development challenges the world is facing are numerous and complex. In order to tackle these challenges both developed and developing countries will have to shift from a resource-intensive, consumption-driven, debt-dependent model of development and growth to a more sustainable one.

How does this apply to investment?

Stewart Investors invest in those companies which they believe are particularly well-positioned to deliver positive long-term returns in the face of the huge sustainable development challenges facing all countries today. These challenges include population pressure, land and water scarcity and degradation, resource constraints, income inequality, ethnic and gender inequalities and extreme levels of poverty.

Their emphasis is on sustainable development and not 'green', 'clean tech' or 'ethical' investing.

How to Invest

The Company's shares are traded openly on the London Stock Exchange and can be purchased through a stock broker or other financial intermediary. The shares are available through savings ***plans*** (including investment dealing accounts, ISAs, Junior ISAs and SIPPs) which facilitate both regular monthly investments and lump sum investments in the Company's shares. There are a number of investment platforms that offer these facilities.

***Strategic*** Report / Company Performance

Performance Summary

|  |  |  |  |
| --- | --- | --- | --- |
|  | **As at 31 January 2018** | **As at 31 January 2017** | **% Change** |
| Shareholders' funds | £320.7m | £287.2m | 11.7% |
| Market capitalisation | £305.7m | £273.0m | 12.0% |

|  |  |  |  |
| --- | --- | --- | --- |
| **Performance** | **One year to 31 January 2018** | **One year to 31 January 2017** |  |
| Share price (total return)\* | 12.8% | 22.2% | n/a |
| Net asset value per share (total return)\* | 12.8% | 27.0% | n/a |
| MSCI All Country Asia ex Japan Index (total return, sterling adjusted)\* | 27.0% | 36.7% | n/a |
| Average Discount of share price to net asset value per share\* | 2.4% | 2.2% | n/a |
| Ongoing charges ratio | 1.3% | 1.3% | n/a |
| Revenue return per share | 2.6p | 2.8p | (7.1%) |
| Dividend per share | 2.6p | 2.6p | - |

See Glossary   \* Source: Morningstar

Ten Year Record

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **31 January** | **Shareholders' funds £'000** | **Net asset value per share** | **Share price** | **Discount of share price to net asset value per share** | **Dividend per share** | **Ongoing charges** |
| 2008 | 152,105 | 128.5p | 115.5p | 10.1% | 1.12p | 1.5% |
| 2009 | 87,760 | 74.2p | 68.3p | 8.0% | 1.29p | 1.6% |
| 2010 | 135,254 | 114.3p | 104.3p | 8.8% | 1.29p | 1.6% |
| 2011 | 160,086 | 137.0p | 131.5p | 4.0% | 1.29p | 1.6%\* |
| 2012 | 153,870 | 131.7p | 115.3p | 12.5% | 2.60p | 1.4% |
| 2013 | 187,602 | 160.6p | 147.5p | 8.2% | 2.60p | 1.3% |
| 2014 | 186,287 | 159.4p | 145.6p | 8.7% | 2.60p | 1.3% |
| 2015 | 242,063 | 207.2p | 196.3p | 5.3% | 2.60p | 1.3% |
| 2016 | 228,326 | 191.2p | 189.0p | 1.1% | 2.20p | 1.3% |
| 2017 | 287,202 | 240.2p | 228.4p | 4.9% | 2.60p | 1.3% |
| **2018** | **320,731** | **267.6p** | **255.0p** | **4.7%** | **2.60p** | **1.3%** |

\*               Excludes the costs attributable to the change in management arrangements amounting to £380,000.

              Excludes performance fees payable (2015: £1,798,000) (2014: £1,358,000) (2013: £627,000).

***Strategic*** Report / Chairman's Statement

"The Company's 12-month net asset value per share total return of +12.8% lagged the Benchmark's return of +27.0%. However, over the last fiveyears, the annualised net asset value per share total return of +12.3% compares with the Benchmark return of +11.8%."

Investment Return

The Company's net asset value per share total return was +12.8% in the year to 31 January 2018. In the last five years the net asset value per share total return was +12.3% on an annualised basis. At the year-end the Company's net assets were £320.7 million. Five years ago, they were £187.6 million. Looked at in absolute terms such growth in value exceeds what one should expect the long-term return from equities to be, even allowing for the premium expected from investing in the economically dynamic Asia Pacific Region.

When measured against the Benchmark (the MSCI All Country Asia ex Japan Index measured on a total return, sterling adjusted basis), the Company's 12-month net asset value per share total return of +12.8% considerably lagged the Benchmark's return of +27.0%. Over the last five years, however, the annualised net asset value per share total return of +12.3% compares with the Benchmark return of +11.8%. Over the 12-month period, the Company's net asset value per share total return of +12.8% compares with the peer group of seven other Asian Investment Trusts' average return of +26.8%.

Sustainable Long-Term Investing

As a Board, our duty is to ensure that the interests of our shareholders are protected, and to ensure that the management arrangements are fit for purpose. During the eight years that Stewart Investors have been managing your Company's portfolio, there has been minimal change to the investment team and their approach has remained consistent and focused, with a deep understanding of the businesses that they invest in, on behalf of the Company. While there has been recent underperformance, this consistency and focus has ***produced*** relative outperformance when looked at for longer periods.

Shareholders who have been long-term owners of the Company's shares will be familiar with what this approach means. They will be aware that with a portfolio of shares bearing very little overlap with the leading components of the Benchmark, the investment returns, both positive and negative are likely to be at variance from the Benchmark. I was asked at a recent meeting by a shareholder what would make us think differently of our Investment Manager. My answer was that our greatest concern would be if they were to deviate from their long-established investment approach, and to start pursuing popular market trends.

We hear much about 'stewardship' and 'patient capital' these days in the investment world. The merit of a closed ended structure, such as an Investment Trust, is that a longer-term investment strategy can be accommodated with less risk of disruption. The Asian markets in which your Company is invested contain many thousands of possible investments. These cover a multitude of industries and a multitude of shareholder structures. The emergence of India and China as great driving forces of global expansion, brings with it a plethora of potential opportunity. The Company's investment policy is founded on the disciplines of intense company engagement, careful evaluation of a business's management's long-term strategies, and consideration of absolute investment risk. As shareholders in the Company, you need to be comfortable that this is the approach to investing in Asia that you are signed up to.

There is an alternative option for an investor who wishes to engage with this part of the world, to replicate the index of the largest companies on a passive, or an index tilted basis. In this recent period of ample liquidity this has been a successful approach, albeit punctuated by episodes of alarming volatility. Chinese internet stocks have dominant market capitalisation reflected in the Asian index and have been market leaders in the region for 18 months. A similar sectoral trend is evident in the United States. It is in the nature of markets that excesses of liquidity can cause distortions, sometimes lasting a long time.

Your Board is doing its job when challenging the Investment Manager closely on their investment decisions, on their mistakes and their successes, but we look at these through the prism of their well-articulated investment philosophy. In the evaluation of the Company's investment performance, we believe that a five-year time horizon is appropriate, which reflects the average holding period of the Company's investments with the portfolio turning over less than 21% within the last year.

There can be no satisfaction for either your Board or your Investment Manager in a competitive environment to report a second consecutive year of underperformance of both the Benchmark and of other Asian investment vehicles. However, we should not forget the complexity of the investment arena, the dynamics of different businesses, and the potential vagaries of the economic cycle. Against this background, it is consistency of thought and a strong awareness of the investment risks that are key to stewardship for shareholders.

The Discount and Issuance

The average share price discount to the net asset value per share during the year was 2.4% which compares to an average discount of 2.2% during the previous year. During the year, the Company was able to issue 325,000 new shares at a small premium to net asset value per share. Shareholder approval to renew the authority to both issue new shares and to repurchase existing shares will be sought at this year's Annual General Meeting.

Revenue and Dividend

As has been explained in previous reports to shareholders the generation of income from dividends remains a secondary objective for the Company. Many of the companies in which we are invested are relatively young businesses to which we are committed for the long term, where the future growth profile is more important than the generation of dividend income for shareholders. We seek to pay out the major part of income received to shareholders, but we would make a reminder that this can rise or fall from one year to another. For the current year, the Company's earnings per share were 2.6p compared with 2.8p for the previous year. The Board has taken a decision to recommend an unchanged annual dividend of 2.6p per share. This dividend will be paid on Wednesday, 4 July 2018 to shareholders on the register at Friday, 1 June 2018. The associated ex-dividend date will be Thursday, 31 May 2018.

Management

The Board formally reviews the Company's investment management arrangements annually. This review considers the stability of the Stewart Investors' team and the consistency of the investment process. We take note of relative performance against both the Benchmark and a peer group of investment companies. Such evaluation is typically over a five-year time horizon.

We also review the overall management costs. In this respect I can report that with effect from 1 February 2018, the fee payable to Frostrow Capital LLP, the Company's Manager, Administrator and Company Secretary, has been amended as follows: a fixed fee of £60,000 per annum; 0.11% per annum on net assets up to £150 million and 0.075% per annum on net assets between £150 million and £500 million. The fee payable was previously 0.15% per annum of the Company's net assets lower than or equal to £275 million, and 0.10% per annum of the amount of the Company's net assets in excess of £275 million.

Annual General Meeting

This year's Annual General Meeting will be held at 12 noon on Wednesday, 27 June 2018, and will again be held at etc. venues, St. Paul's, 200 Aldersgate Conference Centre, London EC1A 4HD. As well as the formal proceedings, there will be an opportunity for shareholders to meet the Board and the Investment Manager, and to receive an update on the Company's strategy and its key investments. I very much look forward to seeing as many shareholders as possible on that day.

Shareholders who are unable to attend are encouraged to return their forms of proxy to ensure their entitlement to vote is used.

Key Information Document

Shareholders may be aware that new regulations, the Packaged Retail and Insurance-based Investment Products ("PRIIPs") Regulation, came into effect from 1 January 2018. Under these regulations, the Company is required to prepare and publish a key information document ("KID") to help potential investors understand the nature, risk and costs of this product and to allow comparison with others.

The KID contains information about the Company in a highly prescribed format, both in terms of the calculation of the numbers and also the narrative, with limited ability to add additional context and explanations. The Board believes that the KID should therefore be considered in conjunction with other material ***produced*** about the Company including the annual, half year and quarterly reports and the monthly fact sheet which,inter alia, describe the Company's investment objective together with the investment philosophy of our Investment Manager. All of these documents are available at[*http://www.pacific-assets.co.uk*](http://www.pacific-assets.co.uk). The Board continues to keep this matter under review.

Outlook

There is a higher level of uncertainty in all global markets with a related rise in volatility. The rise in inflationary expectations by previous standards remain quite modest, but the difficult question is how the gradual reversal of years of monetary ease and extreme debt accumulation will impact across asset classes that have risen, often exponentially, on a tide of liquidity.

The underlying growth characteristics found in Asia, and the attention to quality in the Company's portfolio may help to mitigate some of these risks. However, we believe that, during this period of adjustment to rising interest rates, a cautious outlook is justified.

James Williams

Chairman

29 March 2018

***Strategic*** Report / Investment Portfolio

as at 31 January 2018

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Company | MSCI sector | Market  valuation  £'000 | % of  total assets  less current  liabilities | Country |
| Vitasoy International Holdings | Consumer Staples | 19,451 | 6.0 | Hong Kong |
| Tech Mahindra | Information Technology | 18,894 | 5.9 | India |
| Standard Foods | Consumer Staples | 11,765 | 3.7 | Taiwan |
| Marico | Consumer Staples | 10,919 | 3.4 | India |
| Chroma ATE | Information Technology | 10,815 | 3.4 | Taiwan |
| Taiwan Semiconductor Manufacturing | Information Technology | 9,001 | 2.8 | Taiwan |
| E.Sun Financial Holdings | Financials | 8,692 | 2.7 | Taiwan |
| Manila Water | Utilities | 8,555 | 2.7 | Philippines |
| Unicharm | Consumer Staples | 8,232 | 2.6 | Japan\* |
| Kotak Mahindra Bank | Financials | 8,096 | 2.5 | India |
| **Ten largest investments** |  | **114,420** | **35.7** |  |
| Housing Development Finance | Financials | 8,069 | 2.5 | India |
| Cyient | Information Technology | 7,301 | 2.3 | India |
| Ayala Corporation | Financials | 6,504 | 2.0 | Philippines |
| Dr. Reddy's Laboratories | Health Care | 6,044 | 1.9 | India |
| Bank of the Philippine Islands | Financials | 6,021 | 1.9 | Philippines |
| Dabur India | Consumer Staples | 5,875 | 1.8 | India |
| Cipla | Health Care | 5,850 | 1.8 | India |
| Bank OCBC NISP | Financials | 5,768 | 1.8 | Indonesia |
| United Plantations | Consumer Staples | 5,585 | 1.8 | Malaysia |
| Delta Electronics (Thailand) | Information Technology | 5,516 | 1.7 | Thailand |
| **Twenty largest investments** |  | **176,953** | **55.2** |  |
| Delta Brac Housing Finance | Financials | 5,235 | 1.6 | Bangladesh |
| Uni-President Enterprises | Consumer Staples | 5,117 | 1.6 | Taiwan |
| Delta Electronics (Taiwan) | Information Technology | 5,004 | 1.6 | Taiwan |
| TI Financial Holdings | Financials | 4,999 | 1.5 | India |
| Mahindra & Mahindra | Consumer Discretionary | 4,739 | 1.5 | India |
| Selamat Sempurna | Consumer Discretionary | 4,693 | 1.5 | Indonesia |
| Public Bank | Financials | 4,568 | 1.4 | Malaysia |
| Koh Young Technology | Information Technology | 4,525 | 1.4 | South Korea |
| Oversea-Chinese Banking | Financials | 4,063 | 1.3 | Singapore |
| Kasikornbank | Financials | 3,926 | 1.2 | Thailand |
| **Thirty largest investments** |  | **223,822** | **69.8** |  |

\*          Economic activity takes place principally in the Asia Pacific Region

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Company | MSCI sector | Market  valuation  £'000 | % of  total assets  less current  liabilities | Country |
| Hemas Holdings | Industrials | 3,711 | 1.2 | Sri Lanka |
| President Chain Store | Consumer Staples | 3,634 | 1.1 | Taiwan |
| Commercial Bank of Ceylon | Financials | 3,630 | 1.1 | Sri Lanka |
| Tata Consultancy Services | Information Technology | 3,557 | 1.1 | India |
| Infosys | Information Technology | 3,542 | 1.1 | India |
| Square Pharmaceuticals | Health Care | 3,501 | 1.1 | Bangladesh |
| BRAC Bank | Financials | 3,451 | 1.1 | Bangladesh |
| Nippon Paint | Materials | 3,392 | 1.1 | Japan\* |
| Elgi Equipments | Industrials | 3,380 | 1.0 | India |
| Expeditors International of Washington | Industrials | 3,233 | 1.0 | United States\* |
| **Forty largest investments** |  | **258,853** | **80.7** |  |
| Info Edge (India) | Information Technology | 3,218 | 1.0 | India |
| Kalbe Farma | Health Care | 3,108 | 1.0 | Indonesia |
| Godrej Consumer Products | Consumer Staples | 3,102 | 1.0 | India |
| Tube Investments of India | Consumer Discretionary | 2,982 | 0.9 | India |
| Robinsons Retail Holdings | Consumer Staples | 2,956 | 0.9 | Philippines |
| Idea Cellular | Telecommunication Services | 2,839 | 0.9 | India |
| S H Kelkar and Co | Materials | 2,580 | 0.9 | India |
| Marico Bangladesh | Consumer Staples | 2,381 | 0.7 | Bangladesh |
| Giant Manufacturing | Consumer Discretionary | 2,379 | 0.7 | Taiwan |
| PChome Online | Information Technology | 2,260 | 0.7 | Taiwan |
| **Fifty largest investments** |  | **286,658** | **89.4** |  |
| Mahindra Lifespace Developers | Real Estate | 2,018 | 0.6 | India |
| Sundaram Finance | Financials | 1,904 | 0.6 | India |
| China Mengniu Dairy | Consumer Staples | 1,727 | 0.5 | China |
| Dr. Lal PathLabs | Health Care | 1,585 | 0.5 | India |
| Advantech | Information Technology | 1,579 | 0.5 | Taiwan |
| Hero Supermarket | Consumer Staples | 1,498 | 0.5 | Indonesia |
| CT Holdings | Consumer Staples | 1,462 | 0.4 | Sri Lanka |
| Advanced Enzyme Technologies | Materials | 1,273 | 0.4 | India |
| Shanthi Gears | Industrials | 1,243 | 0.4 | India |
| **Total portfolio** |  | **300,947** | **93.8** |  |
| **Net current assets** |  | **19,784** | **6.2** |  |
| **Total assets less current liabilities** |  | **320,731** | **100.0** |  |

\* Economic activity takes place principally in the Asia Pacific Region

***Strategic*** Report / Investment Manager's Review

"We remain as convinced as ever about the long-term returns to be generated from investing in Asia."

Last year we highlighted our thoughts on investing by economic exposure rather than focusing too much on country of listing or incorporation. We have always been happy owning companies listed outside the Asia Pacific ex-Japan region if they make the majority of their money in Asia ex-Japan. It is with this same 'blank sheet of paper' approach (we are bottom-up investors with the freedom to ignore the large popular index companies) that we have spent time this year looking at the attractions of investing in Asia at all - what are the benefits for shareholders?

Asia as a separate asset class?

Why is Asia still regarded as a separate asset class by investors? At first glance, it looks like an artificial construct, made up of 15 countries with very little in common, other than crude proximity on a global map. There is not even a daily flight between Beijing and Delhi. Thirty years ago, investors were attracted to the region by the alluring promise of economic convergence with the west and political reform. Today, these historic arguments are less convincing. For many Asian countries, economic convergence has largely happened. Taiwan now has a greater income per capita than Denmark. South Korea has a higher income per capita than Spain. China is now classified as a "high human development" country by the UN1. In terms of political reform, it is a similar story of progress and convergence. Thirty years ago, Asia was dominated by dictators and strongmen. Since then, investors have benefited from the development of democratic governance in many, though not all, countries. South Korea, for example, elected its first leader by popular vote in 1988, Taiwan in 1996 and Indonesia in 1998. There are, of course, plenty of exceptions. Economic convergence is still a long way off for some Asian countries and political reforms are by no means uniform. However, these exceptions are no longer reason alone to put such disparate countries into the same investment category.

Family-controlled companies

Where then does that leave Asia as a separate asset class? Fortunately (for fund managers with Asian trusts like ourselves!), there is still at least one compelling reason for retaining Asia as a separate asset class: the region is home to the world's greatest collection of good quality, listed, family-controlled companies - and good family companies make for some of the very best investment opportunities around. Approximately two-thirds of listed Asian companies are controlled by families or their foundations. The opposite is true globally, with approximately two-thirds of listed companies having no identifiable long-term steward. Crucially, this prevalence of family-controlled companies is not limited to one part of Asia. It applies equally from Sri Lanka to Singapore to South Korea. It is perhaps the one feature that binds all Asian markets together.

Patience pays

Why does this matter? For long-term investors, the attractions of family companies are threefold. Most significantly, the best companies require the ability to take long-term decisions that may not generate returns for many years or even decades. Vitasoy, a Hong Kong-based soya milk company held in the portfolio is a good example. They started selling soya milk into China in the early 1980s. By 2001 they were still loss-making. They persisted nonetheless and their patience was finally rewarded. Today, mainland China accounts for approximately 40% of group profits2.

This "crossing the river by feeling the stones" approach to business has been particularly rewarding for companies entering large, untested markets such as China, India and Indonesia. Poor quality companies have often rushed in quickly and tried to conquer the whole market in one giant leap, failing in the process. Good quality companies, such as Vitasoy, have taken a much more patient and measured approach that has paid off over the course of decades, rather than years and months. They have only been able to act patiently because they have patient owners. In today's era of casino capitalism, having a patient owner is perhaps the greatest competitive advantage of them all, particularly given the collapse in time horizons of institutional investors. When all around are focused on next quarter's earnings and borrowing to buy back shares to meet management bonus hurdles, the ability to think and act long-term becomes a very valuable asset. It can't be easily replicated by ownerless competitors, eroded away by cheap capital or low-cost labour, disrupted by Amazon or stolen by cyber hackers!

The importance of long-termism is magnified by the severity of the sustainability challenges facing companies today. Sustainability challenges tend to sit just over the horizon. Asia's obesity epidemic will affect the profit that can be generated from selling products with high sugar, fat and salt content over a period of years rather than months, as a combination of government regulation and changing consumer preferences slowly takes hold. Climate change, the shift away from fossil fuels and internal combustion engines, will likewise impact miners, power stations and automobile manufacturers over the next decade rather than the next ten months. Those companies with patient long-term owners find it much easier to adjust their strategies accordingly. By contrast, ownerless companies struggle to "future-proof" or "horizon-scan."

Importance of corporate memories

As well as looking forward, another advantage of family companies is their ability to look backward, often a very long way. This is particularly useful when it comes to thinking about risk. For example, many family-owned Asian banks can draw upon their families' extensive experiences of historic crises and mistakes. Singapore's OCBC is a case in point (owned in the portfolio today). Owned by the Lee family, this is a bank that traces its roots to the early 1900s. Since then the bank has survived a number of "black swan" events, from Japanese occupation closing its Indonesian branches to the nationalisation of its Burmese branches (renamed the People's Bank No.14) and the relocation of its headquarters from Singapore to Mumbai during the Second World War. The 1997 Asian crisis and the more recent Global Financial Crisis are simply the latest in a long line of storms the Bank has weathered. Such corporate memories make it much easier to run the bank in perpetual readiness for the next storm, rather than to assume there is only fair weather ahead. Many Asian family companies have similar stories to tell. It is perhaps the primary reason why there are so many net cash companies in Asia compared with elsewhere. While the rest of the world is busy gearing up, many Asian families are doing the opposite. As one family steward told us recently, lazy balance sheets don't look so lazy when you are trying to steer your company through the eye of the storm.

Successful engagement built on partnership

A third advantage of family ownership for investors is less tangible but also important. The presence of a long-term steward opens the door for meaningful dialogue and engagement between investors, company owners and managers. Investor engagement can take many forms, but it is most successful when it is based on genuine partnership. It is hard to partner ownerless companies. By contrast, it is possible to establish long-term, lasting relationships with family-owned companies. Engagement then becomes less about confrontation and more about cooperation and collaboration built upon mutual respect. It is much easier to ask awkward questions around supply chain practices, environmental short-cuts or corporate governance concerns in such cases.

Not all family companies make for good investments

There are, of course, many caveats to the above arguments in favour of family companies. Not all good quality family stewards run good quality businesses and not all good quality businesses are family-run. Many of the latter manage to create an internal, self-perpetuating sense of purpose that can replicate some of the advantages that come from a family steward. Others can get a sense of stewardship from outside the company. A good example of this is Taiwan Semiconductor owned in the portfolio. Nominally an open register today, Asia's leading technology company has always taken its mandate, time horizon and sense of purpose from its Government origins. It was set up in 1987 by the Taiwanese Government and leased its first factory from the Ministry of Economic Affairs. Such examples are relatively rare though.

Unsurprisingly, for every good Asian family steward there is at least one poor one, intent on maximising value for themselves at the expense of minority shareholders and other stakeholders. Even those with good intentions can lose their way. Family companies tend to be too slow to modernise, while the old Chinese adage that "wealth never survives three generations" is sometimes proved true - although by no means always. The Tata Group (Tata Consultancy Services is held in the portfolio) in India is now into its eighth generation. The Ayala Group of the Philippines has been around even longer - three Ayala Group owned companies are held in the portfolio. It is particularly difficult for families to retain control of capital-intensive businesses over time without resorting to dual share class structures3. Twenty years ago we wrote letters to Asian stock exchanges complaining about dual share classes. Today it is something we welcome when done for the right reasons at the right companies.

Benefits of active investment

Trying to sort out the good from the poor family stewards is a key part of the job of active Asian investors. It is hard to replicate using algorithms, artificial intelligence and big data4. It ultimately comes down to trust and judgement. Family control structures matter. Asian companies could do worse than copy the approach taken by Merck KGaA in Germany.

Founded in 1668, 70% of the voting shares are still owned by approximately 200 family shareholders. The reasons why they have been able to last thirteen generations are complex and no doubt include a healthy dose of good fortune. However, there are lessons for others. Most importantly, as the Chair of the Family Board puts it, success has stemmed "from the culture of trusteeship for future generations, the humility of the family and its members and a tradition of togetherness rather than conflict."5 This is easier said than achieved. To help, they have built a very simple and effective control mechanism. No family member is allowed to own more than 5% of the family equity and all representatives on the Family Board, which controls Merck itself, must receive 50% of all votes before being elected. This mechanism is designed to avoid conflict and build consensus. It seems to have worked so far.

Outlook: Asia's real attraction

In short, the presence of a family steward is no automatic guarantee of returns. It is, however, a powerful source of long-term competitive advantage for Asian companies and Asian investors in today's short-term world. This competitive advantage is becoming more important as Asia's businesses become ever more global. As a result, we remain as convinced as ever about the long-term returns to be generated from investing in Asia. Our conviction is not, however, based upon old arguments of economic convergence or political reform. Nor is it based upon favourable demographics, rising real wages or high savings rates. Instead, it is simply driven by the opportunity to partner with a very large number of good quality Asian families as they patiently build their Asian and global businesses over the coming decades.

The Portfolio

Performance - 12 Months ended 31 January 2018

Over the past 12 months the total return of the Company's net asset value per share was +12.8%. This compares to a rise in the Benchmark of +27.0%.

While we are comfortable that such periods of relative underperformance are consistent with the Company's investment philosophy and long-term approach, it is always useful to understand the drivers of it; useful both for us as Investment Manager and for shareholders. The Half Year Report and Accounts contained a number of comments about performance and we don't want to cover exactly the same ground - the points we mentioned in October are still broadly relevant.

It is worth considering again the points on Samsung and the Chinese Internet companies. Despite the strength of many parts of Samsung, we find it hard to invest in a Company whose Head has recently spent time in Jail, accused of bribery, embezzlement and perjury. Unfortunately, this is not the first time the Head of the Group has been arrested, with his predecessor convicted on charges of financial wrongdoing and tax evasion in 2008. The market, on the other hand appears less concerned and the share price is close to an all-time high.

In the case of Chinese internet companies Alibaba, Tencent and Baidu there is much to be positive about, most notably the impressive levels of cashflows they generate and the breadth and depth of the businesses they are building. Cashflows from gaming at Tencent have been used to building businesses from search engines and music streaming to ride -sharing, electric cars and artificial intelligence. They even own a small stake in Tesla. It is a similar story for Alibaba and Baidu - they are impressive businesses.

With Alibaba, Tencent and Baidu we have four main concerns that have prevented us from investing.

Most importantly, and firstly, we struggle with their corporate structures. While each is different, they share the same characteristic that investors can only buy shares in a listed company with no ownership of the most valuable assets of the business. Instead, they are asked to rely on a legal agreement that entitles the 'Listco' to a share of the profits from a separate company. While these arrangements have so far been honoured, there is no guarantee that will be the case in the future. We prefer to own shares in a business and believe that the purchase of a share comes with both rights and responsibilities. Positive engagement on governance issues is a powerful tool in driving shareholder value but we can't do this without owning a share.

A second concern is the political risk from investing in such high-profile entrepreneurs. We are particularly nervous about Emerging Markets billionaires who become politically connected. One of the first things we teach new analysts is that "well connected" is a weakness when conducting a "SWOT" analysis, rather than a strength. There are already signs of political involvement. For example, both Tencent and Baidu's CEOs serve in the 12th National People's Congress , while last year Alibaba purchased the South China Morning Post, Hong Kong's primary news outlet, promising to maintain editorial independence. We struggle to imagine how editorial independence and the long-term prospects of the Parent will not clash. We also prefer to invest alongside management and owners who have succeeded on their own, without the help of political connection.

Thirdly, we have concerns about each business model. For example, Tencent generates well over half of profits from 'virtual' revenues from on-line games. We struggle with gaming companies given their constant need to develop new "hits". We also find it hard to build conviction in the long-term viability of 'virtual' revenues - defined as in-game purchases. We prefer to invest where we are able to find more evidence that the foundations are being built for sustainable growth.

Finally, the valuations are high. We believe that there is no single catch-all valuation methodology but do strive to pay sensible prices for our investments, believing that every company of sufficient quality has a fair value. In the case of the companies above, all of them trade above twenty-five times future earnings, despite the risks outlined above.

The "picks and shovels approach" is a phrase often used in the context of mining where investments are made in providers of equipment for the industry rather than its end-product. We use this phrase to describe our approach to technology. We claim no advantage in predicting which product or software will come into fashion next, just as we claim no advantage in predicting political change. We back a number of high quality companies and management teams whose companies ***produce*** essential goods and services regardless of short term technological trends.

Tata Consultancy Services (TCS) is one such company - providing a range of information technology services, digital and business solutions. It is benefitting from the wave of large companies attempting to 'digitise' their businesses, for example, by moving to cloud-based applications. Its role has been to educate and adapt the business model of its clients to the latest technology. The largest market by sales is North America with the majority of work conducted in India, given the superior cost structure.

TCS has evolved, prospered and established itself as a leading Asian and global IT and business consulting franchise. It is the jewel in the Tata Group crown, and the Tata code of ethics instils a strong sense of commitment to sustainability, community and the ethos of the group. The parent group has also encouraged a culture of long-term thinking. This has enabled the management of TCS to develop a highly devolved business model to manage growth, cope with scale, and ensure the highest possible level of employee engagement. The company is well positioned to benefit from and contribute to innovation and informational, operational, resource and environmental efficiencies created by the digital economy.

Our focus on stewardship and capital preservation tends to mean that the Company underperforms a sharply rising market. This is very much the case currently. We are not risk averse but do set out to be obsessively risk aware - defining risk as that of losing client money rather than underperforming a benchmark.

The tables below highlight the top 10 contributors to and detractors from the Company's performance over the 12 months to January 2018. As always it is worth highlighting the short time period here, bearing in mind that we set out to invest in companies over a minimum period of five years, and ideally much longer.

1 Source: Briefing note for countries on the 2016 Human Development Report.

2 Source: Vitasoy Annual Report FY2016/2017, page 19.

3 Where a company has more than one class of shares with one of the classes having particular rights (e.g. voting rights).

4 Very large amounts of data which can be analysed by computers to reveal patterns and trends, especially about human behaviour.

5 Source: 'Four centuries, one family', Brunswick review · issue 12 · 2017.

Contribution by investment

Top 10 Contributors to Performance for the Year ended 31 January 2018

|  |  |
| --- | --- |
| **Company** | **Absolute Contribution to Performance (%)** |
| Chroma ATE | 2.59 |
| Tech Mahindra | 1.61 |
| Vitasoy International Holdings | 1.23 |
| Taiwan Semiconductor Manufacturing | 1.21 |
| Kotak Mahindra Bank | 1.12 |
| China Mengniu Dairy | 0.96 |
| Marico | 0.94 |
| Koh Young Technology | 0.88 |
| Housing Development Finance | 0.81 |
| Cyient | 0.65 |

Top 10 Detractors from Performance for the Year ended 31 January 2018

|  |  |
| --- | --- |
| **Company** | **Absolute Contribution to Performance (%)** |
| Dr Reddy's Laboratories | -0.81 |
| Manila Water | -0.59 |
| Idea Cellular | -0.40 |
| PChome Online | -0.40 |
| Delta Electronics (Thailand) | -0.34 |
| Hero Supermarket | -0.28 |
| Giant Manufacturing | -0.22 |
| Lupin\* | -0.21 |
| Commercial Bank Of Ceylon | -0.18 |
| Hemas Holdings | -0.16 |

\*Company not held at end of the year

It is hard to identify any consistent themes in the top contributors but one thing worth mentioning is that we have trimmed all but three of these positions (Tech Mahindra, Koh Young Technology, and Housing Development Finance). We strive to pay sensible prices for investments and believe that every company of significant quality has a fair value.

Portfolio Transactions

New Positions:

Advanced Enzyme Technologies:An Indian supplier of enzymes - a crucial ingredient in the manufacturing of various end products such as paper, detergents, bio fuels, dairy and food products.

Advantech:A leading Taiwan industrial automation company with sustainable tailwinds.

Dr Lal PathLabs:A leading Indian medical diagnostic company.

Infosys:A leading Indian software services company.

Kalbe Farma:An Indonesian manufacturer and distributor of healthcare products.

Mahindra & Mahindra:One of India's most respected and successful industrial groups.

Nippon Paint:This Japanese company is Asia's largest paint manufacturer.

President Chain Store:The largest convenience store operator in Taiwan.

Robinsons Retail Holdings:A leading retail group offering fresh and healthy products at reasonable prices throughout the Philippines.

Shanthi Gears:An industrial gearbox manufacturer in India.

Tata Consultancy Services:The crown jewel of the Tata Group in India, TCS provides information technology services, and digital and business solutions.

Uni-President Enterprises:Founded as a humble flour mill in the 1960s, now an international food conglomerate based in Taiwan.

United Plantations:One of the highest quality owners of palm plantations in Malaysia.

Disposals:

Bata Shoe:A Bangladeshi shoe company that we had concerns was potentially under-investing in brand building like their Indian cousins.

Cholamandalam:An Indian financial company that is now fully valued.

City Union Bank:An Indian banking company that is now fully valued.

DGB Financial Group:A Korean-based financial holding company which we have replaced with higher conviction ideas.

Dialog Axiata:A Sri Lankan cellular services company. We believe the franchise faces sustainability headwinds.

IDFC Bank:An Indian bank that we were unable to build conviction in following the departure of a key steward.

Linde India:An Indian industrial gases company which we have replaced with higher conviction ideas.

Lupin:An Indian pharmaceutical going through the perfect storm; we are waiting for clearer skies to see how sturdy their ship is.

Mahanagar Gas:An Indian natural gases distribution company that is now fully valued.

Sheng Siong:A Singaporean grocery and fresh food supermarket retail chain, facing headwinds from the entry of eCommerce competitors.

Tata Chemicals:One of the largest chemical companies in India which we felt was trading on valuations that no longer reflected the strength of the franchise or its opportunity for long-term growth.

XL Axiata:An Indonesia-based mobile telecommunications services operator facing sustainable headwinds.

Stewart Investors

29 March 2018

***Strategic*** Report /Portfolio Focus

Portfolio Focus - These are examples of companies that we believe are driving sustainable development.

Vitasoy

Sustainable goods and services

Companies that make and do things that are needed - healthcare, information technology, consumer, retail companies.

Contribute to economic development, human health and welfare, greater environmental efficiency.

Sustainable Development Goals supported

·          Their plant-based beverages have offered sustainable nutrition since their establishment eighty years ago

·          Plant-based diet has a lower environmental impact than an animal-based diet

Engaging on Sustainable Development Goals

·          Continued improvement in packaging

·          Reduction in sugar content

BRAC Bank

Responsible finance

Companies that help people and enterprises save, borrow, invest and insure themselves against risks - banks and insurers.

Contribute to economic and social development.

Sustainable Development Goals supported

·          World's largest non-governmental organisation as a steward provides a strong sense of purpose

·          Target small and medium-sized enterprises (SMEs)

Engaging on Sustainable Development Goals

·          Responsible growth

·          Gender diversity

Mahindra and Mahindra

Required infrastructure

Companies that provide the basic building blocks and service infrastructure societies need to develop and thrive - industrial, materials, logistics companies, utilities.

Contribute to better environmental outcomes, resource and operational efficiency, safety, logistics.

Sustainable Development Goals supported

·          ***Agricultural*** machinery and finance

·          Developing new businesses e.g. clean energy, logistics

Engaging on Sustainable Development Goals

·          Auto emissions, especially from SUVs

·          Tiny defence business

The Investment Manager supports the Sustainable Development Goals (SDGs). The SDGs identified above are as determined by the Company's lead portfolio manager and may be different to the SDGs identified for the same company by other Stewart Investors' portfolio managers. The full list of SDGs can be found on the United Nations website.

By way of background for those that have not yet heard of the SDGs, they are 17 goals with 169 targets that were launched in September 2015. Under each goal there is a description of why the goal is important, with some interesting statistics on sustainability performance. The targets to address the issues then range in specificity. For example under Goal 3: 'Ensure healthy lives and promote well-being for all at all ages', a specific target is by 2020 to halve the number of global deaths and injuries from road traffic accidents. There are of course targets that are far less measurable (or difficult to define) like 'End all forms of discrimination against all women and girls everywhere' under the gender equality goal. Looking at the gender outcomes as it relates to pay and Boards of companies in developed markets alone gives a sense of how far away we unfortunately are from achieving this goal.

The SDGs are clearly government and policy focused, as would be expected from a UN initiative. However, the UN seems to have been successful in engaging companies to explore what role they could play in helping the targets to be achieved. While the SDGs are not legally binding, governments are expected to take ownership and establish national frameworks for the achievement of each of the SDGs. Countries have the primary responsibility for follow-up and review.

***Strategic*** Report / Business Review

The ***Strategic*** Report, contains a review of the Company's business model and strategy, an analysis of its performance during the financial year and its future developments and details of the principal risks and challenges it faces. Its purpose is to inform the shareholders in the Company and help them to assess how the Directors have performed their duty to promote the success of the Company.

Investment Objective

The Company's investment objective along with Stewart Investors' investment approach is set out in the ***Strategic*** Report.

Investment Policy

The Company invests in companies which Stewart Investors believe will be able to generate long-term growth for shareholders.

The Company invests principally in listed equities although it is able to invest in other securities, including preference shares, debt instruments, convertible securities and warrants. In addition, the Company may invest in open and closed-ended investment funds and companies.

The Company is only able to invest in unlisted securities with the Board's prior approval. It is the current intention that such investments are limited to those which are expected to be listed on a stock exchange or which cease to be listed and the Company decides to continue to hold or is required to do so.

Risk is diversified by investing in different countries, sectors and stocks within the Asia Pacific Region. There are no defined limits on countries or sectors but no single investment may exceed 7.5% of the Company's total assets at the time of investment. This limit is reviewed from time to time by the Board and may be revised as appropriate.

No more than 10% of the Company's total assets may be invested in other listed closed-ended investment companies unless such investment companies themselves have published investment policies to invest no more than 15% of their total assets in other closed-ended investment companies, in which case the limit is 15%.

The Company has the power under its Articles of Association to borrow up to two times the adjusted total of capital and reserves. However, in accordance with the Alternative Investment Fund Managers Directive ("AIFMD"), the Company was registered by the FCA as a Small Registered UK Alternative Investment Fund Manager ("AIFM") with effect from 1 April 2014. To retain its Small Registered UK AIFM status, the Company is unable to employ gearing. Notwithstanding this, the Company's approach is not to gear the portfolio.

The use of derivatives is permitted with prior Board approval and within agreed limits. However, Stewart Investors are unlikely to use derivatives.

DividendPolicy

It is the Company's policy to pursue capital growth for shareholders with income being a secondary consideration. Many of the companies in which the Company invests are relatively young businesses to which the Company is committed for the long term. This means that the Company's Investment Manager is frequently drawn to companies where the future growth profile is more important than the generation of dividend income for shareholders.

Business Model

The Company is an externally managed investment trust and its shares are premium listed on the Official List and traded on the main market of the London Stock Exchange, and is a small registered UK Alternative Investment Fund Manager under the European Union's Alternative Investment Fund Managers Directive.

As an externally managed investment trust all of the Company's day to day management and administrative functions are outsourced to service providers. As a result, the Company has no executive Directors, employees or internal operations.

The Board has retained responsibility for risk management and has appointed Stewart Investors to manage its investment portfolio. Company management, company secretarial and administrative services are outsourced to Frostrow Capital LLP.

TheBoard

The Board of the Company comprises James Williams (Chairman), Charlotta Ginman, Sian Hansen, Terence Mahony and Robert Talbut. All of these Directors served throughout the year and are non-executive independent Directors.

Board FocusandResponsibilities

With the day to day management of the Company outsourced to service providers the Board's primary focus at each Board meeting is reviewing the investment performance and associated matters, such as,inter alia, future outlook and strategy, gearing, asset allocation, investor relations, marketing, and industry issues.

In line with its primary focus, the Board retains responsibility for all the key elements of the Company's strategy and business model, including:

·          Investment Objective, Policy and Benchmark, incorporating the investment guidelines and limits, and changes to these;

·          whether the Company should employ gearing (as a small registered UK AIFM, the Company is currently precluded from utilising gearing at any time);

·          review of performance against the Company's KPIs;

·          review of the performance and continuing appointment of service providers; and

·          maintenance of an effective system of oversight, risk management and corporate governance.

The Company's Investment Policy, including the related limits and guidelines, is set out in the ***Strategic*** Report.

Details of the principal KPIs, along with details of the principal risks, and how they are managed, follow within this Business Review.

Further information, including the remuneration and contractual terms of appointment, of the principal service providers to the Company, being Stewart Investors, Frostrow Capital LLP and J.P. Morgan Chase Bank, the Company's Custodian who are responsible for the safekeeping of the Company's assets, are set out in the Report of the Directors.

The Corporate Governance report includes a statement of compliance with corporate governance codes and best practice, together with the outline of the internal control and risk management framework within which the Board operates.

Board Diversity

The Board's policy on diversity, including gender, is to take this into consideration during the recruitment and appointment process. However, the Board is committed to appointing the most appropriate candidate, regardless of gender or other forms of diversity, and therefore no targets have been set against which to report.

SuccessionPlanning

The Board regularly considers its structure and recognises the need for progressive refreshments.

During the year, the Board approved a Board and Audit Committee Composition and Succession ***Plan*** to ensure that (i) there is a formal, rigorous and transparent procedure for the appointment of new directors to the Board; and (ii) the Board is comprised of members who collectively display the necessary balance of professional skills, experience, length of service and industry/Company knowledge. The ***plan*** will be reviewed annually and at such other times as circumstances may require.

KeyPerformanceIndicators

The Company's Board of Directors meets at least five times a year and at each meeting reviews performance against a number of key measures, as follows:

·          Net asset value total return against the MSCI All Country Asia ex Japan Index (total return, sterling adjusted) (the "Benchmark")\*

·          Net asset value total return against the peer group\*

·          Average discount/premium of share price to net asset value per share over the year

·          Ongoing charges ratio

\*Measured over a variety of time periods, in particular over three to five years

Net asset value total return - benchmark

The Directors regard the Company's net asset value total return as being the overall measure of value delivered to shareholders over the long term. Total return reflects both the net asset value growth of the Company and the dividends paid to shareholders. It should be noted that Stewart Investors' investment style is such that performance is likely to deviate materially from that of the Benchmark. The Board considers, however, that this remains an appropriate comparator.

During the year under review the net asset value per share showed a total return of +12.8% underperforming the Benchmark by 14.2%.

A full description of performance during the year under review and the investment portfolio is contained in the Investment Manager's Review.

Net asset value total return - peer group

The Company exists in a competitive environment and aims to be a leader in its peer group, defined by being consistently within the top third of that group measured by net asset value total return. The Company is committed to building a long-term investment record and will assess itself by reference to its peers on a rolling three to five-year basis.

Over the three years ended 31 January 2018, the Company ranked eighth in its peer group of the Company and seven other investment trusts with a similar investment objective; over five years it was ranked seventh.

Discount/premium of share price to net asset value per share

The Board believes that an important driver of an investment trust's discount or premium over the long term is investment performance together with a proactive marketing strategy. However, there can be volatility in the discount or premium during the year. Therefore, the Board takes powers each year to buy back and issue shares with a view to limiting the volatility of the share price discount or premium.

During the year under review a total of 325,000 new shares were issued at an average premium of 1.2% to the prevailing cum income net asset value per share. No shares were bought back by the Company. The Company's share price discount to net asset value per share was consistently narrower than the peer group average.

Average discount of share price to net asset value per share\* during the year ended

31 January 2018

2.4%

Peer group average

discount7.9%

31 January 2017

2.2%

Peer group average

discount10.3%

\*Source: Morningstar

Ongoing charges ratio

The Board continues to be conscious of expenses and works hard to maintain a sensible balance between strong service and costs.

As at 31 January 2018 the ongoing charges ratio was 1.3%. This ongoing charges ratio compares to the average of the Company's peer group of 1.0%, or 1.2% where the members of the peer group have a performance fee.

Ongoing charges ratio (excluding performance fees)

31 January 2018

1.3%

Peer group average1.0%

31 January 2017

1.3%

Peer group average1.1%

See Glossary

Risk Management

The Board is responsible for the management of the risks faced by the Company and the Board regularly reviews these risks and how risk is managed. The Board has categorised the risks faced by the Company under four headings as follows:

·          Investment risks

·          Financial risks

·          Shareholder relations

·          Operational risks (including cyber crime, corporate governance, accounting, legal, political and regulatory)

A summary of these risks and their mitigation is set out below:

Investment Risks

By the nature of its activities, the Company's portfolio is exposed to fluctuations in market prices (from both individual security prices and foreign exchange rates) and due to the exposure to emerging markets in the Asia Pacific region, in which the portfolio companies operate, it is expected to have higher volatility than the wider market. As such investors should be aware that by investing in the Company they are exposing themselves to this risk.

To manage this risk the Board have appointed Stewart Investors to manage the portfolio within the remit of the investment objective and policy. The investment policy limits ensure that the portfolio is diversified reducing the risks associated with individual stocks and markets. Frostrow Capital LLP monitors compliance with the investment policy on a daily basis.

The Board on an ongoing basis, through monthly and quarterly reporting from Frostrow Capital LLP and Stewart Investors, monitors exposure to investments, performance, and compliance with the investment objective and policy.

At each Board meeting Stewart Investors provide an explanation of investment decisions, the make-up of the investment portfolio and the investment strategy.

Investment Management Key Person Risk

There is a risk that the individual(s) responsible for managing the Company's portfolio may leave their employment or may be prevented from undertaking their duties.

The Board manage this risk by:

·          appointing the Investment Manager, who operates a team environment such that the loss of any individual should not impact on service levels;

·          receiving regular reports from the Investment Manager, such reports includes any significant changes in the make-up of the team supporting the Company;

·          meeting the wider team, outside the designated lead manager, at both Board meetings and at the Investment Manager's offices;

·          outside of regular Board meetings the Chairman is in regular contact with senior representatives of the Investment Manager; and

·          delegating to the Engagement and Remuneration Committee, responsibility to perform an annual review of the service received from the Investment Manager, including, inter-alia, the team supporting the lead manager and succession ***planning***.

Financial Risks

In addition to market and foreign currency risks, discussed above, the Company is exposed to credit risk arising from the use of counterparties. If a counterparty were to fail, the Company could be adversely affected through either delay in settlement or loss of assets. The most significant counterparty the Company is exposed to is J.P. Morgan Chase Bank, the Custodian, which is responsible for the safekeeping of the Company's assets. Under the terms of the contract with J.P. Morgan Chase Bank the Company's assets are required to be segregated from its own assets.

Credit risk is managed by the Board through:

·          reviews of the arrangements with, and services provided by, the Custodian to ensure that the security of the Company's custodial assets is being maintained;

·          monitoring of the Custodian, including reviews of internal control reports and sub-custodial arrangements, as appropriate; and

·          reviews of Stewart Investors' approved list of counterparties, the process for monitoring, and adding to, the approved counterparty list and the Company's use of those counterparties.

Further information on other financial risks, can be found in note.

Shareholderrelations

The Company is also exposed to the risk, particularly if the investment strategy and approach are unsuccessful, that the Company underperforms its peer group and Benchmark resulting in the Company becoming unattractive to investors and a widening of the share price discount to net asset value per share.

In managing this risk the Board:

·          reviews the Company's investment objective and policy and Stewart Investors' investment approach in relation to the investment performance, market and economic conditions and the operation of the Company's peers;

·          regularly discusses the Company's future development and strategy;

·          undertakes a regular review of the level of the Company's share price discount/premium to net asset value per share and consideration is given to ways in which share price performance may be enhanced, including the effectiveness of marketing, share issuance and share buy-backs, where appropriate; and

·          reviews an analysis of the shareholder register at each Board meeting and is kept informed of shareholder sentiment.

Operational Risks (including cyber crime, corporate governance, regulatory, legal, political and, accounting risks)

The Board is reliant on the systems of the Company's service providers and as such disruption to, or a failure of, those systems could lead to a failure to comply with corporate governance requirements, law and regulations, leading to reputational damage and/or financial loss to the Company. This encompasses disruption or failure caused by cyber crime and covers dealing, trade processing, administrative services, financial and other operational functions.

To manage these risks the Board:

·          receives a monthly report from Frostrow Capital LLP, which includes,inter alia, details of compliance with applicable laws and regulations;

·          reviews internal control reports and key policies, including the disaster recovery procedures, of its service providers;

·          maintains a risk matrix with details of risks to which the Company is exposed, the approach to those risks, key controls relied on and the frequency of the controls operation;

·          receives updates on pending changes to the regulatory and legal environment and progress towards the Company's compliance with such changes; and

·          has considered the increased risk of cyber-attacks and has received reports and assurance from its service providers regarding the controls in place.

The Board is aware that the UK's vote to leave the EU has introduced elements of political and economic uncertainty which may have practical consequences for the Company and its Investment Manager. Developments continue to be closely monitored by the Board.

Geopolitical risk to the Company is also kept under close review by the Board.

Looking to the Future

The Board concentrates its attention on the Company's investment performance and Stewart Investors' investment approach and on factors that may have an effect on this approach.

The Board monitors the performance of the Company's investment portfolio compared to its Benchmark and also its peer group.

The Board is regularly updated by Frostrow Capital LLP on wider investment trust industry issues and regular discussions are held concerning the Company's future development and strategy.

A review of the Company's year, its performance and the outlook for the Company can be found in the Chairman's Statement and in the Investment Manager's Review.

The Company's overall strategy remains unchanged.

By order of the Board

Frostrow Capital LLP

Company Secretary

29 March 2018

Governance / Board of Directors

James Williams

Independent Non-Executive Chairman

Joined the Board in 2013 and became Chairman in June 2015

Remuneration: £35,000 pa

James has worked in investment management for over 45 years. He was formerly the Chief Investment Officer of Baring Asset Management. He was a founder in Asia of the Henderson Baring group. He has held several non-executive directorships, and is currently a Director of F&C UK High Income Trust plc.

Shareholding in the Company: 40,000

Charlotta Ginman, FCA

Independent Non-Executive Director

Joined the Board in 2014

Remuneration: £28,500 pa

A Chartered Accountant, Charlotta is Chair of the Audit Committee and the Senior Independent Director. She is a non-executive Director and Chair of the Audit Committee of Polar Capital Technology Trust plc, Motif Bio plc and Keywords Studios plc. She is also a non-executive Director of Consort Medical plc and Unicorn AIM VCT plc. Charlotta has held senior positions in the investment banking and telecom sectors.

As three out of Charlotta's six non-executive directorships are with quoted investment companies that involve less time committment than trading companies, Charlotta is able to devote sufficient time to all of her appointments.

Shareholding in the Company: 9,716

Sian Hansen

Independent Non-Executive Director

Joined the Board in 2015

Remuneration: £25,000 pa

Sian is currently a non-executive Director of the JP Morgan Multi-Asset Trust PLC, a member of the Advisory Board of EBF International (Shanghai) Ltd and Cerno Capital PLC. She is also an Advisor to Oxford Investment Consultants, the research arm of the Oxford Technology Innovation Fund. Previously she was Executive Director of the Legatum Institute and before this, Managing Director of the UK think tank Policy Exchange. She is a Commissioner of The Women's Refugee Commission in the USA and a Trustee of The Almeida Theatre.

Shareholding in the Company: 4,680

Terence Mahony

Independent Non-Executive Director

Joined the Board in 2004

Remuneration: £25,000 pa

Terence is Managing Director of TFM Management Limited, a firm of investment consultants based in Hong Kong. He has over 40 years' investment experience, the last 30 of which have been gained in Asia. He is also non-executive Vice Chairman of Vina Capital Group and a non-executive Director of Tau Capital plc, LIM Asia Special Situations Fund Limited, Polunin Capital EM Active Fund and VCAP Asset Managers Sdn. Bhd.

Shareholding in the Company: 25,000

Robert Talbut

Independent Non-Executive Director

Joined the Board in 2016

Remuneration: £25,000 pa

Robert is non-executive Chairman of Shires Income PLC and a non-executive Director of Schroder UK Mid Cap Fund PLC, and JP Morgan American Investment Trust plc. He is also Chairman of EFG Asset Management (UK) Limited and is an independent member of Aviva Group's Independent Governance Committee and an external adviser to Hiscox plc. Robert was formerly a director and Chief Investment Officer at Royal London Asset Management Limited.

Shareholding in the Company: 9,611

All Directors seek either appointment or re-appointment to the Board at the Annual General Meeting each year.

The table below sets out the number of scheduled Board and Committee meetings held during the year ended 31 January 2018 and the number of meetings attended by each Director.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **Board**  **(5)** | **Audit Committee**  **(3)** | **Engagement &**  **Remuneration**  **Committee**  **(1)** | **Nomination**  **Committee**  **(1)** |
| Number of meetings | 5 | 3 | 1 | 1 |
| James Williams | 5 | 3 | 1 | 1 |
| Charlotta Ginman | 5 | 3 | 1 | 1 |
| Sian Hansen | 5 | 2 | 1 | 1 |
| Terence Mahony | 5 | 3 | 1 | 1 |
| Robert Talbut | 5 | 3 | 1 | 1 |

Other ad hoc meetings of the Board and Committees are held in connection with specific events as and when necessary. All the serving Directors attended the Annual General Meeting held on 29 June 2017.

Governance /Corporate Governance

The Board and Committees

Responsibility for effective governance lies with the Board. The governance framework of the Company reflects the fact that as an investment company it has no employees and outsources portfolio management to Stewart Investors and Company management, company secretarial and administrative services to Frostrow Capital LLP.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **The Board**  **Chairman** - James Williams  **Senior Independent Director** - Charlotta Ginman  Three additional non-executive Directors, all considered independent.  Key responsibilities:  -         to provide leadership and set strategy, values and standards within a framework of prudent effective controls which enable risk to be assessed and managed;  -         to ensure that a robust corporate governance framework is implemented; and  -         to challenge constructively and scrutinise performance of all outsourced activities. |  |  |  |  |
| **Engagement & Remuneration Committee**  **Chairman**  James Williams  **All Independent Directors**  **Key responsibilities:**  -         to review regularly the contracts, the performance and remuneration of the Company's principal service providers; and  -         to set the remuneration policy of the Company. |  | **Audit Committee**  **Chair**  Charlotta Ginman, FCA\*  **All Independent Directors**  **Key responsibilities:**  -         to review the Company's financial reports;  -         to oversee the risk and control environment and financial reporting; and  -         to review the performance of the Company's external Auditor and to set their remuneration. |  | **Nomination Committee**  **Chairman**  James Williams  **All Independent Directors**  **Key responsibilities:**  -         to review regularly the Board's structure and composition; and  -         to make recommendations for any changes or new appointments. |

\*The Directors believe that Charlotta Ginman has the necessary recent and relevant financial experience to Chair the Company's Audit Committee.

Copies of the full terms of reference, which clearly define the responsibilities of each Committee, can be obtained from the Company Secretary and will be available for inspection at the Annual General Meeting. They can also be found on the Company's website at[*http://www.pacific-assets.co.uk*](http://www.pacific-assets.co.uk).

Corporate Governance Statement

The Corporate Governance Statement, forms part of the Report of the Directors.

The Board has considered the principles and recommendations of the AIC Code of Corporate Governance ('AIC Code'), and by reference to the AIC Corporate Governance Guide for Investment Companies ('AIC Guide') (which incorporates the UK Corporate Governance Code ('UK Code')), will provide better information to shareholders.

The Financial Reporting Council has confirmed that by following the AIC Code and the AIC Guide, boards of investment companies will meet their obligations in relation to the UK Code and paragraph 9.8.6 of the UK Listing Rules.

The AIC Code and AIC Guide address the principles set out in the UK Code as well as additional principles and recommendations on issues that are specific to investment trusts. The AIC Code can be viewed at[*http://www.theaic.co.uk*](http://www.theaic.co.uk).

The Principles of the AIC Code

The AIC Code is made up of 21 principles split into three sections covering:

-          The Board

-          Board Meetings and relations with Stewart Investors and Frostrow

-          Shareholder Communications

Statement of Compliance

The Company has complied with the recommendations of the AIC Code and the relevant provisions of the UK Corporate Governance Code, except as follows:

The UK Code includes certain provisions relating to:

·          the role of the chief executive

·          executive directors' remuneration

·          the need for an internal audit function

For the reasons set out in the AIC Guide, the Board considers these provisions are not relevant to the position of the Company, being an externally managed investment company. In particular, all of the Company's day-to-day management and administrative functions are outsourced to third parties. As a result, the Company has no executive directors, employees or internal operations. Therefore with the exception of the need for an internal audit function, the Company has not reported further in respect of these provisions.

The Board

|  |  |  |
| --- | --- | --- |
| **AIC Code Principle** |  | **Compliance Statement** |
| 1. The Chairman should be independent. |  | The Chairman, James Williams, is completely independent of Stewart Investors and the Company's other service providers. The Board, through the Nomination Committee, formally reviews the Chairman each year and considers that he is independent both in character and judgement. There is a clear division of responsibility between the Chairman, the Directors, Stewart Investors, Frostrow Capital LLP and the Company's other third party service providers. The Chairman is responsible for the leadership of the Board and for ensuring its effectiveness in all aspects of its role. |
| 2. A majority of the Board should be independent of the manager. |  | The Board consists of five non-executive Directors, each of whom is independent of Stewart Investors. No member of the Board is a Director of another investment company managed by Stewart Investors, nor has any Board member been an employee of the Company, Stewart Investors or any of the Company's service providers. One of the Directors (Mr Terence Mahony) has served on the Board for more than nine years from the date of his first election. Given the strongly independent mindset of Mr Mahony, the Board is firmly of the view that he can be considered to be independent. |
| 3. Directors should be submitted for re-election at regular intervals. Nomination for re-election should not be assumed but be based on disclosed procedures and continued satisfactory performance. |  | All Directors will submit themselves for annual re-election by shareholders.  The individual performance of each Director standing for re-election is evaluated annually by the remaining members of the Board and, if considered appropriate, a recommendation is made that shareholders vote in favour of their re-election at the Annual General Meeting.  The Board recommends that shareholders vote in favour of the re-election of all Directors at the Annual General Meeting. |
| 4. The Board should have a policy on tenure, which is disclosed in the annual report. |  | The Board, meeting as the Nomination Committee, considers the structure of the Board and recognises the need for ongoing progressive refreshment.  The Board subscribes to the view expressed within the AIC Code that long-serving Directors should not be prevented from forming part of an independent majority. It does not consider that a Director's tenure necessarily reduces his or her ability to act independently and, following formal performance evaluations, believes that each of the Directors is independent in character and judgement and that there are no relationships or circumstances which are likely to affect their judgement. The Board's policy on tenure is that continuity and experience are considered to add significantly to the strength of the Board and, as such, no limit on the overall length of service of any of the Company's Directors, including the Chairman, has been imposed. In view of its non-executive nature, the Board considers that it is not appropriate for the Directors to be appointed for a specified term, although new Directors are appointed with the expectation that they will serve for a minimum period of three years subject to shareholder approval. The AIC Code states that any Director who has served for more than nine years is subject to annual re-appointment. All of the Company's Directors (who are not retiring from the Board) seek appointment or re-appointment at each Annual General Meeting.  The terms and conditions of the Directors' appointments are set out in letters of engagement which are available for inspection on request at the office of Frostrow Capital LLP and at the Annual General Meeting. |
| 5. There should be full disclosure of information about the Board. |  | The Directors' biographical details, set out in the Governance Section of this Report, demonstrate the wide range of skills and experience that they bring to the Board.  Details of the length of service of each Director can be found in the Directors' remuneration Report.  Details of the Board's Committees and their composition are set out in the Governance Section of this Report.  The Audit Committee membership comprises all of the Directors, all of whom are considered independent. The Chairman of the Company is a member of the Audit Committee, but does not chair it. His membership of the Audit Committee is considered appropriate given the Chairman's extensive knowledge of the financial services industry.  The Engagement & Remuneration Committee is comprised of the whole Board, all Directors are considered independent. The Chairman of the Company acts as Chairman of this Committee in light of the remit of the Committee.  Please see principle 9 for details of the Nomination Committee. |
| 6. The Board should aim to have a balance of skills, experience, length of service and knowledge of the company. |  | The Nomination Committee considers annually the skills possessed by the Board and identifies any skill shortages to be filled by new Directors.  When considering new appointments, the Board reviews the skills of the Directors and seeks to add persons with complementary skills or who possess the skills and experience which fill any gaps in the Board's knowledge or experience and who can devote sufficient time to the Company to carry out their duties effectively.  The Company is committed to ensuring that any vacancies arising are filled by the most qualified candidates and recognises the value of diversity in the composition of the Board. When Board positions become available as a result of retirement or resignation, the Company will ensure that a diverse group of candidates is considered.  During the year the Board adopted a Board and Audit Committee Composition and Succession ***Plan***. |
| 7. The Board should undertake a formal and rigorous annual evaluation of its own performance and that of its committees and individual Directors. |  | During the year an external independent review of the Board, its committees and individual Directors (including each Director's independence) was carried out by an independent third party, Lintstock.  The Board reviewed the report from Lintstock in September 2017 and the Chairman is leading on implementing those changes recommended by the report that the Board considered should be made. The review concluded that the Board worked in a collegiate efficient and effective manner, and did not identify any material weaknesses or concerns.  The Board is satisfied that the structure, mix of skills and operation of the Board continue to be effective and relevant for the Company.  The Board has agreed that a further independent review will be commissioned in 2020. |
| 8. Director remuneration should reflect their duties, responsibilities and the value of their time spent. |  | The Engagement & Remuneration Committee reviews the fees paid to the Directors annually and compares these with the fees paid by the Company's peer group and the investment trust industry generally, taking into account the level of commitment and responsibility of each Board member. It also reflects the additional commitment of the Company acting as its own AIFM. Details on the remuneration arrangements for the Directors of the Company can be found in the Directors' Remuneration Report and in note 4 to the Accounts.  As all of the Directors are non-executive, the Board considers that it is acceptable for the Chairman of the Company to chair meetings when discussing Directors' fees. The level of fees paid to the Directors is set by all Directors collectively; the Chairman does not take part in discussions regarding his own remuneration. The Board annually takes advice from external independent advisers on Directors' remuneration. |
| 9. The Independent Directors should take the lead in the appointment of new Directors and the process should be disclosed in the annual report. |  | The Nomination Committee is comprised of the whole Board, all Directors being independent. Subject to there being no conflicts of interest, all members of the Committee are entitled to vote on candidates for the appointment of new Directors and on recommending for shareholders' approval the Directors seeking election and re-election at the Annual General Meeting.  Details of the Board's commitment to Diversity are set out in the ***Strategic*** Report. |
| 10. Directors should be offered relevant training and induction. |  | New appointees to the Board are provided with a full induction ***programme***. The ***programme*** covers the Company's investment strategy, policies and practices. The Directors are also given key information on the Company's regulatory and statutory requirements as they arise including information on the role of the Board, matters reserved for its decision, the terms of reference of the Board Committees, the Company's corporate governance practices and procedures and the latest financial information. It is the Chairman's responsibility to ensure that the Directors have sufficient knowledge to fulfil their role and Directors are encouraged to participate in training courses where appropriate.  The Directors have access to the advice and services of a Company Secretary through its appointed representative which is responsible to the Board for ensuring that Board procedures are followed and that applicable rules and regulations are complied with. The Company Secretary is also responsible for ensuring good information flows between all parties.  There is an agreed procedure for Directors, in the furtherance of their duties, to take independent professional advice if necessary at the Company's expense. |
| 11. The Chairman (and the Board) should be brought into the process of structuring a new launch at an early stage. |  | Principle 11 applies to the launch of new investment companies and is therefore not applicable to the Company. |
| **Board Meetings and relations with Stewart Investors and Frostrow** |  |  |
| 12. Boards and managers should operate in a supportive, co-operative and open environment. |  | The Board meets formerly at least five times each year. A representative of Stewart Investors attends four of these meetings; representatives from Frostrow Capital LLP are in attendance at each Board meeting. The Chairman encourages open debate to foster a supportive and co-operative approach for all participants. |
| 13. The primary focus at regular Board meetings should be a review of investment performance and associated matters, such as gearing, asset allocation, marketing/investor relations, peer group information and industry |  | The Board has agreed a schedule of matters specifically reserved for decision by the Board. This includes establishing the investment objectives, strategy and benchmarks, the permitted types or categories of investments, the markets in which transactions may be undertaken, the amount or proportion of the assets that may be invested in any category of investment or in any one investment, and the Company's share issuance and share buy-back policies.  The Board, at its regular meetings, undertakes reviews of key investment and financial data, revenue projections and expenses, analyses of asset allocation, transactions and performance comparisons, share price and net asset value performance, marketing and shareholder communication strategies, the risks associated with pursuing the investment strategy, peer group information and industry issues.  The Chairman is responsible for ensuring that the Board receives accurate, timely and clear information. Representatives of Stewart Investors and Frostrow Capital LLP report regularly to the Board on issues affecting the Company. |
| 14. Boards should give sufficient attention to overall strategy. |  | The Board is responsible for strategy and has established an annual ***programme*** of agenda items under which it reviews the objectives and strategy for the Company at each meeting. |
| 15. The Board should regularly review both the performance of, and contractual arrangements with, the investment manager and the manager. |  | The Engagement & Remuneration Committee meets at least once a year. It reviews annually the performance of Stewart Investors and Frostrow Capital LLP. The Committee considers the quality, cost and remuneration method of the services provided by Stewart Investors and Frostrow Capital LLP against their contractual obligations and the Board receives regular reports on compliance with the investment restrictions which it has set. It also considers the performance analysis provided by Stewart Investors and Frostrow Capital LLP. Details of the fee arrangements with Stewart Investors and Frostrow Capital LLP can be found in the Report of the Directors.  The Audit Committee reviews the compliance and control systems of both Stewart Investors and Frostrow Capital LLP in operation insofar as they relate to the affairs of the Company and the Board undertakes periodic reviews of the arrangements with and the services provided by the Custodian, to ensure that the safeguarding of the Company's assets and security of the shareholders' investment is being maintained. |
| 16. The Board should agree policies with the investment manager and the manager covering key operational issues. |  | The Investment Management Agreement between the Company and Stewart Investors sets out the limits of Stewart Investors' authority, beyond which Board approval is required. The Board has also agreed detailed investment guidelines with Stewart Investors, which are considered at each Board meeting.  The Board has delegated discretion to Stewart Investors to exercise voting powers on its behalf.  The Board has reviewed Stewart Investors' Stewardship Policy, which includes its Corporate Governance and Voting Guidelines, and which is published on Stewart Investors' website: [*http://www.stewartinvestors.com*](http://www.stewartinvestors.com), and is satisfied with their approach.  Reports on commissions paid by Stewart Investors are submitted to the Board regularly. |
| 17. Boards should monitor the level of the share price discount or premium (if any) and, if desirable, take action to reduce it. |  | The Board considers any imbalances in the supply of and the demand for the Company's shares in the market and takes appropriate action when considered necessary.  The Board considers the discount or premium to net asset value per share of the Company's share price at each Board meeting and reviews the changes in the level of discount or premium and in the share price since the previous Board meeting and over the previous twelve months.  The Board reviews regular reports from Stewart Investors on marketing and shareholder communication strategies. It also considers its effectiveness as well as measures of investor sentiment and any recommendations on share buy-backs and issuance. |
| 18. The Board should monitor and evaluate other service providers. |  | The Engagement & Remuneration Committee reviews, at least annually, the performance of all the Company's third party service providers, including the level and structure of fees payable and the length of the notice period, to ensure that they remain competitive and in the best interests of shareholders.  The Audit Committee reviews reports from the principal service providers on compliance and the internal and financial control systems in operation and relevant independent audit reports thereon, as well as reviewing their anti-bribery and corruption policies to address the provisions of the Bribery Act 2010, and their policies regarding the prevention of the facilitation of tax evasion. |
| **Shareholder Communications** |  |  |
| 19. The Board should regularly monitor the shareholder profile of the company and put in place a system for canvassing shareholder views and for communicating the Board's views to shareholders. |  | A detailed analysis of the substantial shareholders in the Company is provided to the Directors at each Board meeting. Representatives of Stewart Investors regularly meet with institutional shareholders and private client asset managers to discuss strategy and to understand their issues and concerns and, if applicable, to discuss corporate governance issues. The results of such meetings are reported at the following Board meeting.  Regular reports from the Company's corporate stockbroker are submitted to the Board on investor sentiment and industry issues.  Shareholders wishing to communicate with the Chairman, or any other member of the Board, may do so by writing to the Company, for the attention of the Company Secretary at the offices of Frostrow Capital LLP. All shareholders are encouraged to attend the Annual General Meeting, where they are given the opportunity to question the Chairman, the Board and representatives of Stewart Investors. Stewart Investors will make a presentation to shareholders covering the investment performance and strategy of the Company at the forthcoming Annual General Meeting. The Directors welcome the views of all shareholders and place considerable importance on communications with them |
| 20. The Board should normally take responsibility for, and have a direct involvement in, the content of communications regarding major corporate issues even if the manager is asked to act as spokesman. |  | All substantive communications regarding any major corporate issues are discussed by the Board taking into account representations from Stewart Investors, Frostrow Capital LLP, the Auditor, legal advisers and corporate stockbroker. |
| 21. The Board should ensure that shareholders are provided with sufficient information for them to understand the risk/reward balance to which they are exposed by holding the shares. |  | The Company places great importance on communication with shareholders and aims to provide them with a full understanding of the Company's investment objective, policy and activities, its performance and the principal investment risks by means of informative Annual and Half Year Reports. This is supplemented by the publication, through the London Stock Exchange, of the daily net asset value of the Company's shares and the monthly fact sheet.  The Annual Report provides information on Stewart Investors' investment performance, portfolio risk and operational and compliance issues. Further details on the risk/reward balance are set out in note 13 to the Financial Statements. Details of the principal risks identified by the Board and the actions taken to mitigate them can be found in the ***Strategic*** Report. The Directors' statement on the long-term viability of the Company is set out in the Report of the Directors  The Company's website, [*http://www.pacific-assets.co.uk*](http://www.pacific-assets.co.uk), is regularly updated with monthly fact sheets and provides useful information about the Company including the Company's financial reports and announcements. |

By order of the Board

Frostrow Capital LLP

Company Secretary

29 March 2018

Governance / Report of the Directors

The Directors present this Annual Report on the affairs of the Company together with the audited financial statements and the Independent Auditor's Report for the year ended 31 January 2018.

Business and Status of the Company

The Company is registered as a public limited company in Scotland (Registered Number SC091052) and is an investment company within the terms of Section 833 of the Companies Act 2006 (the 'Act'). Its shares are premium listed on the Official List of the UK Listing Authority and traded on the main market of the London Stock Exchange, which is a regulated market as defined in Section 1173 of the Act.

The Company has applied for and been accepted as an approved investment trust under Section 1158 of the Corporation Taxes Act 2010 and Part 2 Chapter 1 of Statutory Instrument 2011/2999. This approval relates to accounting periods commencing on or after 1 February 2012. The Directors are of the opinion that the Company has conducted its affairs so as to be able to retain such approval.

It is the Directors' intention that the Company should continue to manage its affairs so as to be a qualifying investment for inclusion in the stocks and shares components of an Individual Savings Account ('ISA') and Junior ISA.

The Company is a member of the Association of Investment Companies ('AIC').

Alternative Performance Measures

The Financial Statements set out the required statutory reporting measures of the Company's financial performance. In addition, the Board assesses the Company's performance against a range of criteria which are viewed as particularly relevant for investment trusts, which are summarised in the Performance Summary and explained in greater detail in the ***Strategic*** Report, under the heading 'Key Performance Indicators' on.

Definitions of the terms used and the basis of calculation adopted are set out in the Glossary.

Annual General Meeting

THE FOLLOWING INFORMATION TO BE DISCUSSED AT THE FORTHCOMING ANNUAL GENERAL MEETING IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

If you are in any doubt about the action you should take, you should seek advice from your stockbroker, bank manager, solicitor, accountant or other financial adviser authorised under the Financial Services and Markets Act 2000 (as amended). If you have sold or transferred all of your ordinary shares in the Company, you should pass this document, together with any other accompanying documents, including the form of proxy, at once to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for onward transmission to the purchaser or transferee.

Resolutions relating to the following items of special business will be proposed at the forthcoming Annual General Meeting.

Resolution 11 Authority to allot shares

Resolution 12 Authority to disapply pre-emption rights

Resolution 13 Authority to buy back shares

Resolution 14 Authority to hold General Meetings (other than the AGM) on at least 14 working days' notice

The full text of the resolutions can be found in the Notice of Annual General Meeting.

Results and Dividend

The results attributable to shareholders for the year and details of the Company's dividend record can be found in the ***Strategic*** Report.

Capital Structure

As at 31 January 2018 there were 119,873,386 shares of 12.5p each in issue (2017: 119,548,386). All shares rank equally for dividends and distributions. Each shareholder is entitled to one vote on a show of hands and, on a poll, to one vote for every share held.

The giving of powers to issue or buy-back the Company's shares requires the relevant resolution to be passed by shareholders. Proposals for the renewal of the Board's current powers to issue and buy-back shares are detailed in the Explanatory Notes to the Resolutions to be proposed at the Annual General Meeting.

There are no restrictions concerning the transfer of securities in the Company; no special rights with regard to control attached to securities; no restrictions on voting rights; no agreements between holders of securities regarding their transfer known to the Company; and no agreements which the Company is party to that might affect its control following a successful takeover bid.

Viability Statement

The Board has carried out a robust assessment of the principal risks facing the Company including those that would threaten its business model, future performance, solvency or liquidity. The Board has drawn up a matrix of risks facing the Company and has put in place a schedule of investment limits and restrictions, appropriate to the Company's investment objective and policy, in order to mitigate these risks as far as practicable. The principal risks which have been identified, and the steps taken by the Board to manage these, are detailed in the ***Strategic*** Report.

The Company is a long-term investor and the Board believes it is appropriate to assess the Company's viability over a five year period in recognition of our Investment Manager's long-term horizon and also what we believe to be investors' horizons, taking account of the Company's current position and the potential impact of the principal risks and uncertainties as shown in the ***Strategic*** Report.

The Directors also took into account the liquidity of the portfolio when considering the viability of the Company over the next five years and its ability to meet liabilities as they fall due.

The Directors do not expect there to be any significant change in the principal risks that have been identified and the adequacy of the controls in place. Also the Directors do not envisage any change in strategy or objectives or any events that would prevent the Company from continuing to operate over that period as the Company's assets are liquid, its commitments are limited and the Company intends to continue to operate as an investment trust. The Directors believe that only a substantial financial crisis affecting the global economy could have an impact on this assessment.

Based on this assessment, the Directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the next five-year period.

Principal Service Providers

Investment Manager

The Company's investment portfolio is managed by Stewart Investors which had approximately £22.8 billion in assets under management as at 31 December 2017. Stewart Investors are engaged under the terms of an Investment Management Agreement (the "IMA") effective from 1 February 2015. The IMA is terminable by six months' notice. Stewart Investors have complied with the terms of the IMA throughout the year to 31 January 2017. A management fee of 0.9% per annum of net assets is payable.

Manager

Frostrow Capital LLP acts as the Company's Manager, Company Secretary and Administrator. It is an independent provider of services to the investment companies sector and currently has 11 other investment trust clients whose assets totalled approximately £7.5 billion as at the date of this report.

Frostrow Capital LLP provides company management, company secretarial and administrative services to the Company under the terms of a Management, Administrative and Secretarial Services Agreement, effective from 1 February 2015. During the year under review a fee of 0.15% per annum of net assets, which are lower than or equal to £275 million, and 0.10% per annum of net assets, in excess of £275 million, is payable for these services. With effect from 1 February 2018 the following amended fee arrangements have been agreed:

a fixed fee of £60,000 per annum plus 0.11% per annum of net assets, which are lower than or equal to £150 million, plus 0.075% per annum of net assets, in excess of £150 million up to £500 million. Frostrow's appointment can be terminated by either party by giving six months' notice.

Further details of the fees payable to Stewart Investors and Frostrow Capital LLP are set out in note 3 to the accounts.

Custodian

J.P. Morgan Chase Bank have been appointed as the Company's Custodian. The Custodian's fees are charged according to the jurisdiction in which the holdings are based. Variable transaction fees are also chargeable.

Investment Manager and Manager Evaluation and Re-Appointment

The review of the performance of Stewart Investors as Investment Manager and Frostrow Capital LLP as Manager is a continuous process carried out by the Board with a formal evaluation being undertaken each year. As part of this process the Board monitors the services provided by the Investment Manager and the Manager and receives regular reports and views from them. The Board also receives comprehensive performance measurement reports to enable it to determine whether or not the performance objective set by the Board has been met.

The Board believes the continuing appointment of Stewart Investors and Frostrow Capital LLP, under the terms described above, is in the interests of shareholders. In coming to this decision the Board also took into consideration the following additional reasons:

-      the quality and depth of experience of Stewart Investors and the level of performance of the portfolio in absolute terms and also by reference to the MSCI All Country Asia ex Japan Index (total return, sterling adjusted) and the Company's peer group over the medium to longer term; and

-      the quality and depth of experience of the management, administrative and company secretarial team that Frostrow Capital LLP allocates to the Company.

Directors

Directors' and Officers' Liability Insurance Cover

Directors' and Officers' liability insurance cover was maintained by the Board during the year ended 31 January 2018. It is intended that this policy will continue for the year ending 31 January 2019 and subsequent years.

Directors' Indemnities

As at the date of this report, a deed of indemnity has been entered into by the Company and each of its Directors under which the Company has agreed to indemnify each Director, to the extent permitted by law, in respect of certain liabilities incurred as a result of carrying out his role as a Director of the Company. Each Director is indemnified against the costs of defending any criminal or civil proceedings or any claim by the Company or a regulator as they are incurred provided that where the defence is unsuccessful the Director must repay those defence costs to the Company. The indemnities are qualifying third party indemnity provisions for the purposes of the Companies Act 2006.

A copy of each deed of indemnity is available for inspection at the offices of Frostrow during normal business hours and will be available for inspection at the Annual General Meeting.

Substantial Interests in Share Capital

As at 28 February 2018, being the latest practicable date before publication of the Annual Report, the Company was aware of the following substantial interests in the voting rights of the Company:

|  |  |  |
| --- | --- | --- |
|  | **Number of** |  |
|  | **shares** | **%** |
|  | **held** | **held** |
| Investec Wealth & Investment (Ire) | 9,271,585 | 7.7 |
| Speirs & Jeffrey Stockbrokers | 8,041,537 | 6.7 |
| Brewin Dolphin | 7,805,050 | 6.5 |
| Investec Wealth & Investment | 6,337,889 | 5.3 |
| Smith & Williamson | 5,840,192 | 4.9 |
| Charles Stanley Stockbrokers | 5,553,404 | 4.6 |
| Alliance Trust Savings | 5,100,109 | 4.3 |
| Hargreaves Lansdown | 4,756,120 | 4.0 |
| Rathbones | 4,146,140 | 3.5 |

Beneficial Owners of Shares - Information Rights

The beneficial owners of shares who have been nominated by the registered holder of those shares to receive information rights under Section 146 of the Companies Act 2006 are required to direct all communications to the registered holder of their shares rather than to the Company's registrar, Equiniti, or to the Company directly.

Electronic Proxy Voting

Legislation is in force which permits shareholders to submit proxy forms electronically.

To submit a proxy form via the internet, an internet-enabled PC with Internet Explorer 4 or Netscape 4 or above will be required. Shareholders will require their Voting ID, Task ID and Shareholder Reference Number which can be found on the personalised proxy form which accompanies this report, to access this service. Before a proxy can be appointed, shareholders will be asked to agree to the terms and conditions for electronic proxy appointment. The use of the electronic proxy appointment service offered through Equiniti Limited, the Company's registrars, is entirely voluntary. Shareholders can continue to submit their proxy form by post if they wish.

Modern Slavery Act 2015

The Company does not provide goods or services in the normal course of business, and as a financial investment vehicle does not have customers. The Directors do not therefore consider that the Company is required to make a statement under the Modern Slavery Act 2015 in relation to slavery or human trafficking.

Anti-Bribery and Corruption Policy

The Board has adopted a zero tolerance approach to instances of bribery and corruption. Accordingly, it expressly prohibits any Director or associated persons when acting on behalf of the Company, from accepting, soliciting, paying, offering or promising to pay or authorise any payment, public or private, in the United Kingdom or abroad to secure any improper benefit for themselves or for the Company.

The Board applies the same standards to its service providers in their activities for the Company.

A copy of the Company's Anti Bribery and Corruption Policy can be found on its website at

[*http://www.pacific-assets.co.uk*](http://www.pacific-assets.co.uk). The policy is reviewed annually by the Audit Committee.

Prevention of the Facilitation of Tax Evasion

During the year and in response to the implementation of the Criminal Finances Act 2017, the Board adopted a zero-tolerance approach to the criminal facilitation of tax evasion A copy of the Company's policy on preventing the facilitation of tax evasion can be found on the Company's website[*http://www.pacific-assets.co.uk*](http://www.pacific-assets.co.uk). The policy is reviewed annually by the Audit Committee.

Political Donations

The Company has not in the past and does not intend in the future to make political donations.

Corporate Social Responsibility (CSR), Community and Employee Responsibilities, Emissions, Environmental and Ethical Policy (EEE)

The Company's investment activities and day to day management is delegated to the Investment Manager and other third parties. As an investment trust, the Company has no direct social, community, employee or environmental responsibilities. Its principal responsibility to shareholders is to ensure that the investment portfolio is properly managed and invested. As detailed above, the management of the portfolio has been delegated to the Company's Investment Manager.

In light of the nature of the Company's business there are no relevant human rights issues and the Company does not have a human rights policy. The Company does not maintain premises, hold any physical assets or operations and does not have any employees. Consequently, the Company has no greenhouse gas emissions to report from its operations, nor does it have responsibility for any other emissions ***producing*** sources under the Companies Act 2006 (***Strategic*** Report and Directors' Reports) Regulations 2013. The Board has noted the Investment Manager's report on greenhouse gas emissions on its own operations and the views of the Investment Manager on CSR and EEE which it adheres to in engaging with the underlying investee companies and in exercising its delegated responsibilities in voting. The Investment Manager engages with the Company's underlying investee companies in relation to their corporate governance practices and in developing their policies on social, community and environmental matters.

Common Reporting Standard (CRS)

CRS is a global standard for the automatic exchange of information commissioned by the Organisation for Economic Cooperation and Development and incorporated into UK law by the International Tax Compliance Regulations 2015. CRS requires the Company to provide certain additional details to HMRC in relation to certain shareholders. The reporting obligation began in 2016 and will be an annual requirement going forward. The Registrars, Equiniti, have been engaged to collate such information and file the reports with HMRC on behalf of the Company.

Listing Rule 9.8.4

Listing Rule 9.8.4 requires the Company to include certain information in a single identifiable section of the Annual Report or a cross reference table indicating where the information is set out. The Directors confirm that there are no disclosures to be made in this regard.

By order of the Board

Frostrow Capital LLP

Company Secretary

29 March 2018

Governance / Statement of Directors' Responsibilities in respect of the Annual Report and the Financial Statements

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law they are required to prepare the financial statements in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

·      select suitable accounting policies and then apply them consistently;

·      make judgments and estimates that are reasonable and prudent;

·      state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and

·      assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and

·      use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The Directors confirm that the financial statements comply with the above requirements.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a ***Strategic*** Report, Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that complies with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website, which is maintained by the Company's Investment Manager. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Going Concern

The Directors, having made relevant enquiries, are satisfied that it is appropriate to prepare the financial statements on the going concern basis as the net assets of the Company consist of liquid securities.

Disclosure of Information to the Auditor

So far as the Directors are aware, there is no relevant information to which the Auditor is unaware. The Directors have taken all steps they ought to have taken to make themselves aware of any relevant audit information and to establish that the Auditor is aware of such information.

Responsibility Statement of the Directors in respect of the Annual Financial Report

We confirm that to the best of our knowledge:

·      the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company taken as a whole; and

·      the ***Strategic*** Report includes a fair review of the development and performance of the business and the position of the issuer, together with a description of the principal risks and uncertainties that they face.

We consider the Annual Report and the financial statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

On behalf of the Board

James Williams

Chairman

29 March 2018

Governance / Audit Committee Report

for the year ended 31 January 2018

Introduction from the Chair

I am pleased to present my third formal report to shareholders as Chair of the Audit Committee, for the year ended 31 January 2018.

Composition and Meetings

The Committee, which comprises the whole Board (all Directors are independent non-executive), met three times during the year. I was appointed Chair of the Committee in 2015. I am a Fellow of the Institute of Chartered Accountants in England and Wales and am also the Chair of the Audit Committee of three other public companies; the other Committee members have a combination of financial, investment and other relevant experience gained throughout their careers. The Company Chairman's membership of the Committee is considered appropriate given his extensive knowledge of the financial services industry.

Role and Responsibilities of the Audit Committee

1.  To review the Company's half-year and annual financial statementstogether with announcements and other filings relating to the financial performance of the Company.

2.  To review the risk management and internal control processesof the Company and its key service providers. As part of this review the Committee again reviewed the appropriateness of the Company's antibribery and corruption policy.

3.  To recommend the appointment of an external Auditor,and agreeing the scope of its work and its remuneration, reviewing its independence and the effectiveness of the audit process.

4.  To consider any non-audit work to be carried out by the Auditor.The Audit Committee reviews the need for non-audit services to be performed by the Auditor in accordance with the Company's non-audit services policy, and authorises such on a case by case basis having given consideration to the cost effectiveness of the services and the objectivity of the Auditor.

5.  To consider the need for an internal audit function.Since the Company delegates its day-to-day operations to third parties and has no employees, the Committee has determined there is no requirement for such a function.

The Committee's 'terms of reference are available for review on the Company's website at[*http://www.pacific-assets.co.uk*](http://www.pacific-assets.co.uk).

Significant Issues Considered by the Audit Committee during the Year

Financial Statements

The Board has asked the Committee to confirm that in its opinion the Board can make the required statement that the Annual Report taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's financial position, performance, business model and strategy. The Committee has given this confirmation on the basis of its review of the whole document, underpinned by involvement in the ***planning*** for its preparation and review of the processes to assure the accuracy of factual content.

Significant Reporting Matters

Valuation of the Company's Investments

During the year the Committee reconfirmed its understanding of the processes in place to record investment transactions and to value the investment portfolio. It was noted that established pricing vendors were used to source and also to verify the prices of the Company's investments. The correct recording of investment transactions was established through regular reconciliations by the Company's Manager, of both cash and securities with the Company's Custodian.

Existence and Ownership of Investments

The Committee also received assurance that all investment holdings and cash/deposit balances had been agreed by the Company's Manager to an independent confirmation from the Custodian or relevant bank.

Other Reporting Matters

Investment Performance

The Committee also gained an overall understanding of the performance of the investment portfolio both in capital and revenue terms through ongoing discussions and analysis with and the Company's Investment Manager and also with comparison to suitable key performance indicators.

Recognition of Revenue from Investments

The Committee took steps to gain an understanding of the processes in place to record investment income and transactions. The Committee sought and received confirmation from the Company's Manager that all dividends both received and receivable had been accounted for correctly. The Committee noted and took comfort from the segregation of duties in place between the Company's Manager and the Custodian.

Accounting Policies

During the year the Committee ensured that the accounting policies were applied consistently throughout the year. In light of there being no unusual transactions during the year or other possible reasons, the Committee agreed that there was no reason to change the policies.

Going Concern

Having reviewed the Company's financial position and liabilities, the Committee is satisfied that it is appropriate for the Board to prepare the financial statements on the going concern basis.

Internal Controls and Risk Management

At each of its meetings during the year the Committee reviewed the effectiveness of the Company's risk management and internal controls systems as contained in the Company's schedule of key risks as described in the ***Strategic*** Report. No significant weaknesses were identified in the year under review. The Committee noted that the Company is reliant on the systems of the Company's various service providers and that a disruption to, or a failure of, those systems could seriously affect the Company. As a result, the Committee paid particular attention on the risk of cybercrime during the year and representatives from J.P. Morgan Chase Bank, the Company's Custodian, and from Equiniti, the Company's Registrars, were invited to make a presentation to the Committee and answer questions on this subject.

Taxation

The Committee approached and dealt with ensuring compliance with Section 1158 of the Corporation Tax Act 2010, by seeking and receiving confirmation from the Company's Manager that the Company continues to meet the eligibility conditions on a monthly basis.

The Committee also monitored closely the position with regard to the reclamation of withholding tax. The Company employs a number of specialist local agents (in jurisdictions such as Taiwan, India and Bangladesh) to assist in the process.

Viability Statement

The Board is required to make a longer-term viability statement in relation to the continuing operations of the Company. The Committee reviewed papers ***produced*** in support of the statement made by the Board which assesses the viability of the Company over a period of five years. The Company is a long-term investor and the Committee believes that is appropriate to recommend to the Board that the Company's viability should be assessed over a five-year period, also taking account of the Company's current position and the potential impact of the Company's principal risks and uncertainties as shown in the ***Strategic*** Report.

External Auditor

Meetings:

This year the nature and scope of the audit together with KPMG LLP's audit ***plan*** were considered by the Committee on 28 September 2017. I, as Chair of the Committee, had a meeting with them specifically to discuss the audit and any issues that arose (of which there were none of any significance). The Committee then met KPMG LLP on 21 March 2018 to formally review the outcome of the audit and to discuss the limited issues that arose. The Committee also discussed the presentation of the Annual Report with the Auditor and sought their perspective.

Independence and Effectiveness:

In order to fulfil the Committee's responsibility regarding the independence of the Auditor, the Committee reviewed:

-       the senior audit personnel in the audit ***plan*** for the year,

-       the Auditor's arrangements concerning any conflicts of interest,

-       the extent of any non-audit services, and

-       the statement by the Auditor that they remain independent within the meaning of the regulations and their professional standards.

-       Auditor independence

In order to consider the effectiveness of the audit process, the Committee reviewed:

-       the Auditor's fulfilment of the agreed audit ***plan***,

-       the report arising from the audit itself, and

-       feedback from the Company's Manager.

During the year the Auditor provided no non-audit services to the Company, the Committee continues to keep this under close review (2017: the Auditor received £12,000 for such services). See note 4 for further details. The Company's policy on the provision by the Auditor of non-audit services to the Company can be found below.

The Committee is satisfied with the Auditor's independence and the effectiveness of the audit process, together with the degree of diligence and professional scepticism brought to bear.

Non-Audit Services

The Company operates on the basis whereby the provision of all non-audit services by the Auditor has to be pre-approved by the Audit Committee. Such services are only permissible where no conflicts of interest arise, the service is not expressly prohibited by audit legislation, where the independence of the Auditor is not likely to be impinged by undertaking the work and the quality and the objectivity of both the non-audit work and audit work will not be compromised. In particular, non-audit services may be provided by the Auditor if they are inconsequential or would have no direct effect on the Company's financial statements and the audit firm would not place significant reliance on the work for the purposes of the statutory audit. Assistance with the reclamation of Taiwanese withholding tax was transferred from KPMG to Grant Thornton Taiwan during the year.

Audit Tender Process

A formal competitive tender for the Company's statutory audit was held during the year. It was agreed that I, as the Chair of the Audit Committee, would lead the process supported by Frostrow Capital and such other members of the Committee who wished to participate. The selection of the firms to be invited to tender was carried out by the Committee seeking views from the members of the Board and others with experience of using and working with a variety of audit firms. The Committee also actively considered and expressed a positive preference that smaller firms be considered. The six candidates who were invited to tender were therefore a mix of large and small/medium firms, three of which presented to a Sub-Committee of the Audit Committee in December 2017. Following the presentations, the preferred candidate made a further presentation to the Board in January 2018, where it was agreed to re-appoint KPMG LLP; their proposed audit fee was also agreed.

This was the first opportunity for the Directors to meet formally with John Waterson, the new Audit Partner at KPMG LLP, who had taken over from Richard Hinton during the year. It was agreed that KPMG LLP had performed very well in previous audits and their knowledge of the Company and its operations together with the combination of a fresh set of eyes, due to the change of Audit Partner, and the experience of the Audit team were the principal reasons why they had been successful.

The Company's Auditor is required to rotate partners every five years and it is proposed that Mr Waterson should serve until the AGM in 2022, provided shareholders approve the continued appointment of KPMG LLP. In accordance with the current legislation, the Company will need to re-tender for a new auditor at least every 10 years and will have to change its auditor after 20 years.

Effectiveness of the Committee

Lintstock, an independent third party, commented on the effectiveness of the Committee as part of their evaluation of the Board. In particular the management of Committee meetings in terms of the annual cycle of work, the meeting agenda and the input during meetings was rated highly.

Charlotta Ginman, FCA

Chair of the Audit Committee

29 March 2018

Governance / Directors' Remuneration Report

for the year ended 31 January 2018

Statement from the Chairman

I am pleased to present the Directors' Remuneration Report to shareholders. This report has been prepared in accordance with the requirements of the Companies Act 2006.

The Directors' Remuneration Report is subject to an annual advisory vote and therefore an Ordinary Resolution for the approval of this report will be put to shareholders at the Company's forthcoming Annual General Meeting (AGM).

The law requires the Company's Auditor to audit certain of the disclosures provided in this report. Where disclosures have been audited, they are indicated as such and the Auditor's audit opinion is included in its report to shareholders.

As noted in the ***Strategic*** Report, all of the Directors are non-executive and therefore there is no Chief Executive Officer. The Company does not have any employees. There is therefore no CEO or employee information to disclose.

The Engagement & Remuneration Committee considers the framework for the remuneration of the Directors. It reviews the ongoing appropriateness of the Company's remuneration policy and the individual remuneration of Directors by reference to the activities of the Company and comparison with other companies of a similar structure and size. This is

in-line with the AIC Code.

The Engagement & Remuneration Committee met once during the year and it was agreed that no change should be made to the level of fees paid to the Directors during the forthcoming year which are as follows: Chairman £35,000 pa; Chair of the Audit Committee £28,500 pa; Director £25,000 pa. The last increase to the fees paid to the Directors had taken effect from 1 February 2017.

Directors' Fees

The Directors, as at the date of this report, and who all have served throughout the year, received the fees listed in the Directors' Remuneration Report. These exclude any employer's national insurance contributions, if applicable. No other forms of remuneration were received by the Directors and so fees represent the total remuneration of each Director.

No communications have been received from shareholders regarding Directors' remuneration.

Article 117 of the Company's Articles of Association provides that Directors are entitled to be reimbursed for reasonable expenses incurred by them in connection with the performance of their duties and attendance at Board and General Meetings.

Under HMRC guidance, travel expenses and other out of pocket expenses may be considered as taxable benefits for the Directors. Where expenses reimbursed to the Directors are classed as taxable under HMRC guidance, they are shown in the taxable expenses column of the Directors' remuneration table along with the associated tax liability which is settled by the Company.

Approval

A resolution to approve the Remuneration Report was put to shareholders at the AGM of the Company held on 29 June 2017. Of the votes cast, 97.5% were in favour and 2.5% were against; this resolution will be put to shareholders again this year. A binding resolution to approve the Remuneration Policy was last put to shareholders at the AGM held on 29 June 2017. Of the votes cast 97.3% were in favour and 2.7% were against. A resolution to approve the Remuneration Policy will be put to shareholders at the AGM to be held in 2020. The Directors Remuneration Policy will apply until it is next put to shareholders for renewal of that approval, which must be at intervals of not more than three years, or when the Directors Remuneration Policy is varied in which case shareholder approval for the new Directors' Remuneration Policy will be sought.

Directors' Remuneration for the Year (audited information)

The Directors who served in the year received the following remuneration:

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  | **Date of Appointment to the Board** | **Fixed Fees 2018**  **£** | **Taxable Expenses 2018**  **£** | **Total Remuneration 2018**  **£** | **Fixed Fees 2017**  **£** | **Taxable Expenses 2017**  **£** | **Total Remuneration 2017**  **£** |
| James Williams | 1 October 2013 | **35,000** | **-** | **35,000** | 32,000 | 1,018 | 33,018 |
| Charlotta Ginman | 9 October 2014 | **28,500** | **-** | **28,500** | 26,000 | - | 26,000 |
| Sian Hansen | 3 August 2015 | **25,000** | **-** | **25,000** | 23,000 | - | 23,000 |
| Terence Mahony | 1 February 2004 | **25,000** | **-** | **25,000** | 23,000 | - | 23,000 |
| Nigel Rich\* | 1 January 1997 | **-** | **-** | **-** | 10,000 | - | 10,000 |
| Robert Talbut | 23 September 2016 | **25,000** | **340** | **25,340** | 8,161 | 106 | 8,267 |
|  |  | 138,500 | 340 | 138,840 | 122,161 | 1,124 | 123,285 |

\*Retired 29 June 2016

Loss of Office

Directors do not have service contracts with the Company but are engaged under Letters of Engagement. These specifically exclude any entitlement to compensation upon leaving office for whatever reason.

Relative Cost of Directors' Remuneration

The bar chart below shows the comparative cost of Directors' fees compared with the level of dividend distribution and Company expenses for the years ended 31 January 2017 and 2018.

Directors' Interests in Shares (audited information)

The Directors interests in the share capital of the Company are shown in the table below:

|  |  |  |  |
| --- | --- | --- | --- |
|  |  | **Number of shares held** |  |
|  |  | **31 January 2018** | **31 January 2017** |
| James Williams | Beneficial | **40,000** | **40,000** |
| Charlotta Ginman | Beneficial | **9,716** | **9,716** |
| Sian Hansen | Beneficial | **4,680** | **4,680** |
| Terence Mahony | Beneficial | **25,000** | **25,000** |
| Robert Talbut | Beneficial | **9,611** | **4,729** |
| Total |  | **89,007** | **84,125** |

Since the year end there have not been any changes in the Directors' interests.

Share Price Total Return

The Company's Benchmark is the MSCI All Country Asia ex Japan Index on a total return, sterling adjusted basis. The Board has adopted this index as a comparison for the Company's performance. In accordance with statutory reporting purposes this report is required to compare the Company's share price total return to that of the benchmark index. The chart below provides this comparison.

Directors' Remuneration Policy

The Directors' Remuneration Policy is subject to a binding shareholder vote every three years. It is due to be brought before shareholders again at AGM to be held in 2020. There have been no changes to the Company's Remuneration Policy compared to the year ended 31 January 2017 and no changes are proposed for the year ending 31 January 2019. If, however, the Remuneration Policy is varied, shareholder approval for the new Remuneration Policy will be sought at the next AGM following such variation. The Board has agreed that there will be a formal review before any change to the Directors Remuneration Policy; and at least once a year the Directors Remuneration Policy will be reviewed to ensure that it remains appropriate.

The Directors' Remuneration Policy provides that fees payable to the Directors should reflect the time spent by the Board on the Company's affairs and the responsibilities borne by the Directors and should be sufficient to enable candidates of high calibre to be recruited. Directors are remunerated in the form of fees payable monthly in arrears, paid to the Director personally. There are no long-term incentive schemes, bonuses, share option schemes or pension arrangements and the fees are not specifically related to the Directors' performance, either individually or collectively. The Company does not have any employees.

The remuneration for the non-executive Directors is determined within the limits set out in the Company's Articles of Association. The present limit is £200,000 in aggregate per annum.

Any new Director being appointed to the Board that has not been appointed as either Chairman, Chair of the Audit Committee or Senior Independent Director will, under the current level of fees, receive £25,000 pa.

None of the Directors has a service contract. The terms of their appointment provide that Directors shall retire and be subject to election at the first AGM after their appointment and to re-election annually thereafter. The terms also provide that a Director may be removed without notice and that compensation will not be due on leaving office.

Annual Statement

On behalf of the Board, I confirm that the Remuneration Policy, set out above, and the Remuneration Report summarise, as applicable, for the year to 31 January 2018:

(a)        the major decisions on Directors' remuneration;

(b)        any substantial changes relating to Directors' remuneration made during the year; and

(c)        the context in which the changes occurred and decisions have been taken.

James Williams

Chairman

29 March 2018

Governance / Independent Auditor's Report to the Members of Pacific Assets Trust plc

1.   Our opinion is unmodified

We have audited the financial statements of Pacific Assets Trust Plc ("the Company") for the year ended 31 January 2018 which comprise the Income Statement, Statement of Changes in Equity and Statement of Financial Position and the related notes, including the accounting policies in note 1.

In our opinion the financial statements:

·          give a true and fair view of the state of Company's affairs as at 31 January 2018 and of its return for the year then ended;

·          have been properly prepared in accordance with UK accounting standards, including FRS 102The Financial Reporting Standard applicable in the UK and Republic of Ireland; and

·          have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the audit committee.

We were appointed as auditor by the Directors on 9 June 2008. The period of total uninterrupted engagement is for the 10 financial years ended 31 January 2018. We have fulfilled our ethical responsibilities under, and we remain independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities. No non-audit services prohibited by that standard were provided.

Overview

|  |  |
| --- | --- |
| **Materiality:** | £3.2m (2017: £2.9m) |
| financial statements as a whole | 1% (2017: 1%) of Total Assets |
| **Risks of material misstatement** | **vs 2017** |
| **Recurring risks** | Carrying value of quoted investments |

2    Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. We summarise below the key audit matter (unchanged from 2017), in arriving at our audit opinion above, together with our key audit procedures to address the matter and, as required for public interest entities, our results from those procedures. This matter was addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on this matter.

|  |  |  |
| --- | --- | --- |
|  | **The risk** | **Our response** |
| **Carrying value of quoted investments**  (£300.9 million; 2017: £269.5 million)  *Refer to the Audit Committee Report, the Company's accounting policy and the financial disclosures.* | **Low risk, high value:**  The Company's portfolio of quoted investments makes up 92.9% of the Company's total assets (by value) and is one of the key drivers of results. We do not consider these investments to be at a high risk of significant misstatement, or to be subject to requiring a significant level of judgement, because they comprise liquid, listed investments. However, due to their materiality in the context of the financial statements as a whole, they are considered to be the area which had the greatest effect on our overall audit strategy and allocation of resources in ***planning*** and completing our audit. | **Our procedures included:**  ·      **Tests of detail:** Agreeing the valuation of 100 per cent of investment in the portfolio to externally quoted prices; and  ·      **Enquiry of custodians:** Agreeing 100 per cent of the investment holdings in the portfolio to independently received third party confirmations from investment custodians.  **Our results**  ·      We found the carrying amount of quoted investments to be acceptable (2017: acceptable). |

3.   Our application of materiality and an overview of the scope of our audit

Materiality for the financial statements as a whole was set at £3.2m (2017: £2.9m), determined with reference to a benchmark of total assets, of which it represents 1% (2017: 1%).

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £0.16m (2017: £0.14m), in addition to other identified misstatements that warranted reporting on qualitative grounds.

Our audit of the Company was undertaken to the materiality level specified above and was all performed at KPMG's office in London.

Total assets

£324.1m (2017: £288.1m)

Materiality

£3.2m (2017: £2.9m)

£3.2m

Whole financial statements materiality (2017: £2.9m)

£0.16m

Misstatements reported to the audit committee (2017: £0.14m)

4.   We have nothing to report on going concern

We are required to report to you if:

·          we have anything material to add or draw attention to in relation to the Directors' statement in note 1 to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Company's use of that basis for a period of at least twelve months from the date of approval of the financial statements; or

·          the related statement under the Listing Rules set out within the Statement of Directors' Responsibilities in respect of the Annual Report and the Financial Statements is materially inconsistent with our audit knowledge.

We have nothing to report in these respects.

5.   We have nothing to report on the other information in the Annual Report

The Directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

***Strategic*** report and Directors' report

Based solely on our work on the other information:

·          we have not identified material misstatements in the ***strategic*** report and the Directors' report;

·          in our opinion the information given in those reports for the financial year is consistent with the financial statements; and

·          in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Directors' remuneration report

In our opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Disclosures of principal risks and longer-term viability

Based on the knowledge we acquired during our financial statements audit, we have nothing material to add or draw attention to in relation to:

·          the Directors' confirmation within the Viability Statement that they have carried out a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency and liquidity;

·          The Principal Risks disclosures describing these risks and explaining how they are being managed and mitigated; and

·          the Directors' explanation in the Viability Statement of how they have assessed the prospects of the Company, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Under the Listing Rules we are required to review the Viability Statement. We have nothing to report in this respect.

Corporate governance disclosures

We are required to report to you if:

·          we have identified material inconsistencies between the knowledge we acquired during our financial statements audit and the Directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy; or

·          the section of the annual report describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.

We are required to report to you if the Corporate Governance Statement does not properly disclose a departure from the eleven provisions of the UK Corporate Governance Code specified by the Listing Rules for our review.

We have nothing to report in these respects.

6.         We have nothing to report on the other matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:

·          adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or

·          the financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or

·          certain disclosures of Directors' remuneration specified by law are not made; or

·          we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

7.         Respective responsibilities

Directors' responsibilities

As explained the Directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or other irregularities (see below), or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud, other irregularities or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at[*http://www.frc.org.uk/auditorsresponsibilities*](http://www.frc.org.uk/auditorsresponsibilities)

Irregularities - ability to detect

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our sector experience and through discussion with the directors, the manager and the administrator (as required by auditing standards).

We had regard to laws and regulations in areas that directly affect the financial statements including financial reporting (including related company legislation) as well as the company's qualification as an Investment Trust under UK tax legislation, any breach of which could lead to the company losing various deductions and exemptions from UK corporation tax. We considered the extent of compliance with those laws and regulations as part of our procedures on the related financial statements items.

We communicated identified laws and regulations throughout our team which included individuals with experience relevant to those laws and regulations, and remained alert to any indications of non-compliance throughout the audit.

As with any audit, there remained a higher risk of non-detection of non-compliance with relevant laws and regulations (irregularities), as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

8.         The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

John Waterson (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

St Vincent Plaza

319 St Vincent Street

Glasgow

G2 5AS

29 March 2018

Financial Statements / Income Statement

for the year ended 31 January 2018

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  | **Year ended 31 January 2018** |  |  | Year ended 31 January 2017 |
|  |  | **Revenue** | **Capital** | **Total** | Revenue | Capital | Total |
|  | Notes | **£'000** | **£'000** | **£'000** | £'000 | £'000 | £'000 |
| Gains on investments held at fair value through profit or loss | 8 | **-** | **35,915** | **35,915** | - | 59,386 | 59,386 |
| Exchange differences |  | **-** | **(652)** | **(652)** | - | 643 | 643 |
| Income | 2 | **4,882** | **-** | **4,882** | 5,125 | - | 5,125 |
| Investment management and management fees | 3 | **(809)** | **(2,426)** | **(3,235)** | (703) | (2,110) | (2,813) |
| Other expenses | 4 | **(651)** | **-** | **(651)** | (605) | - | (605) |
| **Return on ordinary activities before taxation** |  | **3,422** | **32,837** | **36,259** | **3,817** | **57,919** | **61,736** |
| Taxation on ordinary activities | 5 | **(351)** | **(103)** | **(454)** | (425) | (48) | (473) |
| **Return after taxation attributable to equity shareholders** |  | **3,071** | **32,734** | **35,805** | **3,392** | **57,871** | **61,263** |
| **Return per share (p)** | 7 | **2.6** | **27.3** | **29.9** | **2.8** | **48.4** | **51.2** |

The Total column of this statement represents the Company's Income Statement. The Revenue and Capital columns are supplementary to this and are prepared under guidance published by the Association of Investment Companies (AIC).

All revenue and capital items in the Income Statement derive from continuing operations.

The Company had no recognised gains or losses other than those shown above and therefore no separate Statement of Other Comprehensive Income has been presented.

Statement of Changes in Equity

for the year ended 31 January 2018

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **Ordinary** |  | **Capital** |  |  |  |  |
|  |  | **Share** | **Share** | **Redemption** | **Special** | **Capital** | **Revenue** |  |
|  |  | **Capital** | **premium** | **reserve** | **reserve** | **reserve** | **reserve** | **Total** |
|  | **Note** | **£'000** | **£'000** | **£'000** | **£'000** | **£'000** | **£'000** | **£'000** |
| **At 31 January 2016** |  | **14,931** | **4,713** | **1,648** | **14,572** | **187,312** | **5,150** | **228,326** |
| Return after taxation |  | - | - | - | - | 57,871 | 3,392 | 61,263 |
| Ordinary dividends paid | 6 | - | - | - | - | - | (2,628) | (2,628) |
| Issue of shares |  | 13 | 228 | - | - | - | - | 241 |
| **At 31 January 2017** |  | **14,944** | **4,941** | **1,648** | **14,572** | **245,183** | **5,914** | **287,202** |
| Return after taxation |  | - | - | - | - | 32,734 | 3,071 | 35,805 |
| Ordinary dividends paid | 6 | - | - | - | - | - | (3,112) | (3,112) |
| Issue of shares |  | 40 | 796 | - | - | - | - | 836 |
| **At 31 January 2018** |  | **14,984** | **5,737** | **1,648** | **14,572** | **277,917** | **5,873** | **320,731** |

The accompanying notes are an integral part of these statements.

Financial Statements / Statement of Financial Position

as at 31 January 2018

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  |  |  | **2018** |  | **2017** |
|  | **Notes** | **£'000** | **£'000** | **£'000** | **£'000** |
| **Fixed assets** |  |  |  |  |  |
| Investments | 8 |  | 300,947 |  | 269,539 |
| **Current assets** |  |  |  |  |  |
| Debtors | 9 | 307 |  | 221 |  |
| Cash and cash equivalents |  | 22,824 |  | 18,300 |  |
|  |  | 23,131 |  | 18,521 |  |
| **Creditors** (amounts falling due within one year) | 10 | (3,347) |  | (858) |  |
| **Net current assets** |  |  | **19,784** |  | **17,663** |
| **Net assets** |  |  | **320,731** |  | **287,202** |
| **Capital and reserves** |  |  |  |  |  |
| Called up share capital | 11 |  | 14,984 |  | 14,944 |
| Share premium account |  |  | 5,737 |  | 4,941 |
| Capital redemption reserve |  |  | 1,648 |  | 1,648 |
| Special reserve |  |  | 14,572 |  | 14,572 |
| Capital reserve |  |  | 277,917 |  | 245,183 |
| Revenue reserve |  |  | 5,873 |  | 5,914 |
| **Equity shareholders' funds** |  |  | **320,731** |  | **287,202** |
| **Net asset value per Ordinary Share (p)** | **12** |  | **267.6p** |  | **240.2p** |

The financial statements were approved, and authorised for issue, by the Board of Directors on 29 March 2018 and signed on its behalf by:

James Williams

Chairman

The accompanying notes are an integral part of these statements.

Pacific Assets Trust plc - Company Registration Number: SC091052 (Registered in Scotland)

Financial Statements / Notes to the Financial Statements

1. Accounting Policies

A summary of the principal accounting policies adopted is set out below.

(a) Basis of Accounting

These financial statements have been prepared under UK Company Law, FRS 102 'The Financial Reporting Standard applicable in the UK and Ireland', and in accordance with guidelines set out in the Statement of Recommended Practice ('SORP'), issued in November 2014 and updated in January 2017, for Investment Trust Companies and Venture Capital Trusts issued by the Association of Investment Companies ('AIC'), the historical cost convention, as modified by the valuation of investments at fair value through profit or loss, and on a going concern basis, as set out within the Statement of Directors' Responsibilities in respect of the Annual Report and the Financial Statements.

The Company has taken advantage of the exemption from preparing a Cash Flow Statement under FRS 102, as it is an investment fund whose investments are substantially all highly liquid and carried at fair (market) value.

The Company's financial statements are presented in sterling, being the functional and presentational currency of the Company. The Company's investments are made in foreign currencies, however the Board considers the Company's functional currency to be sterling. In arriving at this conclusion, the Board considered that the shares of the Company are listed on the London Stock Exchange, it is regulated in the United Kingdom and pays dividends and expenses in sterling. All values are rounded to the nearest thousand pounds (£'000) except where otherwise indicated.

Presentation of the Income Statement

In order to reflect better the activities of an investment trust company and in accordance with the SORP, supplementary information which analyses the Income Statement between items of a revenue and capital nature has been presented alongside the Income Statement. The net revenue return is the measure the Directors believe appropriate in assessing the Company's compliance with certain requirements set out in Section 1158 of the Corporation Tax Act 2010.

(b) Valuation of Investments

Investments are measured initially, and at subsequent reporting dates, at fair value, and are recognised and de-recognised at trade date where a purchase or sale is under a contract whose terms require delivery within the time frame established by the market concerned. For quoted securities fair value is either bid price or last traded price, depending on the convention of the exchange on which the investment is listed. Changes in fair value and gains or losses on disposal are included in the Income Statement as a capital item.

In addition, for financial reporting purposes, fair value measurements are categorised into a fair value hierarchy based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

·          Level 1 - Quoted prices in active markets;

·          Level 2 - Inputs other than quoted prices included within Level 1 that are observable (ie developed using market data), either directly or indirectly.

·          Level 3 - Inputs are unobservable (ie for which market data is unavailable).

(c) Income

Dividends receivable are recognised on the ex-dividend date. Where no ex-dividend date is quoted, dividends are recognised when the Company's right to receive payment is established. Foreign dividends are grossed up at the appropriate rate of withholding tax.

Special dividends of a revenue nature are recognised through the revenue column of the Income Statement. Special dividends of a capital nature are recognised through the capital column of the Income Statement.

Where the Company has elected to receive its dividends in the form of additional shares rather than cash the amount of the stock dividend is recognised in the revenue column.

(d) Expenses and Interest

All expenses and interest are accounted for on an accruals basis. Expenses and interest are charged to the Income Statement as a revenue item except where incurred in connection with the maintenance or enhancement of the value of the Company's assets and taking account of the expected long-term returns, when they are split as follows:

-       Investment Management and Management fees payable have been allocated 25% to revenue and 75% to capital.

-       Transaction costs incurred on the purchase and sale of investments are taken to the Income Statement as a capital item, within gains on investments held at fair value through profit or loss.

(e) Taxation

The tax effect of different items of income/gain and expenditure/loss is allocated between capital and revenue as set out in note 5 to the financial statements. The standard rate of corporation tax is applied to taxable net revenue. Any adjustment resulting from relief for overseas tax is allocated to the revenue reserve.

(f) Deferred Taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the Statement of Financial Position date where transactions or events that result in an obligation to pay more, or right to pay less, tax in future have occurred at the Statement of Financial Position date. This is subject to deferred tax assets only being recognised if it is considered more likely than not that there will be suitable profits from which the future reversal of the underlying timing differences can be deducted. Timing differences are differences arising between the Company's taxable profits and its results as stated in the accounts which are capable of reversal in one or more subsequent periods. Deferred tax is measured without discounting and based on enacted tax rates. Due to the Company's status as an investment trust, and the intention to meet the conditions required to obtain approval under Section 1158 of the Corporation Tax Act 2010 the Company has not provided for deferred tax on any capital gains and losses arising on the revaluation or disposal of investments.

(g) Foreign Currencies

Transactions denominated in foreign currencies are translated into sterling at the exchange rates on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate ruling at the date of the statement of financial position. Profits or losses on the translation of foreign currency balances, whether realised or unrealised, are taken to the capital or revenue column of the Income Statement, depending on whether the gain or loss is of a capital or revenue nature.

(h) Cash and Cash Equivalents

Cash and cash equivalents are defined as cash and demand deposits readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

(i) Dividend Payments

Dividends paid by the Company on its shares are recognised in the financial statements in the year in which they are paid and are shown in the Statement of Changes in Equity.

(j) Reserves

Capital redemption reserve

This reserve arose when ordinary shares were redeemed by the Company and subsequently cancelled, at which point the amount equal to the par value of the ordinary share capital was transferred from the ordinary share capital to the Capital Redemption Reserve.

Special reserve

The Special Reserve arose following court approval in February 1999 to transfer £24.2 million from the share premium account.

Capital reserve

The following are accounted for in this reserve: gains and losses on the disposal of investments; changes in the fair value of investments; and, expenses and finance costs, together with the related taxation effect, charged to capital in accordance with note (d). Any gains in the fair value of investments that are not readily convertible to cash are treated as unrealised gains in the capital reserve.

Revenue reserve

The Revenue Reserve reflects all income and expenses that are recognised in the revenue column of the Income Statement.

Distributable reserves

The Special and Capital Reserves are distributable by way of dividend and can be used to fund any repurchases of the company's own shares. It is, however, the Board's current policy to only pay dividends out of the Revenue Reserve.

2. Income

|  |  |  |
| --- | --- | --- |
|  | **2018** | 2017 |
|  | **£'000** | £'000 |
| **Income from investments** |  |  |
| Overseas Dividends | **4,882** | 5,125 |

3. Investment Management and Management Fees

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  |  |  | **2018** |  |  | 2017 |
|  | **Revenue** | **Capital** | **Total** | Revenue | Capital | Total |
|  | **£'000** | **£'000** | **£'000** | £'000 | £'000 | £'000 |
| Investment management fee |  |  |  |  |  |  |
| - Stewart Investors | **697** | **2,090** | **2,787** | 601 | 1,805 | 2,406 |
| Management fee - Frostrow | **112** | **336** | **448** | 102 | 305 | 407 |
|  | **809** | **2,426** | **3,235** | 703 | 2,110 | 2,813 |

4. Other Expenses

|  |  |  |
| --- | --- | --- |
|  | **2018** | 2017 |
|  | **£'000** | £'000 |
| Directors' fees | **139** | 122 |
| Auditor's remuneration for: |  |  |
| - annual audit | **21** | 21 |
| - other services relating to taxation\* | **-** | 12 |
| Custody fees | **212** | 184 |
| Printing and postage | **27** | 27 |
| Registrar fees | **38** | 37 |
| Broker retainer | **30** | 30 |
| Listing fees | **24** | 19 |
| Legal and professional fees | **58** | 60 |
| Other expenses | **102** | 93 |
| Total expenses | **651** | 605 |

\*          Includes costs in relation to the provision of Taiwanese tax guarantor and pre-approval services of £12,000 in 2017. The cost of these services provided by Grant Thornton Taiwan during 2018 are included in legal and professional fees.

5. Taxation

(a) Analysis of Charge in the Year

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  |  |  | **2018** |  |  | 2017 |
|  | **Revenue** | **Capital** | **Total** | Revenue | Capital | Total |
|  | **£'000** | **£'000** | **£'000** | £'000 | £'000 | £'000 |
| Overseas taxation | **495** | **103** | **598** | 471 | 48 | 519 |
| Overseas tax recoverable | **(144)** | **-** | **(144)** | (46) | - | (46) |
|  | **351** | **103** | **454** | 425 | 48 | 473 |

Overseas tax arose as a result of irrecoverable withholding tax on overseas dividends.

(b) Reconciliation of Tax Charge

The revenue account tax charge for the year is lower than the standard rate of corporation tax in the UK of 19.0% (2017: 20.0%).

The differences are explained below:

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  |  |  | **2018** |  |  | 2017 |
|  | **Revenue** | **Capital** | **Total** | Revenue | Capital | Total |
|  | **£'000** | **£'000** | **£'000** | £'000 | £'000 | £'000 |
| Total return on ordinary activities |  |  |  |  |  |  |
| before tax | **3,422** | **32,837** | **36,259** | 3,817 | 57,919 | 61,736 |
| Corporation tax charged at 19.0% |  |  |  |  |  |  |
| (2017: 20.0%)\* | **650** | **6,239** | **6,889** | 763 | 11,584 | 12,347 |
| Effects of: |  |  |  |  |  |  |
| Non-taxable (gains) on investment | **-** | **(6,824)** | **(6,824)** | - | (11,877) | (11,877) |
| Non-taxable exchange differences | **-** | **124** | **124** | - | (129) | (129) |
| Unutilised management expenses | **277** | **461** | **738** | 262 | 422 | 684 |
| Income not subject to corporation tax | **(927)** | **-** | **(927)** | (1,025) | - | (1,025) |
| Overseas taxation | **495** | **103** | **598** | 471 | 48 | 519 |
| Overseas tax recoverable (Taiwan) | **(144)** | **-** | **(144)** | (46) | - | (46) |
| Tax charge for the year | **351** | **103** | **454** | 425 | 48 | 473 |

\*          An average rate of 19.6% was applicable for the year ended 31 January 2017 due to the corporation tax rate being reduced to 19% from 20% on 1 April 2015.

As at 31 January 2018 the Company had unutilised management expenses and other reliefs for taxation purposes of £35,657,000 (2017: £31,771,000). It is not anticipated that these will be utilised in the foreseeable future and as such no related deferred tax asset has been recognised. The reduction in the standard rate of corporation tax to 17.0% was substantively enacted on 15 September 2016 and will be effective from April 2020.

6. Dividends

Amounts recognised as distributable to shareholders for the year ended 31 January 2018, were as follows:

|  |  |  |
| --- | --- | --- |
|  | **2018** | 2017 |
|  | **£'000** | £'000 |
| - final dividend paid for the year ended 31 January 2016 of 2.2p per share | **-** | 2,628 |
| - final dividend paid for the year ended 31 January 2017 of 2.6p per share | **3,112** | - |

In respect of the year ended 31 January 2018, a dividend of 2.6p has been proposed and will be reflected in the Annual Report for the year ending 31 January 2019. Details of the ex-dividend and payment dates are shown in the Chairman's Statement.

The Board's current policy is to only pay dividends out of revenue reserves. Therefore the amount available for distribution as at 31 January 2018 is £5,873,000 (2017: £5,914,000).

The dividends payable in respect of both the current and the previous financial year, which meet the requirements of Section 1158 CTA 2010, are set out below:

|  |  |  |
| --- | --- | --- |
|  | **2018** | 2017 |
|  | **£'000** | £'000 |
| Revenue available for distribution by way of dividend for the year | **3,071** | 3,392 |
| Proposed dividend of 2.6p per share (2017: 2.6p) (to be approved at the AGM) | **(3,117)** | (3,112) |
| Transfer (from)/to revenue reserves | **(46)** | 280 |

7. Return per Share

The Return per share is as follows:

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  |  |  | **2018** |  |  | 2017 |
|  | **Revenue** | **Capital** | **Total** | Revenue | Capital | Total |
|  | **pence** | **pence** | **pence** | pence | pence | pence |
| Basic | **2.6** | **27.3** | **29.9** | 2.8 | 48.4 | 51.2 |

The total return per share is based on the total return attributable to shareholders of £35,805,000 (2017: £61,263,000).

The revenue return per share is based on the net revenue return attributable to shareholders of £3,071,000 (2017: £3,392,000).

The capital return per share is based on the net capital return attributable to shareholders of £32,734,000 (2017: return of £57,871,000).

The total return, revenue return and the capital return per share are based on the weighted average number of shares in issue during the year of 119,737,016 (2017: 119,456,036).

The calculations of the returns per Ordinary Share have been carried out in accordance with IAS 33 Earnings per Share.

8. Investments

|  |  |  |
| --- | --- | --- |
|  | **2018** | 2017 |
|  | **£'000** | £'000 |
| **Investments** |  |  |
| Investments listed on recognised investment exchanges | **300,947** | 269,539 |
| **Valuation at start of year** | **269,539** | 205,366 |
| Less: valuation gains at start of year | **(90,470)** | (42,792) |
| Cost at start of year | **179,069** | 162,574 |
| Purchases at cost | **62,675** | 46,303 |
| Disposal proceeds | **(67,183)** | (41,516) |
| Gains on disposals | **26,493** | 11,708 |
| Cost at end of year | **201,054** | 179,069 |
| Add valuation gains at end of year | **99,893** | 90,470 |
| **Valuation at end of year** | **300,947** | 269,539 |

|  |  |  |
| --- | --- | --- |
|  | **2018** | 2017 |
|  | **£'000** | £'000 |
| **Analysis of capital gains and losses** |  |  |
| Gains on disposal | **26,493** | 11,708 |
| Movement in investment holding gains | **9,422** | 47,678 |
| **Gains on investments** | **35,915** | 59,386 |

During the year the Company incurred transaction costs on purchases of £113,000 (2017: £103,000) and transaction costs on sales of £189,000 (2017: £121,000).

9. Debtors

|  |  |  |
| --- | --- | --- |
|  | **2018** | 2017 |
|  | **£'000** | £'000 |
| Accrued income | **103** | 165 |
| Overseas tax recoverable | **174** | 38 |
| Other debtors | **30** | 18 |
|  | **307** | 221 |

10. Creditors: Amounts Falling Due Within One Year

|  |  |  |
| --- | --- | --- |
|  | **2018** | 2017 |
|  | **£'000** | £'000 |
| Amounts due to brokers | **2,408** | - |
| Investment management fee - Stewart Investors | **723** | 642 |
| Management fee - Frostrow | **115** | 106 |
| Other creditors | **101** | 110 |
|  | **3,347** | 858 |

11. Share Capital

|  |  |  |
| --- | --- | --- |
|  | **2018** | 2017 |
|  | **£'000** | £'000 |
| **Allotted and fully paid:** |  |  |
| 119,873,386 Ordinary shares of 12.5p each (2017: 119,548,386) | **14,984** | 14,944 |

During the year 325,000 (2017: 100,000) Ordinary shares were issued raising net proceeds of £836,000 (2017: £240,000).

The capital of the Company is managed in accordance with its investment policy which is detailed in the ***Strategic*** Report.

The Company does not have any externally imposed capital requirements.

12. Net Asset Value Per Share

The net asset value per share of 267.6p (2017: 240.2p) is calculated on net assets of £320,731,000 (2017: £287,202,000), divided by 119,873,386 (2017: 119,548,386) shares, being the number of shares in issue at the year end.

13. Financial Instruments

The Company's financial instruments comprise its investment portfolio, cash balances and debtors and creditors that arise directly from its operations. As an investment trust the Company holds an investment portfolio of financial assets in pursuit of its investment objective.

Fixed asset investments (see note 8) are valued at fair value in accordance with the Company's accounting policies. The fair value of all other financial assets and liabilities is represented by their carrying value in the Statement of Financial Position.

All investments have been classified as Level 1 (2017: All Level 1).

The main risks that the Company faces arising from its financial instruments are:

(i)        market risk, including:

-       Other price risk, being the risk that the value of investments will fluctuate as a result of changes in market prices;

-       interest rate risk, being the risk that the future cash flows of a financial instrument will fluctuate because of changes in interest rates;

-       foreign currency risk, being the risk that the value of financial assets and liabilities will fluctuate because of movements in currency rates;

(iii)      credit risk, being the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Company; and

(iv)      liquidity risk, being the risk that the Company will not be able to meet its liabilities when they fall due. This may arise should the Company not be able to liquidate its investments. Under normal market trading volumes the investment portfolio could be substantially realised within a week.

Other price risk

The management of price risk is part of the investment management process and is typical of equity investment. The investment portfolio is managed with an awareness of the effects of adverse price movements through detailed and continuing analysis with an objective of maximising overall returns to shareholders. Although it is the Company's current policy not to use derivatives they may be used from time to time, with prior Board approval, to hedge specific market risk or gain exposure to a specific market.

If the investment portfolio valuation rose or fell by 10% at 31 January 2018 (31 January 2017: 10%), the impact on the net asset value would have been £30.0 million (2017: £27.0 million). The calculations are based on the investment portfolio valuation as at the respective Statement of Financial Position dates and are not necessarily representative of the year as a whole.

Interest rate risk

Floating rate

When the Company retains cash balances the majority of the cash is held in overnight call accounts. The benchmark rate which determines the interest payments received on cash balances is the bank base rate for the relevant currency for each deposit.

Foreign currency risk

The Company invests in overseas securities and holds foreign currency cash balances which give rise to currency risks. Foreign currency risks are managed alongside other market risks as part of the management of the investment portfolio. It is currently not the Company's policy to hedge this risk on a continuing basis but it can do so from time to time.

Foreign currency exposure:

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  | **2018** |  |  |  | 2017 |
|  | **Investments** | **Cash** | **Debtors** | **Creditors** | Investments | Cash | Debtors | Creditors |
|  | **£'000** | **£'000** | **£'000** | **£'000** | £'000 | £'000 | £'000 | £'000 |
| Bangladesh taka | **14,567** | **-** | **-** | **-** | 12,501 | 479 | - | - |
| Hong Kong dollar | **21,178** | **-** | **-** | **-** | 24,741 | - | - | - |
| Indian rupee | **114,009** | **1** | **53** | **-** | 97,192 | 1 | - | - |
| Indonesian rupiah | **15,068** | **-** | **-** | **(1)** | 12,695 | - | - | - |
| Japanese yen | **11,624** | **-** | **23** | **-** | 7,863 | - | 22 | - |
| Korean won | **4,525** | **-** | **26** | **-** | 7,761 | - | 143 | - |
| Malaysian ringgit | **10,153** | **-** | **-** | **(809)** | 4,155 | - | - | - |
| New Taiwanese dollar | **60,245** | **32** | **175** | **(5)** | 51,013 | 33 | 38 | - |
| Philippine peso | **24,036** | **-** | **-** | **(693)** | 21,556 | - | - | - |
| Singapore dollar | **4,063** | **-** | **-** | **-** | 6,850 | - | - | - |
| Sri Lankan rupee | **8,804** | **-** | **-** | **-** | 9,241 | - | - | - |
| Thai baht | **9,442** | **-** | **-** | **(900)** | 11,040 | - | - | - |
| US dollar | **3,233** | **3,724** | **-** | **-** | 2,931 | 4,210 | - | - |
| **Total** | **300,947** | **3,757** | **277** | **(2,408)** | 269,539 | 4,723 | 203 | - |

At 31 January 2018 the Company had £19,067,000 of sterling cash balances (2017: £13,577,000).

During the year sterling strengthened by an average of 7% (2017: weakened by 12%) against all of the currencies in the investment portfolio (weighted for exposure at 31 January), if the value of sterling had strengthened against each of the currencies in the portfolio by 10%, the impact on the net asset value would have been negative £27.5 million (2017: negative £25.0 million). If the value of sterling had weakened against each of the currencies in the investment portfolio by 10%, the impact on the net asset value would have been positive £33.6 million (2017: positive £30.5 million). The calculations are based on the investment portfolio valuation and cash balances as at the year end and are not necessarily representative of the year as a whole.

Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Company. The Investment Manager has in place a monitoring procedure in respect of counterparty risk which is reviewed on an ongoing basis. The carrying amounts of financial assets best represents the maximum credit risk exposure at the statement of financial position date, and the main exposure to credit risk is via the Company's Custodian who is responsible for the safeguarding of the Company's Investments and cash balances.

At the reporting date, the Company's financial assets exposed to credit risk amounted to the following:

|  |  |  |
| --- | --- | --- |
|  | **2018** | 2017 |
|  | **£'000** | £'000 |
| Cash and cash equivalents | **22,824** | 18,300 |
| Interest, dividends and other receivables | **307** | 221 |
|  | **23,131** | 18,521 |

All the assets of the Company which are traded on a recognised exchange are held by J.P. Morgan Chase Bank, the Company's Custodian. Bankruptcy or insolvency of the Custodian may cause the Company's rights with respect to securities held by the Custodian to be delayed or limited. The Board monitors the Company's risk as described in the ***Strategic*** Report.

The credit risk on cash is controlled through the use of counterparties or banks with high credit ratings, rated AA or higher, assigned by international credit rating agencies. Bankruptcy or insolvency of such financial institutions may cause the Company's ability to access cash placed on deposit to be delayed, limited or lost.

The Company's liquidity risk is managed on an ongoing basis by the Investment Manager. The Company's overall liquidity risks are monitored on a quarterly basis by the Board.

The Company maintains sufficient investments in cash and readily realisable securities to pay accounts payable and accrued expenses.

Liquidity risk

Substantially all of the Company's portfolio would be realisable within one week, under normal market conditions, and as such liquidity risk is not considered a material risk.

14. Related Party Transactions

The following are considered to be related parties:

·            Stewart Investors

·            The Directors of the Company

The Company employs Stewart Investors as its Investment Manager. During the year ended 31 January 2018, Stewart Investors earned £2,787,000 (2017: £2,406,000) in respect of Investment Management fees, of which £723,000 (2017: £642,000) was outstanding at the year end. All material related party transactions have been disclosed in the Directors' Remuneration Report and in notes 3 and 4. Details of the remuneration of all Directors can be found in the Directors' Remuneration Report.

Further Information / Glossary of Terms

AIFMD

The Alternative Investment Fund Managers Directive (the 'Directive') is a European Union Directive that entered into force on 22 July 2013. The Directive regulates EU fund managers that manage alternative investment funds (this includes investment trusts).

Discount or Premium

A description of the difference between the share price and the net asset value per share. The size of the discount or premium is calculated by subtracting the share price from the net asset value per share and is usually expressed as a percentage (%) of the net asset value per share. If the share price is higher than the net asset value per share the result is a premium. If the share price is lower than the net asset value per share, the shares are trading at a discount.

Gearing

The term used to describe the process of borrowing money for investment purposes. The expectation is that the returns on the investments purchased will exceed the finance costs associated with those borrowings.

There are several methods of calculating gearing and the following has been selected:

Total assets, less current liabilities (before deducting any prior charges) minus cash/cash equivalents divided by shareholders' funds, expressed as a percentage.

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Net AssetValue(NAV)

The value of the Company's assets, principally investments made in other companies and cash being held, minus any liabilities. The NAV is also described as 'shareholders' funds' per share. The NAV is often expressed in pence per share after being divided by the number of shares which have been issued. The NAV per share is unlikely to be the same as the share price which is the price at which the Company's shares can be bought or sold by an investor. The share price is determined by the relationship between the demand and supply of the shares.

Net Asset Value Total Return

The theoretical total return on an investment over a specified period assuming dividends paid to shareholders were reinvested at net asset value per share at the time the shares were quoted ex-dividend. This is a way of measuring investment management performance of investment trusts which is not affected by movements in discounts or premiums.

OngoingChargesRatio

Ongoing charges are calculated by taking the Company's annualised operating expenses as a proportion of the average daily net asset value of the Company over the year. The costs of buying and selling investments are excluded, as are interest costs, taxation, cost of buying back or issuing ordinary shares and other non-recurring costs.

|  |  |  |
| --- | --- | --- |
|  | **31 January 2018 £'000** | **31 January**  **2017**  **£'000** |
| Operating Expenses | **3,886** | 3,418 |
| Average Net Assets |  |  |
| during the year | **309,753** | 265,236 |
| Ongoing Charges | **1.3%** | 1.3% |

Share Price Total Return

The change in capital value of a company's shares over a given period, plus dividends received, expressed as a percentage of the opening value.

Further Information / Notice of the Annual General Meeting

Notice is hereby given that the thirty-second Annual General Meeting of Pacific Assets Trust Public Limited Company will be held at etc. venues St. Paul's, 200 Aldersgate Conference Centre, London EC1A 4HD on Wednesday, 27 June 2018 at 12 noon for the following purposes:

OrdinaryBusiness

To consider and, if thought fit, pass the following as Ordinary Resolutions:

1.      That the Report of the Directors and Accounts for the year ended 31 January 2018 together with the Report of the Auditors thereon be received.

2.      To receive and approve the Directors' Remuneration Report for the year ended 31 January 2018.

3.      That a final dividend for the year ended 31 January 2018 of 2.6p per share be declared.

4.      That Ms M C Ginman be re-elected as a Director.

5.      That Mrs S E Hansen be re-elected as a Director.

6.      That Mr T F Mahony, be re-elected as a Director.

7.      That Mr R E Talbut be re-elected as a Director.

8.      That Mr J P Williams be re-elected as a Director.

9.      That KPMG LLP be re-appointed as Auditor to hold office from the conclusion of the meeting to the conclusion of the next Annual General Meeting at which accounts are laid.

10.    That the Audit Committee be authorised to determine KPMG LLP's remuneration.

SpecialBusiness

To consider and, if thought fit, pass the following resolutions, of which resolutions 12, 13 and 14 will be proposed as Special Resolutions.

Authority to Allot Shares

11.    That, the Board of Directors of the Company (the 'Board') be and it is hereby generally and unconditionally authorised pursuant to and in accordance with section 551 of the Companies Act 2006 to exercise all the powers of the Company to allot shares in the Company and to grant rights to subscribe for or to convert any security into shares in the Company up to an aggregate nominal amount of £1,498,417 provided that this authority shall expire at the conclusion of the Annual General Meeting of the Company to be held in 2019 or 15 months from the date of passing this resolution, whichever is the earlier, unless previously revoked, varied or renewed by the Company in general meeting and provided that the Company may before such expiry make an offer or enter into an agreement which would or might require shares to be allotted, or rights to subscribe for or to convert securities into shares to be granted, after such expiry and the Board may allot shares or grant such rights in pursuance of such an offer or agreement as if the authority conferred hereby had not expired.

Disapplication of Pre-emption Rights

12.    That, subject to the passing of resolution 11 proposed at the Annual General Meeting of the Company convened for 27 June 2018 ('Resolution 11'), the Board of Directors of the Company (the 'Board') be and it is hereby generally empowered pursuant to sections 570 and 573 of the Companies Act 2006 (the 'Act') to allot equity securities (within the meaning of section 560 of the Act) (including the grant of rights to subscribe for, or to convert any securities into, ordinary shares of 12.5 pence each in the capital of the Company ('Ordinary Shares')) for cash either pursuant to the authority conferred on them by such Resolution 11 as if section 561(1) of the Act did not apply to any such allotment, provided that this power shall be limited to:

the allotment of equity securities up to an aggregate nominal amount of £1,498,417, and shall expire (unless previously renewed, varied or revoked by the Company in general meeting) at the conclusion of the Annual General Meeting of the Company to be held in 2019 or 15 months from the date of passing this resolution, whichever is the earlier, unless previously revoked, varied or renewed by the Company in general meeting and provided that the Company may before such expiry make an offer or enter into an agreement which would or might require equity securities to be allotted after such expiry and the Board may allot equity securities in pursuance of such an offer or agreement as if the authority conferred hereby had not expired.

Authority toRepurchaseShares

13.    That, the Company be and is hereby generally and unconditionally authorised for the purposes of section 701 of the Companies Act 2006 (the 'Act') to make one or more market purchases (as defined in section 693(4) of the Act) of ordinary shares of 12.5 pence each in the capital of the Company ('Ordinary Shares') for cancellation on such terms and in such manner as the board of directors may determine provided that:

(i)      the maximum aggregate number of Ordinary Shares which may be purchased is 14.99% of the number of Ordinary Shares in issue immediately prior to the passing of this resolution;

(ii)     the minimum price which may be paid for an Ordinary Share is 12.5 pence (exclusive of associated expenses);

(iii)    the maximum price which may be paid for an Ordinary Share (exclusive of associated expenses) shall not be more than the higher of: (a) an amount equal to 105% of the average of the middle market quotations for an Ordinary Share as derived from the London Stock Exchange Daily Official List for the five dealing days immediately preceding the day on which the Ordinary Share is purchased; and (b) the higher of the last independent trade and the highest current independent bid on the London Stock Exchange for an Ordinary Share; and

(iv)    unless previously renewed, varied or revoked, this authority shall expire at the conclusion of the Annual General Meeting of the Company to be held in 2019 or 15 months from the date of passing this resolution, whichever is the earlier, unless previously revoked, varied or renewed by the Company in general meeting and provided that the Company may before such expiry enter into a contract to purchase Ordinary Shares which will or may be completed wholly or partly after such expiry and a purchase of Ordinary Shares may be made pursuant to any such contract.

GeneralMeetings

14.    That any General Meeting of the Company (other than the Annual General Meeting of the Company) shall be called by notice of at least 14 working days in accordance with the provisions of the Articles of Association of the Company provided that the authority shall expire on the conclusion of the next Annual General Meeting of the Company, or, if earlier, on the expiry 15 months from the date of the passing of this resolution.

|  |  |
| --- | --- |
| By order of the Board | Registered office |
|  | 16 Charlotte Square |
| **Frostrow Capital LLP** | Edinburgh |
| Company Secretary | EH2 4DF |
| 29 March 2018 |  |

Notes

1.         If you wish to attend the Annual General Meeting in person, you should arrive at the venue for the Annual General Meeting in good time to allow your attendance to be registered. It is advisable to have some form of identification with you as you may be asked to provide evidence of your identity to the Company's registrar, Equiniti Limited (the 'Registrar'), prior to being admitted to the Annual General Meeting.

2.         Members are entitled to appoint one or more proxies to exercise all or any of their rights to attend, speak and vote at the Annual General Meeting. A proxy need not be a member of the Company but must attend the Annual General Meeting to represent a member. To be validly appointed a proxy must be appointed using the procedures set out in these notes and in the notes to the accompanying proxy form.

            If members wish their proxy to speak on their behalf at the meeting, members will need to appoint their own choice of proxy (not the chairman of the Annual General Meeting) and give their instructions directly to them.

            Members can only appoint more than one proxy where each proxy is appointed to exercise rights attached to different shares. Members cannot appoint more than one proxy to exercise the rights attached to the same share(s). If a member wishes to appoint more than one proxy, they should contact the Registrar on 0371 384 2466. Lines are open between 8.30 am and 5.30 pm, Monday to Friday, the Registrars' overseas helpline number is +44 121 415 7047.

            A member may instruct their proxy to abstain from voting on any resolution to be considered at the meeting by marking the abstain option when appointing their proxy. It should be noted that an abstention is not a vote in law and will not be counted in the calculation of the proportion of votes "for" or "against" the resolution.

            The appointment of a proxy will not prevent a member from attending the Annual General Meeting and voting in person if he or she wishes.

            A person who is not a member of the Company but who has been nominated by a member to enjoy information rights does not have a right to appoint any proxies under the procedures set out in these notes and should read note 8 overleaf.

3.         A proxy form for use in connection with the Annual General Meeting is enclosed. To be valid any proxy form or other instrument appointing a proxy, together with any power of attorney or other authority under which it is signed or a certified copy thereof, must be received by post or (during normal business hours only) by hand by the Registrar at Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA no later than 48 hours (excluding non-working days) before the time of the Annual General Meeting or any adjournment of that meeting.

            If you do not have a proxy form and believe that you should have one, or you require additional proxy forms, please contact the Registrar on 0371 384 2466. Other service providers' costs may vary. Lines are open between 8.30 am and 5.30 pm, Monday to Friday, The Registrars' overseas helpline number is +44 121 415 7047.

4.         CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual and by logging on to the following website:[*http://www.euroclear.com/CREST*](http://www.euroclear.com/CREST). CREST personal members or other CREST sponsored members, and those CREST members who have appointed (a) voting service provider(s), should refer to their CREST sponsor or voting service provider(s) who will be able to take the appropriate action on their behalf.

            In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications, and must contain the information required for such instruction, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy, must in order to be valid, be transmitted so as to be received by the Registrar (ID RA19) no later 48 hours (excluding non-working days) before the time of the Annual General Meeting or any adjournment of that meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Application Host) from which the Registrar is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

            CREST members and, where applicable, their CREST sponsors or voting service provider(s) should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed (a) voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting system providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

            The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

5.         In the case of joint holders, where more than one of the joint holders purports to appoint one or more proxies, only the purported appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first named being the most senior).

6.         Any corporation which is a member can appoint one or more corporate representatives. Members can only appoint more than one corporate representative where each corporate representative is appointed to exercise rights attached to different shares. Members cannot appoint more than one corporate representative to exercise the rights attached to the same share(s).

7.         To be entitled to attend and vote at the Annual General Meeting (and for the purpose of determining the votes they may cast), members must be registered in the Company's register of members at 6.30 p.m. on 25 June 2018 (or, if the Annual General Meeting is adjourned, at 6.30 p.m. on the day two working days prior to the adjourned meeting). Changes to the register of members after the relevant deadline will be disregarded in determining the rights of any person to attend and vote at the Annual General Meeting.

8.         Any person to whom this notice is sent who is a person nominated under section 146 of the Companies Act 2006 (the "2006 Act") to enjoy information rights (a "Nominated Person") may, under an agreement between him/her and the member by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the Annual General Meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the member as to the exercise of voting rights.

9.         Information regarding the Annual General Meeting, including information required by section 311A of the 2006 Act, and a copy of this notice of Annual General Meeting is available from[*http://www.pacific-assets.co.uk*](http://www.pacific-assets.co.uk).

10.       Members should note that it is possible that, pursuant to requests made by members of the Company under section 527 of the 2006 Act, the Company may be required to publish on a website a statement setting out any matter relating to: (a) the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the Annual General Meeting; or (b) any circumstance connected with an auditor of the Company ceasing to hold office since the previous meeting at which annual accounts and reports were laid in accordance with section 437 of the 2006 Act. The Company may not require the members requesting any such website publication to pay its expenses in complying with sections 527 or 528 of the 2006 Act. Where the Company is required to place a statement on a website under section 527 of the 2006 Act, it must forward the statement to the Company's auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the Annual General Meeting includes any statement that the Company has been required under section 527 of the 2006 Act to publish on a website.

11.       As at 29 March 2018 (being the latest practicable date prior to the publication of this notice) the Company's issued share capital consisted of 119,873,386 ordinary shares carrying one vote each. Accordingly, the total voting rights in the Company at 29 March 2018 were 119,873,386 votes.

12.       Any person holding 3% or more of the total voting rights of the Company who appoints a person other than the chairman of the Annual General Meeting as his proxy will need to ensure that both he, and his proxy, comply with their respective disclosure obligations under the UK Disclosure Guidance and Transparency Rules.

13.       Under section 319A of the 2006 Act, the Company must cause to be answered any question relating to the business being dealt with at the Annual General Meeting put by a member attending the meeting unless answering the question would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information, or the answer has already been given on a website in the form of an answer to a question, or it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.

            Members who have any queries about the Annual General Meeting should contact Frostrow Capital LLP, the Company Secretary, at 25 Southampton Buildings, London WC2A 1AL.

            Members may not use any electronic address provided in this notice or in any related documents (including the accompanying proxy form) to communicate with the Company for any purpose other than those expressly stated.

14.       The following documents will be available for inspection at the offices of Frostrow Capital LLP, the Company's Company Secretary, 25 Southampton Buildings, London WC2A 1AL and at the Company's registered office (16 Charlotte Square, Edinburgh EH2 4DF) during normal business hours on any weekday (Saturdays, Sundays and English public holidays excepted) from the date of this notice and at the venue of the Annual General Meeting from 9.45 a.m. on the day of the Annual General Meeting until the conclusion of the Annual General Meeting:

            14.1             copies of the Directors' letters of appointment; and

            14.2             copies of the Directors' deeds of indemnity.

15.       Under section 338 and section 338A of the Companies Act 2006, members meeting the threshold requirements in those sections have the right to require the Company (i) to give, to members of the Company entitled to receive notice of the meeting, notice of a resolution which may properly be moved and is intended to be moved at the meeting; and/or (ii) to include in the business to be dealt with at the meeting any matter (other than a proposed resolution) which may be properly included in the business. A resolution may properly be moved or a matter may properly be included in the business unless (a) (in the case of a resolution only) it would, if passed, be ineffective (whether by reason of inconsistency with any enactment or the Company's constitution or otherwise), (b) it is defamatory of any person, or (c) it is frivolous or vexatious. Such a request may be in hard copy form or in electronic form, must identify the resolution of which notice is to be given or the matter to be included in the business, must be authorised by the person or persons making it, must be received by the Company not later than 16 May 2018, being the date six clear weeks before the meeting, and (in the case of a matter to be included on the business only) must be accompanied by a statement setting out the grounds for the request.

Further Information / Explanatory Notes to the Resolutions

Resolution 1 - Toreceivethe Annual Report and Accounts

The Annual Report and Accounts for the year ended 31 January 2018 will be presented to the AGM. These accounts accompanied this Notice of Meeting and shareholders will be given an opportunity at the meeting to ask questions.

Resolution 2 -RemunerationReport

The Directors' Remuneration Report is set out in full in the Annual Report. The Directors' Remuneration Policy is set out within the Directors' Remuneration Report.

Resolution 3 - TheDeclarationof a Final Dividend for the year ended 31 January 2018

Resolution 3 seeks shareholder approval for the paying of a final dividend of 2.6p per share for the year ended 31 January 2018.

Resolutions 4 to 8 - Re-election of Directors

Resolutions 4 to 8 deal with the re-election of each Director. Biographies of each of the Directors can be found in the Governance Section of this Annual Report.

The Board has confirmed, following a performance review, that the Directors standing for election and re-election continue to perform effectively.

Resolutions 9 and 10 - Re-appointment of Auditor and the determination of its remuneration

Resolutions 9 and 10 relate to the re-appointment of KPMG LLP as the Company's independent Auditor to hold office until the next AGM of the Company and also authorises the Audit Committee to set its remuneration.

Resolutions 11 and12

Ordinary Resolution 11 in the Notice of Annual General Meeting will renew the authority to allot the unissued share capital up to an aggregate nominal amount of £1,498,417 (equivalent to 11,987,338 shares, or 10% of the Company's existing issued share capital on 29 March 2018, being the nearest practicable date prior to the signing of this Report). Such authority will expire on the date of the next AGM or after a period of 15 months from the date of the passing of the resolution, whichever is earlier. This means that the authority will have to be renewed at the next AGM.

When shares are to be allotted for cash, Section 551 of the Companies Act 2006 (the "Act") provides that existing shareholders have pre-emption rights and that the new shares must be offered first to such shareholders in proportion to their existing holding of shares. However, shareholders can, by special resolution, authorise the Directors to allot shares otherwise than by a pro rata issue to existing shareholders. Special Resolution 12 will, if passed, give the Directors power to allot for cash equity securities up to 10% of the Company's existing share capital on 29 March 2018, as if Section 551 of the Act does not apply. This is the same nominal amount of share capital which the Directors are seeking the authority to allot pursuant to Resolution 11. This authority will also expire on the date of the next AGM or after a period of 15 months, whichever is earlier. This authority will not be used in connection with a rights issue by the Company.

The Directors intend to use the authority given by Resolutions 11 and 12 to allot shares and disapply pre-emption rights only in circumstances where this will be clearly beneficial to shareholders as a whole. The issue proceeds would be available for investment in line with the Company's investment policy. No issue of shares will be made which would effectively alter the control of the Company without the prior approval of shareholders in general meeting.

Shares will only be issued at a premium to the Company's cum income net asset value share at the time of issue.

Resolution13

The Directors wish to renew the authority given by shareholders at the previous AGM. The principal aim of a share buy-back facility is to enhance shareholder value by acquiring shares at a discount to net asset value, as and when the Directors consider this to be appropriate. The purchase of shares, when they are trading at a discount to net asset value per share, should result in an increase in the net asset value per share for the remaining shareholders. This authority, if conferred, will only be exercised if to do so would result in an increase in the net asset value per share for the remaining shareholders and if it is in the best interests of shareholders generally. Any purchase of shares will be made within guidelines established from time to time by the Board. It is proposed to seek shareholder authority to renew this facility for another year at the AGM.

Under the current Listing Rules, the maximum price that may be paid on the exercise of this authority must not exceed the higher of (i) 105% of the average of the middle market quotations for the shares over the five business days immediately preceding the date of purchase and (ii) the higher of the last independent trade and the highest current independent bid on the trading venue where the purchase is carried out. The minimum price which may be paid is 12.5p per share. Shares which are purchased under this authority will be cancelled.

Special Resolution 13 in the Notice of AGM will renew the authority to purchase in the market a maximum of 14.99% of shares in issue on 29 March 2018, being the nearest practicable date prior to the signing of this Report, (amounting to 17,969,020 shares). Such authority will expire on the date of the next Annual General Meeting or after a period of 15 months from the date of passing of the resolution, whichever is earlier. This means in effect that the authority will have to be renewed at the next AGM or earlier if the authority has been exhausted.

Resolution14

Special Resolution 14 seeks shareholder approval for the Company to hold General Meetings (other than the AGM) on at least 14 working days' notice.

Recommendation

The Board considers that the resolutions detailed above are in the best interests of shareholders as a whole. Accordingly, the Board unanimously recommends to the shareholders that they vote in favour of the above resolutions to be proposed at the forthcoming AGM as the Directors intend to do in respect of their own beneficial holdings totalling 89,007 shares.

Contact: Mark Pope at Frostrow Capital LLP, 0203 008 4913

Frostrow Capital LLP,

Company Secretary

29 March 2018

ANNOUNCEMENT ENDS

**Load-Date:** March 29, 2018

**End of Document**



[***Register of Commission documents: REPORT on working conditions and precarious employment Document date: 2017-06-14 P8\_A(2017)0224 Reports***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5NYF-9F81-F0YC-N1HR-00000-00&context=1516831)

Impact News Service

July 1, 2017 Saturday

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**Length:** 14461 words

**Body**

Brussels: Public Register European Parliament has issued the following document:

RR\1128207EN.docx PE587.795v02-00 EN United in diversity EN European Parliament 2014-2019 Plenary sitting A8-0224/2017 14.6.2017 REPORT on working conditions and precarious employment (2016/2221(INI)) Committee on Employment and Social Affairs Rapporteur: Neoklis Sylikiotis PE587.795v02-00 2/37 RR\1128207EN.docx EN PR\_INI CONTENTS Page MOTION FOR A EUROPEAN PARLIAMENT RESOLUTION ............................................ 3 EXPLANATORY STATEMENT ............................................................................................ 17 OPINION OF THE COMMITTEE ON ***AGRICULTURE*** AND RURAL DEVELOPMENT 20 OPINION OF THE COMMITTEE ON WOMEN’S RIGHTS AND GENDER EQUALITY 28 INFORMATION ON ADOPTION IN COMMITTEE RESPONSIBLE ................................ 36 FINAL VOTE BY ROLL CALL IN COMMITTEE RESPONSIBLE .................................... 37 RR\1128207EN.docx 3/37 PE587.795v02-00 EN MOTION FOR A EUROPEAN PARLIAMENT RESOLUTION on working conditions and precarious employment (2016/2221(INI)) The European Parliament, – having regard to the Treaty on the Functioning of the European Union, in particular Articles 151 and 153, – having regard to Article 5 of the Treaty on European Union (TEU), – having regard to the Charter of Fundamental Rights of the European Union, in particular its Title IV (Solidarity), – having regard to Council Directive 94/33/EC of 22 June 1994 on the protection of young people at work1, – having regard to Directive 2006/54/EC of the European Parliament and of the Council of 5 July 2006 on the implementation of the principle of equal opportunities and equal treatment of men and women in matters of employment and occupation2, – having regard to Directive 2008/104/EC of the European Parliament and of the Council of 19 November 2008 on temporary agency work (the Temporary Agency Work Directive)3, – having regard to the targeted revision of Directive 1996/71/EC of the European Parliament and of the Council of 16 December 1996 concerning the posting of workers in the framework of the provision of services (the Posting of Workers Directive)4 and of Directive 2014/67/EU of the European Parliament and of the Council of 15 May 2014 on the enforcement of Directive 96/71/EC concerning the posting of workers in the framework of the provision of services (the Enforcement Directive)5, – having regard to Regulation 593/2008 of the European Parliament and of the Council of 17 June 2008 on the law applicable to contractual obligations (Rome I)6, – having regard to its resolution of 19 October 2010 on precarious women workers7, – having regard to its resolution of 10 September 2015 on ‘Creating a competitive EU labour market for the 21st century: matching skills and qualifications with demand and job opportunities, as a way to recover from the crisis’,8 – having regard to its resolution of 25 February 2016 on ‘European Semester for 1 OJ L 216, 20.8.1994, p. 12. 2 OJ L 204, 26.7.2006, p. 23. 3 OJ L 327, 5.12.2008, p. 9. 4 OJ L 18, 21.1.1997, p. 1. 5 OJ L 159, 28.5.2014, p. 11. 6 OJ L 177, 4.7.2008, p. 6. 7 OJ C 70E, 8.3.2012, p. 1. 8 Texts adopted, P8\_TA(2015)0321. PE587.795v02-00 4/37 RR\1128207EN.docx EN economic policy coordination: Employment and Social Aspects in the Annual Growth’1, – having regard to its resolution of 14 September 2016 on social dumping in the European Union2, (Ex AM FEMM recital B( Or.

EN) of FdR R:\DocEP\1116681EN.docx){AM\EN\1116681}; Ex AM FEMM recital S( Or. EN) of FdR R:\DocEP\1116681EN.docx){AM\EN\1116681} – having regard to its resolution of 15 September 2016 on the application of Council Directive 2000/78/EC of 27 November 2000 establishing a general framework for equal treatment in employment and occupation3, – having regard to its resolution of 19 January 2017 on a European Pillar of Social Rights4, – having regard to the opinion of the European Economic and Social Committee on ‘The changing nature of employment relationships and its impact on the living wage’5, – having regard to the European Platform to enhance cooperation in tackling undeclared work, – having regard to its 2016 study entitled ‘Precarious Employment in Europe: Patterns, trends and policy strategies’6, – having regard to the European Quality Charter on Internships and Apprenticeships launched on 14 December 2011, – having regard to the Commission’s Employment and Social Developments in Europe (ESDE) Quarterly Review for autumn 2016, – having regard to the Commission’s ***Strategic*** Engagement for Gender Equality 2016-2020, – having regard to the Eurofound report (2010) on ‘Flexible forms of work: “very atypical” contractual arrangements’, – having regards to the Eurofound report (2014) on ‘The impact of the crisis on industrial and working conditions in Europe’7, – having regard to the Eurofound report (2015) on ‘New forms of employment8, 1 Texts adopted, P8\_TA(2016)0059. 2 Texts adopted, P8\_TA(2016)0346. 3 Texts adopted, P8\_TA(2016)0360. 4 Texts adopted, P8\_TA(2017)0010. 5 [*http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=uriserv:OJ.C\_.2016.303.01.0054.01.ENG&toc=OJ:C:2016:303:TOC*](http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=uriserv:OJ.C_.2016.303.01.0054.01.ENG&toc=OJ:C:2016:303:TOC) 6   [*www.europarl.europa.eu/RegData/etudes/STUD/.../IPOL\_STU(2016)587285\_EN.pdf*](http://www.europarl.europa.eu/RegData/etudes/STUD/.../IPOL_STU(2016)587285_EN.pdf) 7   [*http://www.eurofound.europa.eu/sites/default/files/ef\_publication/field\_ef\_document/ef1398en.pdf*](http://www.eurofound.europa.eu/sites/default/files/ef_publication/field_ef_document/ef1398en.pdf) 8   [*https://www.eurofound.europa.eu/sites/default/files/ef\_publication/field\_ef\_document/ef1461en.pdf*](https://www.eurofound.europa.eu/sites/default/files/ef_publication/field_ef_document/ef1461en.pdf) RR\1128207EN.docx 5/37 PE587.795v02-00 EN – having regard to the Eurofound report (2016) on ‘Exploring the fraudulent contracting of work in the European Union’1, – having regard to the Eurofound European Working Conditions Survey and its Sixth European Working Conditions Survey – Overview report2, – having regard to the Eurofound Industrial Relations Dictionary3, – having regard to the fundamental labour standards established by the International Labour Organisation (ILO) and to its conventions and recommendations on working conditions, – having regard to the ILO’s Recommendation R198 of 2006 concerning the employment relationship (the Employment Relationship Recommendation)4 and to its provisions on the determination of an employment relationship, – having regard to the ILO report of 2011 on policies and regulations to combat precarious employment5, – having regard to the ILO report of 2016 on non-standard employment around the world6, – having regard to the ILO report of 2016 on building a social pillar for European convergence7, – having regard to the UN’s General Recommendation No 28 of 2010 on the Core Obligations of States Parties under Article 2 of the UN Convention on the Elimination of All Forms of Discrimination against Women, – having regard to the 2011 Council of Europe Convention on preventing and combating violence against women and domestic violence (Istanbul Convention), – having regard to the Council of Europe’s Gender Equality Strategy 2014-2017, – having regard to Rule 52 of its Rules of Procedure, – having regard to the report of the Committee on Employment and Social Affairs and the opinions of the Committee on ***Agriculture*** and Rural Development and the Committee on Women’s Rights and Gender Equality (A8-0224/2017), A. whereas non-standard, atypical forms of employment have been emerging; whereas the number of workers with fixed-term and part-time contracts has increased in the EU over the past 15 years; whereas efficient policies are needed to embrace the various forms of 1   [*http://www.eurofound.europa.eu/sites/default/files/ef\_publication/field\_ef\_document/ef1639en.pdf*](http://www.eurofound.europa.eu/sites/default/files/ef_publication/field_ef_document/ef1639en.pdf) 2   [*http://www.eurofound.europa.eu/sites/default/files/ef\_publication/field\_ef\_document/ef1634en.pdf*](http://www.eurofound.europa.eu/sites/default/files/ef_publication/field_ef_document/ef1634en.pdf) 3   [*https://www.eurofound.europa.eu/observatories/eurwork/industrial-relations-dictionary*](https://www.eurofound.europa.eu/observatories/eurwork/industrial-relations-dictionary) 4   [*http://www.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:12100:0::NO::P12100\_INSTRUMENT\_ID:312535*](http://www.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:12100:0::NO::P12100_INSTRUMENT_ID:312535). 5   [*www.ilo.org/wcmsp5/groups/public/---ed\_dialogue/---.../wcms\_164286.pdf*](http://www.ilo.org/wcmsp5/groups/public/---ed_dialogue/---.../wcms_164286.pdf) 6   [*www.ilo.org/wcmsp5/groups/public/---dgreports/---.../wcms\_534496.pdf*](http://www.ilo.org/wcmsp5/groups/public/---dgreports/---.../wcms_534496.pdf) 7   [*www.ilo.org/wcmsp5/groups/public/---dgreports/---.../wcms\_490959.pdf*](http://www.ilo.org/wcmsp5/groups/public/---dgreports/---.../wcms_490959.pdf) PE587.795v02-00 6/37 RR\1128207EN.docx EN employment and adequately protect workers; B. whereas during the last 10 years standard employment has fallen from 62 % to 59 %1; whereas if this trend continues it may well become the case that standard contracts will only apply to a minority of workers; C. whereas full-time, permanent contracts continue to account for the majority of employment contracts in the EU and in some sectors atypical forms of employment are also to be found alongside standard employment; whereas atypical employment can also have negative effects on work-life balance, due to non-standard working time as well as irregular wages and pension contributions; D. whereas the new forms of employment that are emerging, particularly in the context of digitalisation and the new technologies, are blurring the boundary between dependent employment and self-employment2, which can cause a decline in the quality of employment; E. whereas some new forms of employment are different from traditional standard employment in a number of ways; whereas some are transforming the relationship between employer and employee, others are changing the working pattern and organisation of work, and others again are doing both; whereas this can cause a rise in bogus self-employment, a deterioration of working conditions and a reduction in social security protection, but can also bring advantages; whereas the implementation of existing legislation is therefore of paramount importance; F. whereas increases in employment rates in the Union since the economic crisis are to be welcomed, but can be partly attributed to an increase in the number of atypical contracts, creating in certain cases greater risk of precariousness than standard employment; whereas greater emphasis should be placed on quality in job creation; G. whereas part-time employment has at no moment declined since the crisis, and full-time employment at Union level is still below its 2008 pre-crisis level; whereas despite increases in recent years, the employment rate is still below the Europe 2020 target of 75 % and reveals large disparities among Member States; H. whereas it is important that a distinction is made between the new forms of employment that are emerging and the existence of precarious employment; I. whereas competence for social policy is shared by the European Union and the Member States; whereas the EU can only complement and support the Member States in this field; J. whereas the EU can only adopt minimum requirements for working conditions without harmonising the laws and regulations of the Member States; 1 Full-time permanent contracts account for 59 % of total employment in the EU; self-employment with employees for 4 %, freelance work for 11 %, temporary agency work for 1 %, fixed-term work for 7 %, apprenticeship or traineeship for 2 %, marginal part-time work (less than 20 hours per week) for 9 %, and part-time permanent work for 7 %. 2 See ILO report of 2016 on ‘Building a social pillar for European convergence’. RR\1128207EN.docx 7/37 PE587.795v02-00 EN K. whereas a European Platform to tackle undeclared work has already been set up, enabling closer cross-border cooperation and joint action between the competent authorities of the Member States and other stakeholders in order to combat undeclared work effectively and efficiently; L. whereas precarious employment leads to market segmentation and exacerbates wages inequalities; M. whereas there is no common definition of precarious employment so far; whereas such a definition should be drawn up in close consultation with the social partners; whereas the type of contract cannot, on its own, presage the risk of precarious employment but, on the contrary, this risk depends on a wide range of factors; N. whereas standard employment can mean full-time and voluntary part-time regular employment on the basis of open-ended contracts; whereas each Member State has its own laws and practices establishing working conditions applicable to different types of employment contracts and internships; whereas there is no universally accepted definition of ‘standard employment’; O. whereas the most recent issues of representation, which are due to either weaknesses of the social partners’ organisations in certain sectors or to reforms in various European countries limiting social partners’ roles, impinge on all employment relationships; P. whereas some sectors such as ***agriculture***, construction and arts are disproportionately affected by precarious employment; whereas precarious employment has also spread to other sectors in recent years such as aviation and the hotel industry1; Q. whereas, according to recent studies, workers in mid-skilled manual and low-skilled occupations have less earnings, prospects and intrinsic job quality; whereas they report more frequent exposure to environmental and posture risks, with lower levels of both mental health and physical wellbeing2; R. whereas women account for 46 % of the EU’s labour force and are particularly vulnerable to job insecurity resulting from discrimination, including in the area of pay, and whereas women earn around 16 % less than men in the EU; whereas women are more likely to work part-time or on time-limited or low-wage contracts and are therefore more at risk of precariousness; whereas such working conditions create lifelong losses in terms of income and protection, be it wages, pensions or social security benefits; whereas men are more likely to work on a full-time and permanent basis than women; whereas women are particularly affected by involuntary part-time work, bogus self-employment and undeclared work3; S. whereas the employment rate in the EU is higher for men than for women; whereas the main reasons for women leaving the labour market are the need to care for children or elderly, their own illness or incapacity or other personal and family responsibilities; 1 See study of 2016 on ‘Precarious Employment in Europe: Patterns, trends and policy strategies’,   [*http://www.europarl.europa.eu/RegData/etudes/STUD/2016/587285/IPOL\_STU%282016%29587285\_EN.pdf*](http://www.europarl.europa.eu/RegData/etudes/STUD/2016/587285/IPOL_STU%282016%29587285_EN.pdf) 2 Eurofound (2014), ‘Occupational profiles in working conditions: Identification of groups with multiple disadvantages’ 3   [*www.europarl.europa.eu/RegData/etudes/STUD/.../IPOL\_STU(2016)587285\_EN.pdf*](http://www.europarl.europa.eu/RegData/etudes/STUD/.../IPOL_STU(2016)587285_EN.pdf) PE587.795v02-00 8/37 RR\1128207EN.docx EN whereas women often face discrimination and hurdles in view of their existing or potential motherhood; whereas single women with dependent children face a particularly high risk of precariousness; T. whereas equality between men and women is a fundamental right that presupposes a guarantee of equal opportunities and equal treatment in all areas of life, and whereas policies aimed at ensuring such equality contribute to the promotion of smart and sustainable growth; U. whereas many workers who are in precarious employment or unemployed do not have the right to parental leave; V. whereas young workers are at a higher risk of finding themselves in a position of precarious employment; whereas the likelihood of being in a multiple disadvantaged position is twice as high for workers aged under 25 than for those aged 50 or more1; I. Towards decent work - addressing working conditions and precarious employment 1. Calls on the Member States to take into account the following ILO indicators to determine the existence of an employment relationship: - the work is carried out according to the instructions and under the control of another party; - it involves the integration of the worker in the organisation of the enterprise; - it is performed solely or mainly for the benefit of another person; - it must be carried out personally by the worker; - it is carried out within specific working hours or at a workplace specified or agreed by the party requesting the work; - it is of a particular duration and has a certain continuity; - it requires the worker’s availability or involves the provision of tools, materials and machinery by the party requesting the work; - the worker is paid a periodic remuneration that constitutes his or her sole or principal source of income, and there may also be provision of payment in kind such as food, lodging or transport; - the worker has entitlements such as weekly rest periods and annual holidays; 2. Notes the Eurofound definition of atypical work, which refers to employment relationships not conforming to the standard or typical model of full-time, regular and open-ended employment with a single employer over a long time-span2; stresses that the 1 Eurofound (2014), ‘Occupational profiles in working conditions: Identification of groups with multiple disadvantages’ 2 See:   [*https://www.eurofound.europa.eu/observatories/eurwork/industrial-relations-dictionary/atypical-work*](https://www.eurofound.europa.eu/observatories/eurwork/industrial-relations-dictionary/atypical-work) RR\1128207EN.docx 9/37 PE587.795v02-00 EN terms ‘atypical’ and ‘precarious’ cannot be used synonymously; 3. Understands precarious employment to mean employment which does not comply with EU, international and national standards and laws and/or does not provide sufficient resources for a decent life or adequate social protection; 4. Notes that some atypical forms of employment may entail greater risks of precariousness and insecurity, for example, involuntary part-time and fixed-term contract work, zero-hour contracts and unpaid internships and traineeships; 5. Underlines that where the choice to engage in forms of part-time work is one made by the worker, it is necessary to ensure that such employment is economically and socially sustainable; 6. Firmly believes that flexibility in the labour market is not about eroding workers’ rights in exchange for productivity and competitiveness, but is about successfully balancing workers’ protection with the opportunity for individuals and employers to agree ways of working that suit the needs of both; 7. Notes that the risk of precariousness depends on the type of contract but also on the following factors: - little or no job security owing to the non-permanent nature of the work, as in involuntary and often marginal part-time contracts, and, in some Member States, unclear working hours and duties that change owing to on-demand work; - rudimentary protection from dismissal and lack of sufficient social protection in case of dismissal; - insufficient remuneration for a decent living; - no or limited social protection rights or benefits; - no or limited protection against any form of discrimination; - no or limited prospects for advancement in the labour market or career development and training; - low level of collective rights and limited right to collective representation; - a working environment that fails to meet minimum health and safety standards1; 8. Recalls the ILO definition of ‘decent work’, which states: ‘Decent work is work that is productive and delivers a fair income, with a safe workplace and social protection, better prospects for personal development and social integration, freedom for people to express their concerns, organise and participate in the decisions that affect their lives and equality of opportunity and treatment for all women and men’2; encourages the ILO 1 See the resolution of Parliament of 19 October 2010 on precarious women workers - OJ C 70E, 8.3.2012, p. 1. 2 ILO report of 14 November 2016 on non-standard employment around the world,   [*http://www.ilo.org/global/publications/books/WCMS\_534326/lang--en/index.htm*](http://www.ilo.org/global/publications/books/WCMS_534326/lang--en/index.htm) PE587.795v02-00 10/37 RR\1128207EN.docx EN to add a living wage to that definition; encourages the Commission and the Member States to endorse this definition when reviewing or developing employment legislation; 9. Recalls the success factors for good practice against precarious work, which are: a strong legal underpinning; involvement of social partners and works councils at the workplace; cooperation with relevant stakeholders; balancing flexibility and security,; sectoral focus; low administrative burden for employers; enforcement by labour inspectorates; and awareness-raising campaigns; 10. Stresses the need to adopt counter-cyclical economic policies designed to protect workers’ purchasing power, in accordance with the constitutional traditions of the Member States; 11. Notes that the ILO Decent Work Agenda is intended specifically to guarantee job creation, rights at work, social protection and social dialogue as well as gender equality; highlights that decent work should specifically provide: - a living wage, also guaranteeing the right of freedom of association; - collective agreements in line with Member States’ practices; - workers’ participation in company matters in line with Member States’ practices; - respect of collective bargaining; - equal treatment of workers in the same workplace; - workplace health and safety; - social security protection for workers and their dependents; - provisions on working and rest time; - protection against dismissal; - access to training and lifelong learning; - support for work-life balance for all workers; stresses that to deliver on these rights it is also essential to improve the implementation of labour and social law; 12. Notes that numerous factors, such as digitalisation and automation, are contributing to the transformation of the nature of work, including the rise in new forms of employment; notes in this regard that new forms of work might need new, responsive and proportionate regulation in order to ensure that all forms of employment are covered; 13. Reiterates in the context of digital jobs that digital platform workers and other intermediaries should be guaranteed adequate social and health coverage and protection; 14. Emphasises that digitalisation must not be seen simply as something that destroys jobs, and stresses, on the contrary, that it affords opportunities for the development and RR\1128207EN.docx 11/37 PE587.795v02-00 EN extension of individual skills; 15. Highlights that there are projected to be 756 000 unfilled job vacancies in the ICT sector in 2020, thus showing the need to improve the digital skills of the European workforce; 16. Stresses that the economic crisis has given rise to migratory flows within the EU that have highlighted existing barriers to the free movement of persons between Member States and discrimination on the basis of nationality, exposing EU citizens to a situation of job insecurity; 17. Stresses that precarious employment conditions, including undeclared work and bogus self-employment, have a long-term effect on mental health and physical wellbeing and can place workers at greater risk of poverty, social exclusion and deterioration of their fundamental rights; 18. Highlights that workers with very short contracts are those most exposed to adverse conditions in the physical aspects of their work; highlights that the combination of job insecurity and lack of control over working time often derives from stress-related occupational hazards; 19. Stresses that in certain sectors of the economy, flexible or atypical labour relations are being overused to the point of abuse; 20. Calls on the Commission and the Member States to promote policies that empower workers, interns and apprentices by strengthening social dialogue and promoting collective bargaining, ensuring that all workers regardless of their status can access and exercise their right to associate and to bargain collectively, freely and without fear of direct or indirect sanctions by the employer; 21. Stresses the importance of the social partners in safeguarding workers’ rights, defining decent working conditions, setting decent wages and incomes in accordance with Member States’ laws and practices, and providing consultation and guidance to employers and workers; 22. Calls on the Member States, in close cooperation with the social partners, to shore up career pathways so as to make it easier for people to adapt to the different situations they may face in their lives, in particular via lifelong vocational training, adequate unemployment benefits, the transferability of social rights, and active, effective labour market policies; 23. Calls on the Commission and the Member States to promote and guarantee effective protection and equal pay for male and female workers who perform work in the context of an employment relationship, through a comprehensive policy response that aims to tackle precarious employment and guarantee career paths and proper social security coverage; 24. Stresses the importance of Member States’ labour inspectorates, and underlines that they should focus on the goal of monitoring, ensuring compliance with and improving working conditions, workplace health and safety, and combating illegal or undeclared work, and must under no circumstances be abused so as to become migration control PE587.795v02-00 12/37 RR\1128207EN.docx EN mechanisms; points out the risk of discrimination against the most vulnerable workers, and strongly condemns the practice of companies who employ migrants without securing them their full rights and benefits and informing them on the matter; calls, therefore, on the Member States to provide labour inspectorates with adequate resources to ensure effective monitoring; II. Proposals 25. Calls on the Commission and the Member States to tackle precarious employment, including undeclared work and bogus self-employment, in order to ensure that all types of work contracts offer decent working conditions with proper social security coverage, in line with the ILO Decent Work Agenda, Article 9 TFEU, the EU Charter of Fundamental Rights and the European Social Charter; 26. Calls on the Commission and the Member States to combat all practices which might lead to an increase of precarious employment, thereby contributing to the Europe 2020 target of reducing poverty; 27. Calls on the Commission and the Member States to increase job quality in non-standard jobs by providing, at the least, a set of minimum standards as regards social protection, minimum wage levels and access to training and development; stresses that this should be done while maintaining entry opportunities; 28. Calls on the Commission and the Member States to ensure that national social security systems are fit for purpose when it comes to new forms of employment; 29. Calls on the Commission to assess new forms of employment driven by digitalisation; calls, especially, for an assessment of the legal status of labour market intermediaries and online platforms and of their liability; calls on the Commission to revise Council Directive 91/533/EEC of 14 October 1991 on an employer's obligation to inform employees of the conditions applicable to the contract or employment relationship (the ‘Written Statement Directive’)1 to take account of new forms of employment; 30. Emphasises the potential that the collaborative economy has, in particular as regards new jobs; calls on the Commission and the Member States to assess the potential new employment norms created by the collaborative economy; strongly emphasises the need to increase the protection afforded to workers in this sector by stepping up transparency with regard to their status, the information they are given and non-discrimination; 31. Calls for the Commission to proceed with its targeted review of the Posting of Workers Directive, and to review the Agency Workers Directive to ensure fundamental social rights for all workers, including equal pay for equal work at the same location; 32. Underlines the need for public and private investment promoting in particular those sectors of the economy which promise the largest possible multiplier effect, in order to promote upward social convergence and cohesion in the Union and the creation of decent jobs; stresses in this context the need to support SMEs and start-ups; 1 OJ L 288, 18.10.1991, p. 32. RR\1128207EN.docx 13/37 PE587.795v02-00 EN 33. Stresses the need to tackle undeclared work, since it reduces tax and social security revenues and creates precarious and poor working conditions and unfair competition between workers; welcomes the creation of a European Platform to enhance cooperation in tackling undeclared work; 34. Notes that given the number of workers, particularly young people, who are now leaving their countries of origin for other Member States in search of employment opportunities, there is an urgent need to develop appropriate measures to guarantee that no worker is left uncovered by social and labour rights protection; calls, in this regard, on the Commission and the Member States to further improve EU labour mobility while upholding the principle of equal treatment, safeguarding wages and social standards and guaranteeing full portability of social rights; calls on each Member State to establish social and employment policies for equal rights and equal pay at the same place of work; 35. Notes with concern the weakening of collective bargaining and of the coverage of collective agreements; calls on the Commission and the Member States to promote ***strategic*** policies of universal coverage of workers under collective agreements, safeguarding and enhancing at the same time the role of trade unions and employers' organisations; 36. Recognises the major role played by social partners regarding the Union directives on part-time work, fixed-term contracts and temporary agency work, and encourages the Commission, in collaboration with the social partners, to regulate new forms of employment where appropriate; calls on Eurofound to study how social partners develop strategies to ensure job quality and tackle precarious employment; 37. Calls on the Commission and the Member States, within their respective competences, to ensure that individual self-employed workers who are legally considered a sole- member company have the right to collective bargaining and to freely associate; 38. Recalls that according to the Charter of Fundamental Rights of the European Union and to Directive 2003/88/EC of the European Parliament and of the Council of 4 November 2003 concerning certain aspects of the organisation of working time (the Working Time Directive)1, every worker has the right to limitation of maximum working hours, to daily and weekly rest periods and to an annual period of paid leave; stresses the need to ensure that those rights apply to all workers, including on-demand workers, workers in marginal part-time employment and crowd workers; recalls that the Working Time Directive is a health and safety measure; calls for the enforcement of the ECJ decisions confirming that on-call time in the workplace is working time and must be followed by compensatory rest; 39. Recalls that marginal part-time employment is marked by lower levels of job security, fewer career opportunities, less investment in training by employers, and a higher share of low pay; calls on the Member States and the Commission to encourage measures supporting longer hours for those who want to work more; 40. Recalls that according to the Charter of Fundamental Rights of the European Union, everyone has the right to access to vocational training and lifelong learning; calls on the 1 OJ L 299, 18.11.2003, p. 9. PE587.795v02-00 14/37 RR\1128207EN.docx EN Member States to ensure that vocational and continuing training are also available to workers in atypical employment relationships; recalls that upskilling measures are particularly important in a fast-changing digital economy; recalls that skills shortages and mismatches contribute to high unemployment levels; welcomes recent initiatives to tackle skills shortages; 41. Calls for a Skills Guarantee as a new right for everyone, at every stage of life, to acquire fundamental skills for the 21st century, including literacy, numeracy, digital and media literacy, critical thinking, social skills and relevant skills needed for the green and circular economy, taking into account emerging industries and key growth sectors and ensuring full outreach to people in disadvantaged situation

s, including people with disabilities, asylum seekers, the long-term unemployed and other under-represented groups; stresses that education systems should be inclusive, providing good quality education to the whole population, enabling people to be active European citizens, preparing them to be able to learn and adapt throughout their lives, and responding to societal and labour market needs; 42. Stresses that the policies of the Member States should be formulated and implemented in accordance with national law and practice and in consultation and close cooperation with employers’ and workers’ organisations; 43. Recalls that precarious employment not only harms the individual but also entails significant costs for society, in terms of tax losses and higher public expenditure in the long run, as well as of support for those suffering the long-term effects of income loss and difficult working conditions; calls on the Commission and the Member States to encourage the use of open-ended contracts and the exchange of best practices between Member States in order to tackle precarious employment; 44. Recalls that workers in the informal economy face a high level of precariousness; calls on the Commission and the Member States to adopt policies adapted to this group that protect them by tackling their problems irrespective of their residence status; 45. Calls on the Commission and the Member States to combat undeclared work, bogus self-employment and all forms of illegal employment practices which undermine workers’ rights and social security systems; reiterates its view that the prevention of zero-hour contracts should be considered in all future employment policies; 46. Calls on the Commission and the Member States to assess the working conditions of substitute workers in the public sector and their impact on the quality of public services; 47. Emphasises that precarious employment is mainly suffered by the most vulnerable workers who are at risk of discrimination, poverty and exclusion; recalls in particular that having a disability, being of a different ethnic origin, religion or belief, or being a woman increases the risk of being faced with precarious employment conditions; condemns all forms of precariousness regardless of the contractual situation; 48. Calls on the Commission and the Member States to ensure the effective protection of vulnerable workers; urges the Commission and the Member States to take effective action to combat discrimination against women in the labour market, with particular emphasis on work-life balance and eliminating the gender pay gap; calls on the RR\1128207EN.docx 15/37 PE587.795v02-00 EN Commission to assess whether Directive 2006/54/EC on the implementation of the principle of equal opportunities and equal treatment of men and women in matters of employment and occupation is suited for new forms of employment; 49. Calls on the Commission and the Member States to assess all legislation targeting aspects of precarious work for its gender impact; considers it necessary to target legislative and non-legislative measures to the needs of women in precarious work, as otherwise an already over-represented group will continue to be overly affected; 50. Considers that under no circumstances should increased demands for flexibility on the labour market result in women continuing to be over-represented in atypical employment and among those with insecure employment status; 51. Calls on the Commission and the Member States to monitor and tackle the phenomenon of ‘mobbing’ in the workplace, including the harassment of pregnant female employees or any disadvantage experienced after returning from maternity leave; urges Member States to comply with and enforce legislation on maternity rights so that women do not suffer disadvantages in terms of pensions because they have been mothers during their working lives; stresses that maternity leave must be accompanied by effective measures that protect the rights of pregnant women and new, breastfeeding and single mothers, reflecting the recommendations of the ILO and the World Health Organisation; 52. Reiterates its demand that people in all employment relationships and the self-employed should be able to accumulate entitlements providing income security in circumstances such as unemployment, ill-health, old age, career breaks for child-raising or other caring situations, or for reasons of training; 53. Calls on the Commission and the Member States to ensure decent working conditions for all first work experience opportunities for young people, such as internships, apprenticeships or opportunities under the Youth Guarantee; encourages the Member States to adopt and implement quality frameworks for internships, traineeships and apprenticeships that ensure workers’ rights and the educational focus of work experience opportunities for young people; 54. Calls on the Commission in particular and on the Member States to take steps to combat insecure employment among young people; underscores how important it is that the Commission should implement the youth guarantee in this regard; 55. Recommends that Member States ensure that all age groups of young people have access to high-quality free public education, particularly at the higher levels of education and training, since it has been shown that raising the level of instruction helps to reduce labour inequalities between men and women; 56. Stresses that the use by the Commission and Member States of the ILO understanding of ‘worker’ rather than the more narrowly defined ‘employee’ could contribute to a better application and understanding of fundamental principles and rights at work; 57. Calls on the Commission and the Member States to promote entrepreneurship and the cooperative movement among workers in multi-service companies and the burgeoning sector of the collaborative economy and digital platforms, with a view to reducing the PE587.795v02-00 16/37 RR\1128207EN.docx EN risks posed by business models concerning the rights and working conditions of workers; 58. Points out that short-term contracts in the ***agriculture*** sector reflect the seasonal nature of farm work; calls for this major natural constraint to be respected by enabling farmers to continue recruiting on a seasonal basis and sparing them the burden of additional red tape in the recruitment and management of their workforce; 59. Calls on the Commission to promote and raise awareness of the protection rights of seasonal workers, and calls on the Member States to regulate the social and legal status of seasonal workers, to safeguard their health and safety and hygiene conditions at work and to provide them with social security cover while complying with the provisions of Article 23 of Directive 2014/36/EU of the European Parliament and of the Council of 26 February 20141 on the conditions of entry and stay of third-country nationals for the purpose of employment as seasonal workers, including those concerning ‘equal pay and equal social protection’; emphasises the need to provide all seasonal workers with comprehensive information on their employment and social security rights, including pension rights, also taking account of the cross-border aspect of seasonal work; 60. Instructs its President to forward this resolution to the Council and the Commission. 1 OJ L 94, 28.3.2014, p. 375. RR\1128207EN.docx 17/37 PE587.795v02-00 EN EXPLANATORY STATEMENT According to the findings of a number of studies incorporated by the rapporteur in this report, atypical forms of employment are manifestly on the rise in the EU. The number of workers with - often involuntary - fixed-term and part-time employment contracts has increased considerably in the EU over the last 15 years. At the same time, new forms of employment are blurring the boundaries between dependent employment and self-employment, leading to a decline in job quality and a rise in bogus self-employment. Although the economic crisis was not the operative cause of these new precarious forms of employment, the inadequate and unsuitable countermeasures taken by the EU have merely exacerbated the problem. These include austerity measures and memorandum provisions that have stifled growth, unravelled the social fabric and impoverished large segments of the population, mainly workers. The apparent growth in current employment rates conceals increasing recourse to precarious employment in the form of zero-hours contracts, bogus self-employment and involuntary part-time employment, failing to ensure workers decent living standards or enjoyment of their full rights at the workplace. Social deprivation and retrograde labour provisions have compelled the European Parliament to get to grips with the problem of precarious employment and conditions of employment, for example in its reports on social dumping1or women in precarious employment2. This report follows on from a number of others and the aim of the rapporteur was to help achieve a basic minimum consensus in the political debate regarding what is meant by precarious employment, introducing a number of elements, including the International Labour Organisation (ILO) definition of decent work. Agreement on a basic definition relates to standard employment work, atypical employment and decent work. Standard employment is taken to mean full-time open-ended contracts, whereas atypical employment includes ongoing (and marginal) part-time, temporary, fixed term and zero-hours contracts, traineeships and undeclared or informal work. A basic definition of precarious employment could take as its point of departure a non-standard form employment characterised by at least one of the following: - little or no job security owing to the non-permanent nature of the work, non-specific contractual terms or the absence of a written contract, for example in the case of case of involuntary part-time or temporary work or employment with unclear working hours and 1 [*http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//TEXT+REPORT+A8-2016-0255+0+DOC+XML+V0//EN*](http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//TEXT+REPORT+A8-2016-0255+0+DOC+XML+V0//EN) 2 European Parliament resolution of 19 October 2010 on precarious women workers (2010/2018(INI)),   [*http://www.europarl.europa.eu/sides/getDoc.do?type=TA&reference=P7-TA-2010-0365&language=EN*](http://www.europarl.europa.eu/sides/getDoc.do?type=TA&reference=P7-TA-2010-0365&language=EN) PE587.795v02-00 18/37 RR\1128207EN.docx EN duties that vary in accordance with the employer’s wishes; - low remuneration, sometimes paid on an unofficial or undefined basis; - little or nothing by way of social protection or related entitlements; - no protection against discrimination; - little or no prospect of advancement in the labour market; - little or nothing by way of collective representation rights; - non-compliance with minimum health and safety standards at the workplace; The ILO defines decent work as full and productive employment, ensuring dignity, fair remuneration, a safe workplace, freedom of expression of opinion, freedom to organise and participate in decisions that affect their lives, equal opportunities, equal treatment for all and gender equality. New challenges such as digitalisation, facing both workers and employers, are resulting in a radical transformation of work, with atypical forms of employment becoming increasingly prevalent, a trend that looks set to continue unabated unless the new regulatory framework provisions are put into effect. For this reason, the Commission and the Member States must ensure decent conditions of employment in new jobs generated by digitalisation. Precarious working conditions have a long-term impact in terms of social protection and pensions, placing workers at greater risk of poverty and deterioration of their fundamental rights. It is therefore essential to ensure that social protection and protection under collective agreements and through collective bargaining rights are extended to all workers. The Commission and Member States must therefore ensure effective protection at the workplace and introduce comprehensive policies designed to reduce and phase out insecure forms of employment. It is necessary in this connection to empower workers through social dialogue and greater recourse to collective bargaining, ensuring that all workers enjoy unrestricted freedom of association and free collective bargaining without fear of any consequences. Labour inspectorates and measures by the social partners also have an important role to play in upholding the right of workers, ensuring decent remuneration in line with the laws and practices in each Member State, well as providing guidance and information for employers. Labour inspectorates should focus on the monitoring and improvement of working conditions and measures to put an end to undeclared employment. Practices followed by companies that recruit migrants while failing to ensure respect for all their rights as employees are totally inadmissible. The Commission and the Member States could combat atypical and insecure employment in line with the ILO Decent Work Agenda and the European Social Charter. Policies are also needed to promote public investment, upward social convergence and the creation of decent RR\1128207EN.docx 19/37 PE587.795v02-00 EN work. The erosion of protection provided under collective agreements and collective bargaining rights for workers is particularly alarming and the Commission and Member States should therefore seek to promote ***strategic*** universal coverage for workers under collective agreements and to safeguard the role of trade unions as social partners. Finally, your rapporteur considers that the Commission and Member States should ensure effective protection for workers, especially those affected by insecurity and precariousness, giving special priority to female workers, young workers, older workers, workers in the informal (shadow) economy, migrant workers and workers with disabilities. PE587.795v02-00 20/37 RR\1128207EN.docx EN 28.2.2017 OPINION OF THE COMMITTEE ON ***AGRICULTURE*** AND RURAL DEVELOPMENT for the Committee on Employment and Social Affairs on working conditions and precarious employment (2016/2221(INI)) Rapporteur: Viorica Dăncilă SUGGESTIONS The Committee on ***Agriculture*** and Rural Development calls on the Committee on Employment and Social Affairs, as the committee responsible, to incorporate the following suggestions into its motion for a resolution: A. whereas ***agriculture*** and the agri-food industry account for 6 % of EU GDP, 15 million businesses and 46 million jobs; B. whereas the geography, topography and accessibility of the land, in particular in island, mountain and remote areas and the outermost regions (ORs), necessarily make employment and working conditions in the farming industry more challenging and insecure; C. whereas these inherent problems are compounded by short-term factors, such as economic uncertainties and unpredictable weather, which, as can be seen today, make the situation of workers in the ***agricultural*** sector all the more difficult, leading to a decline in the number of farmers and small family farms, and whereas population ageing and depopulation are trends which are particularly pronounced in rural areas of the EU; D. whereas the crisis of recent years has contributed to a deepening of the crisis in the ***agricultural*** sector and affected farmers’ capacity to invest and create employment, to the detriment of modernisation, innovation, the involvement of young people in farming and generational renewal; whereas common ***agricultural*** policy (CAP) investment is not yet in line with the EU’s Europe 2020 sustainability targets given that it is not yet investing at least one euro in five in sustainable farming; whereas ***agriculture*** must be allowed to adapt to meet challenging circumstances by fostering innovation; E. whereas age structure in the ***agricultural*** sector is a cause for concern given that since RR\1128207EN.docx 21/37 PE587.795v02-00 EN 2010 only 7.5 % of farmers have been under 35 years old and more than 4.5 million of those now running farms are aged over 65; whereas in the period 2000-2012, 4.8 million full-time jobs were lost in the EU ***agricultural*** industry, 70 % of which were in the new Member States and 93 % of which concerned self-employment, and whereas, in that connection, it is difficult to accurately assess the number of people employed in ***agriculture*** since ‘illegal’ employment is, by its very nature, not included in the available data1; F. whereas, in many Member States, women in rural regions have limited access to employment in farming or other sectors of the labour market and experience a wider pay gap than in other areas, yet they play an extremely important role in the development and social fabric of rural areas, particularly on farms; G. whereas ***agricultural*** work is often weather-dependent and seasonal; H. whereas EU farmers’ average annual incomes have stagnated or even declined over the past 10 years, while production costs have continuously increased and large investments and the financial risks necessary to keep their farms going put them in an increasingly precarious situation, resulting in a substantial drop in the number of farms and the threat of many job losses in rural areas; I. whereas many ***agricultural*** activities are carried out by assisting family members, often without social protection; J. whereas social and economic circumstances and living conditions have changed substantially over recent years and whereas there are large disparities in this respect between and within Member States; K. whereas the EU’s agri-food export sector is growing steadily and playing a key role in driving economic recovery and, as a result of the number of new businesses being set up, also in job creation; 1. Stresses that farmers and farm workers are, by virtue of their profession, more exposed to a range of external factors that make job prospects precarious and insecure, such as price and market fluctuations and imbalances in the agri-food chain, and that unpredictable weather also has severe effects and impacts, particularly on the ORs and mountain regions; considers that remunerative farm gate prices covering production costs are fundamental to secure farmers’ incomes in the long run; considers, nonetheless, that income-stabilisation and risk-management tools and ***agricultural*** mutual funds could help make farmworkers less vulnerable, as well as strengthen the farmers’ position in the food supply chain; 2. Calls on Member States to exchange best practice and to consider new innovative ways of developing an adaptable and flexible labour market to meet the challenges of a rural economy; 1 European Commission – Directorate-General for ***Agriculture*** and Rural Development. 2014 Management ***Plan*** (July). PE587.795v02-00 22/37 RR\1128207EN.docx EN 3. Stresses that a stable income is essential if farmers are to gain access to loans; 4. Draws attention to the specific case of seasonal workers, whose working conditions are particularly precarious; understands ‘seasonal workers’ to be workers who have entered into open-ended or fixed-term employment contracts, the duration and renewal of which are contingent to a major degree on seasonal factors, such as the changing weather, public holidays and/or the timing of harvests; 5. Recalls that Directive 2014/36/EU on the conditions of entry and stay of third-country nationals for the purpose of employment as seasonal workers establishes a minimum standard of rights; calls on the Member States to make sure that it is correctly implemented, and asks the Commission to submit a progress report on its implementation by September 2019; 6. Calls on the Commission to promote and raise awareness of the protection rights of seasonal workers and on the Member States to regulate the social and legal status of seasonal workers, to safeguard their hygiene, health and safety conditions at work and to provide them with social security cover, while complying with Article 23 of Directive 2014/36/EU ensuring equal treatment with nationals of the host Member State, including ‘equal pay and equal social protection’; emphasises the need to provide all seasonal workers with comprehensive information on employment and social security rights, including pensions, taking into account also the cross-border aspect of seasonal work; 7. Calls on the Commission and the Member States to define minimum working conditions in ***agriculture*** in order to ensure safety at work, basic and further training facilities and workers’ rights; 8. Calls on the Commission, together with the Member States, to explore schemes to give seasonal workers long-term employment, such as the implementation of pluriactivity contracts across the EU or even a European Agreement; 9. Calls on the Commission to disqualify from CAP and European ***Agricultural*** Fund for Rural Development (EAFRD) support any employer who has been convicted of breaching worker safety regulations or using undeclared workers; 10. Notes reports of cases of abuse of migrant workers’ rights by organised crime groups operating in the EU who exploit insufficient job market transparency; urges the Member States to increase their oversight of migrant workers’ employment conditions; calls on the Commission, together with the Member States, to address the cases of immigrant exploitation in the ***agricultural*** sector in those regions where farm workers work for almost no money and live in deplorable conditions; stresses the need to take effective action, including targeted inspections and checks, to ensure that farm workers have decent working and living conditions and emphasises the need to ensure that employment rights and labour laws are upheld; 11. Calls on the Commission to gauge the scale of illegal employment networks in the EU by conducting investigations and compiling statistics, in particular in the parts of the EU in which undeclared work and farm labour exploitation are most common; 12. Calls on the Commission and the Member States to step up support for technical training RR\1128207EN.docx 23/37 PE587.795v02-00 EN for seasonal farm workers to address the relatively high risk of accidents as well as structural and seasonal unemployment, while involving ***producers***’ organisations in this process, in relation to both the drawing-up of training ***plans*** and dissemination and incentives for workers, as well as for actions to raise workers’ awareness of their rights, thereby averting the possible exploitation of workers; 13. Points out that over 4.5 million farmers are over 65 and that farmers aged under 35 account for only 6 % of those in charge of farms; notes that young people and women have particular problems finding jobs in rural areas in or outside ***agriculture*** or starting a farm of their own; calls on the Commission and the Member States to efficiently encourage the uptake of the measures provided for under the CAP to help young farmers set up, and to ensure that funding for young farmers and support ***programmes*** for women in rural areas ensure decent jobs with fair wages in ***agriculture*** and in upstream and downstream sectors; 14. Recalls the importance of a strong CAP which is able to help young farmers play a secure role on the market, encourage the uptake of farming and guarantee that farmers remain in farming in the long term; points out that investment in rural infrastructure will help increase the attractiveness of the countryside, develop the local economy in a sustainable manner, and draw workers towards ***agriculture*** and avoid depopulation; calls on the Member States to use the European Fund for ***Strategic*** Investments (EFSI) purposefully to create sustainable jobs in farming in order to stimulate employment in rural areas; 15. Stresses the importance of investment in ICT in rural areas, which is crucial in keeping rural communities connected to the global world, crucial for those who are seeking work, crucial for those looking to start their own business and crucial for those who live in the most isolated parts of our rural communities; 16. Urges action to tackle the gender gap in rural areas and improve the situation of women’s employment, such as women’s working conditions and access to land; points out that the gender pay gap is more than 10 % higher in rural areas than elsewhere; stresses the need for up-to-date statistics on farm ownership and female employment in rural areas to inform and facilitate gender mainstreaming in EU ***agricultural*** and rural policies in line with the principle of equality and non-discrimination; calls, furthermore, on the Commission and the Member States to facilitate women’s equality in the labour market and work-life balance in rural areas, particularly regarding income, social and pension rights, promotion of new qualifications and opportunities for women, and by tackling barriers to their involvement in ***agricultural*** employment, such as unequal access to credit, technical equipment and other important resources such as land; highlights the importance of never confusing family work with precarious work, recalling that family farms make up around 85 % of all farms in Europe and account for 68 % of the total utilised ***agricultural*** area, which means that it is important to establish a legal framework for this type of work at European level, with its own status, rights and obligations; points out that, in the ORs, the search for employment solutions, especially in times of economic contraction, is compromised by the lack of interconnectivity, and, given the importance of ***agriculture*** in these regions, takes the view that the funds under the CAP ought to continue to apply positive discrimination to these territories facing specific constraints, as recognised in the Treaty on the Functioning of the European Union, given the multiplier effect of these funds in terms of promoting other related activities, such as agro-industry, tourism, nature PE587.795v02-00 24/37 RR\1128207EN.docx EN conservation, energy production and the circular economy, in a way that complements the multi-fund strategy for more cohesion and balanced territorial development; 17. Emphasises the need for a proportion of EU cohesion funding to be granted to disadvantaged regions, such as mountain areas and the ORs, so as to ensure the fair creation, maintenance and development of decent working conditions and payment in all EU regions; 18. Calls on industry to take up all opportunities arising from innovation to develop precision farming which is accessible to all, thus empowering people with disabilities, promoting gender equality and broadening the skills base and employment opportunities in rural communities; 19. Calls on all the Member States to offer young farmers long-term prospects in order to address the problem of rural depopulation, to implement a comprehensive generational renewal strategy and, to this end, to make full use of all the opportunities available under the new CAP to support young farmers and new entrants to farming, with particular regard to the first- and second-pillar aid measures for young farmers, and also to help new entrants over the age of 40 to set up in farming; 20. Calls on the Commission to put into practice the recommendations set out in the Andrieu report (‘How can the CAP improve job creation in rural areas?’), which was adopted by Parliament on 27 October 2016, and in particular to promote and maximise the full capacity of funds from the EAFRD in an effort to develop a genuine social economy and a buoyant market economy in rural areas; 21. Calls on the Commission to harness potential new synergies between the EFSI and the European Structural and Investment Funds (ESIFs), in particular the EAFRD and the European Maritime and Fisheries Fund (EMFF), in order to leverage investment designed to improve working conditions and combat precarious employment; 22. Calls on the Member States to continue to strengthen the role of the social partners and social protection agencies when necessary, and to provide effective instruments, including adequate inspections and controls, in rural areas to combat undeclared work and improve safety and well-being at work, with a view to promoting the integration of all types of farm worker, particularly young people, women and migrant workers, even – and above all – those engaged in seasonal work; 23. Calls on the Commission to encourage, and the Member States to implement, simplified administrative requirements, and to cut red tape relating to social security, taxation and employment, making the hiring process less complex and less redundant; calls on the Member States at the same time to implement such simplifications correctly in order to reduce the complexity and volume of regulation; 24. Notes the regular, repeated and cumulative professional exposure of farmers and agri-food workers to cocktails of hazardous substances which are suspected to cause specific illnesses possibly leading to reproductive disorders and carcinogenic effects; notes, furthermore, the importance of raising awareness of the risks associated with those substances, providing training for manipulation, use and storage thereof and reducing the risk of exposure, while guaranteeing that measures intended to limit exposure are RR\1128207EN.docx 25/37 PE587.795v02-00 EN sufficiently implemented and controlled; 25. Recalls also the importance of a strong CAP which is able to help young farmers play a bigger role in the market and also to create living conditions conducive to their remaining in farming in the long term. PE587.795v02-00 26/37 RR\1128207EN.docx EN RESULT OF FINAL VOTE IN COMMITTEE ASKED FOR OPINION Date adopted 28.2.2017 Result of final vote +: –: 0: 35 3 0 Members present for the final vote John Stuart Agnew, Clara Eugenia Aguilera García, Eric Andrieu, José Bové, Daniel Buda, Nicola Caputo, Matt Carthy, Viorica Dăncilă, Michel Dantin, Paolo De Castro, Jean-Paul Denanot, Albert Deß, Herbert Dorfmann, Luke Ming Flanagan, Beata Gosiewska, Martin Häusling, Anja Hazekamp, Esther Herranz García, Jan Huitema, Peter Jahr, Ivan Jakovčić, Jarosław Kalinowski, Elisabeth Köstinger, Zbigniew Kuźmiuk, Mairead McGuinness, Ulrike Müller, James Nicholson, Marijana Petir, Laurenţiu Rebega, Bronis Ropė, Maria Lidia Senra Rodríguez, Czesław Adam Siekierski, Tibor Szanyi, Marc Tarabella, Marco Zullo Substitutes present for the final vote Franc Bogovič, Michela Giuffrida, Anthea McIntyre, Susanne Melior, Sofia Ribeiro, Miguel Viegas Substitutes under Rule 200(2) present for the final vote Pilar Ayuso RR\1128207EN.docx 27/37 PE587.795v02-00 EN FINAL VOTE BY ROLL CALL IN COMMITTEE ASKED FOR OPINION 35 + ALDE Jan Huitema, Ivan Jakovčić, Ulrike Müller ECR Jørn Dohrmann, Anthea McIntyre, James Nicholson ENF Laurenţiu Rebega GUE/NGL Matt Carthy, Luke Ming Flanagan, Anja Hazekamp PPE Franc Bogovič, Daniel Buda, Michel Dantin, Albert Deß, Herbert Dorfmann, Esther Herranz García, Peter Jahr, Jarosław Kalinowski, Elisabeth Köstinger, Mairead McGuinness, Marijana Petir, Czesław Adam Siekierski S&D Clara Eugenia Aguilera García, Eric Andrieu, Nicola Caputo, Paolo De Castro, Jean-Paul Denanot, Viorica Dăncilă, Michela Giuffrida, Susanne Melior, Tibor Szanyi, Marc Tarabella VERTS/ALE José Bové, Martin Häusling, Bronis Ropė 3 - ECR Beata Gosiewska, Zbigniew Kuźmiuk EFDD John Stuart Agnew 0 0 Key to symbols: + : in favour - : against 0 : abstention PE587.795v02-00 28/37 RR\1128207EN.docx EN 9.2.2017 OPINION OF THE COMMITTEE ON WOMEN’S RIGHTS AND GENDER EQUALITY for the Committee on Employment and Social Affairs on working conditions and precarious employment (2016/2221(INI)) Rapporteur: João Pimenta Lopes SUGGESTIONS The Committee on Women’s Rights and Gender Equality calls on the Committee on Employment and Social Affairs, as the committee responsible, to incorporate the following suggestions into its motion for a resolution: – having regard to Draft General Recommendation No 28, of 2010, on the Core Obligations of States Parties under Article 2 of the UN Convention on the Elimination of All Forms of Discrimination against Women, – having regard to the Commission’s ***Strategic*** Engagement for Gender Equality 2016-2020, – having regard to the 2011 Council of Europe Convention on preventing and combating violence against women and domestic violence (Istanbul Convention), – having regard to the Council of Europe’s Gender Equality Strategy 2014-2017, A. whereas equality between men and women is a fundamental right that presupposes a guarantee of equal opportunities and equal treatment in all sectors of life, and whereas policies aimed at ensuring such equality contribute to the promotion of smart and sustainable growth; B. whereas the resolution of 15 September 2016 on application of Council Directive 2000/78/EC of 27 November 2000 establishes a general framework for equal treatment in employment and occupation (‘Employment Equality Directive’); C. whereas all forms of discrimination, including discrimination on grounds of gender and sex, must be firmly combated; D. whereas ‘sex’ is defined as referring to biological differences between men and women, while ‘gender’ refers to socially constructed identities, roles and attributes for women and men and the social and cultural meaning that society gives to those biological differences, RR\1128207EN.docx 29/37 PE587.795v02-00 EN and whereas it is gender that results in hierarchical relationships between women and men and in the distribution and assignment of power and rights favouring men and disadvantaging women; E. whereas ‘reducing the gender pay, earnings and pension gaps and thus fighting poverty among women’ is one of the priority areas set out by the Commission in its document entitled ‘***Strategic*** engagement for gender equality 2016-2019’; F. whereas it is deplorable to note that women suffer particular discrimination in relation to access to the labour market, work for substantially lower wages and constitute the majority of the workforce in part-time jobs, often taken involuntarily; whereas they have to face major pension disparities, more uncertain and precarious employment ties, and are at greater risk of poverty than men, with single mothers, older women living alone and disabled women most affected; whereas families with three or more children also face a higher risk of poverty; whereas maternity represents unacceptable grounds for discrimination against women in relation to accessing and remaining in the labour market; G. whereas in 2014 the employment rate in the EU for people aged between 15 and 64 stood at 59.6 % for women and 70.1 % for men; whereas this gender employment gap is smaller for higher levels of professional qualification; whereas the 2016 Eurofound Report on the gender employment gap estimates the economic costs of this gap at a substantial EUR 370 billion or 2.8 % of GDP for the EU-28; whereas the female employment rate has risen only slightly since 2008, with the convergence in employment driven by the decline in the male employment rate1; H. whereas a glass ceiling still exists for women on the labour market, which is partly attributable to the fact that women are viewed with reference to their reproductive characteristics, which means that women’s career opportunities are hampered by the very possibility of pregnancy later in working life; I. whereas the economic crisis has impacted on the entire European Union, with rural areas especially experiencing devastating levels of unemployment, poverty and depopulation, which affect women in particular; J. whereas very often single women with dependent children are compelled to accept atypical and precarious work in order to reconcile their private and working lives; K. whereas unemployment rates soared in the period 2008-2014 owing to the profound economic crisis that raged across the EU, and in 2014 the female unemployment rate (10.4 %) was still higher than the rate for men (10.2 %); L. whereas in 2015, 33 % of women worked part-time as against 10 % of men2, and a significant proportion of them were working part-time on an involuntary basis; M. whereas on average in 2014, women’s hourly pay was 16.1 % lower than the corresponding pay for men; whereas women’s economic situation in the household is also characterised by marked inequalities, and where the household comprises a single woman, 1 Data from Eurofound report ‘The gender employment gap: challenges and solutions’ (2016) 2 Data from Eurofound report ‘6th European working conditions survey’ PE587.795v02-00 30/37 RR\1128207EN.docx EN 40 % have incomes in the lowest quintile against 18 % of men, while where the household comprises a women working full-time and a man working part-time, 30 % of women have incomes in the lowest quintile, as against 6 % of men in a similar situation; N. whereas the data show that the main reasons for women leaving the labour market are the need to care for children or elderly people (27 %), their own illness or incapacity (23 %), and other personal or family responsibilities (18 %); O. whereas in the period 2008-2014, so-called NEETs (those not in employment, education or training) in the 15-29 age group showed a percentage increase, with women being the most heavily represented group (17.1 % in 2014), and whereas 34 % of these women are in this situation because of family responsibilities and 16.5 % are long-term unemployed; P. whereas this labour and social context is at the root of the pensions gap, which on average stands at 40 %; Q. whereas women are particularly affected by precarious work and various forms of ‘atypical work’, and are increasingly having to contend with the phenomenon of ‘worker and career individualisation’, an approach which bolsters the more broadly-based offensive against collective bargaining; R. whereas it is vital to ensure that women have the right to jobs with rights and the right to motherhood without being penalised for it, since women continue to be worst affected and suffer most discrimination; whereas examples of this discrimination include pressure from employers on women attending job interviews at which they are asked whether they have children and how old they are, with the aim of influencing women’s decisions and opting for childless workers who are ‘more available’, along with growing economic and work-related pressures on female employees not to take maternity leave; S. whereas many workers who are in precarious employment or unemployed do not have the right to parental leave; T. whereas it is deplorable to note that the EU’s macroeconomic and austerity policies have resulted in increasing levels of poverty and inequality, particularly affecting women, in the southern European Member States such as Greece, Italy, Spain and Portugal; whereas this has adverse repercussions on the conditions in which their families live, particularly their children; U. whereas the EU’s macroeconomic and austerity policies have had a detrimental effect on both flexible labour policies and job security, and have had a severe impact on social and public-sector jobs and childcare and elderly care services, with major repercussions for female employment; whereas women, particularly single mothers, migrants and younger and older women, are most affected by poverty and social exclusion, a situation exacerbated by those same policies; V. whereas levels of poverty and social exclusion in the EU-28 remain extremely high, standing at more than 118.6 million people in 2015 (23.7 % of the population), and women are particularly affected, with more than 62.4 million women in this situation (24.4 %); RR\1128207EN.docx 31/37 PE587.795v02-00 EN W. whereas precarious employment is a contributory factor towards women’s poor mental and physical health, subjecting them to five times more stress, anxiety and depression than colleagues, whether male or female, who are employed on indefinite contracts; X. whereas all too often women are subject to various forms of gender discrimination at their workplace, including being employed at lower levels and being passed over for promotion, along with verbal, psychological and physical harassment and abuse (sexual or otherwise); Y. whereas social inequalities and inequalities between men and women can be combated only through policies guaranteeing a better distribution of wealth, based on measures to ensure decent working conditions, an increase in real wages, action to promote labour regulation and labour protection, in particular through collective bargaining and the regulation of working time, and guaranteed universal free access to high-quality public healthcare and education services; Z. whereas it is important to establish a set of measures to remove existing obstacles and guarantee genuinely equal opportunities for women and men in terms of having access to the labour market and to decent work, and of carrying out that work; AA. whereas it is important to tackle and eliminate undeclared work and unpaid overtime that increase poverty and social exclusion; whereas women domestic workers in general, and migrant and fictitiously self-employed women workers in particular, are especially vulnerable and face particularly precarious working conditions; 1. Is alarmed at the disastrous long-term impact of austerity measures on women’s economic empowerment and on gender equality, with rising unemployment and cuts in public services and benefits resulting in a care crisis; underlines that reductions in care services, cuts in child, disability and carers’ benefits and reductions in tax credits, cuts in statutory leave, including parental and paternity leave, tend to shift care services on to unpaid women who, as a result, are unable to pursue insurable employment or may only be employed on a part-time basis; 2. Notes that combating poverty and inequalities between men and women necessarily entails a fairer distribution of wealth and better employment legislation, notably through collective bargaining, higher wages, and implementation of the principle of equal pay for equal work and work of equal value, as well as social protection; considers it urgent to develop an EU-level definition of work of equal value, taking into account ECJ case law, to ensure that factors such as working conditions, the responsibility conferred on workers and the physical or mental requirements of the work are taken into consideration; considers it urgent to address the issue of equal pay for ‘work of equal value’; calls on the Commission to promote gender equality in the workplace, including by means of awareness-raising campaigns on the Gender Pay Gap, the European Equal Pay Gap and the exchange of good practices; 3. Calls on the Commission and the Member States to monitor, protect and tackle the phenomenon of ‘mobbing’ in the workplace, including the harassment of pregnant female employees or any disadvantage experienced after returning from maternity leave; calls on the Commission and the Member States to provide both gender- and parenthood- or motherhood-disaggregated data regarding pay and pension gaps; PE587.795v02-00 32/37 RR\1128207EN.docx EN 4. Considers that, in order to combat poverty and lack of equality, vigorous measures need to be taken against discrimination and harassment on the labour market in conjunction with a more equitable distribution policy; considers that a zero target for sexual harassment should be instituted as a code of conduct on the European labour market; 5. Calls on the Member States to take measures to eliminate the pay and pension gaps between women and men and to put an end to all forms of legislation and policies legitimising precarious employment; calls on the Member States to implement labour legislation that promotes labour regulation, collective bargaining, social protection and higher wages, and to invest in the creation of permanent jobs and in lifelong learning and professional training as means of overcoming gender inequalities; likewise urges Member States to give priority to drafting active policies and taking positive action to boost women’s participation in the labour market and their economic independence, and to eliminate the gaps between men and women in terms of wages, the levels at which they are employed, promotions, earnings and pensions; 6. Calls on Member States to build up and strengthen national labour inspection bodies by providing them with the necessary conditions and financial and human resources to give them an effective presence on the ground and thereby enable them to combat job insecurity, unregulated work, and labour and wage discrimination, particularly from the point of view of gender equality; 7. Considers that under no circumstances should the increased demands for flexibility on the labour market result in women continuing to be over-represented in atypical employment and among those with insecure employment status; 8. Notes that measures to increase wage transparency are fundamental to closing the gender pay gap; calls on the Member States to implement the Commission’s recommendation on wage transparency; 9. Calls on the Member States to introduce legislation to protect or augment maternity, paternity and parental rights, and asks for this protection also to be reflected in employment legislation; urges the Commission to review, while respecting Parliament’s position, the existing maternity directive with high-level standards, including the possible adoption of measures guaranteeing the allocation of parental leave allowances that are always calculated on the basis of 100 % of reference pay, ensuring that women are paid and covered by social protection for the duration of their maternity leave, with a view to safeguarding families’ social and economic well-being, and promoting the take-up of parental leave by fathers; stresses that maternity leave must be accompanied by effective measures that protect the rights of pregnant women and new, breastfeeding and single mothers, reflecting the recommendations of the International Labour Organisation and the World Health Organisation; stresses that the comprehensive legislative proposal should have equality between men and women as its legal basis, ensuring the principle of equal opportunities and equal treatment of women and men at work; 10. Calls on Member States and the Commission to reformulate tax and benefit systems that give financial incentives for the spouse earning less to withdraw from the labour market or to work part-time, as this may run counter to a higher take-up rate of parental leave by fathers and brings negative consequences for women, such as reinforcing the gender pay, care and pension gap; RR\1128207EN.docx 33/37 PE587.795v02-00 EN 11. Urges Member States to adopt legislation to guarantee women’s inclusion in the social security system, protecting women workers during periods of unemployment and guaranteeing the right to obtain a pension; 12. Urges Member States to comply with and enforce legislation on maternity rights so that women do not suffer disadvantages in terms of pensions because they have been mothers during their working lives; 13. Calls on the Member States to promote public policies to support families, with a particular emphasis on the creation of free, high-quality public childcare services, such as crèches and preschool services, and to strengthen the network of specialised services providing care to the elderly, particularly in their own homes, in order to promote a healthy work-life balance for the benefit of working women and as a way of removing constraints that, by discriminating against women, objectively contribute to women’s withdrawal from the labour market; 14. Highlights the importance of adequate minimum income schemes for maintaining human dignity and to combat poverty and social exclusion, as well as their role as a form of social investment enabling people to participate in society and to undertake training and/or look for work; invites the Commission and Member States to assess minimum income schemes in the EU, including whether the schemes enable households to meet their needs; invites the Commission and Member States to evaluate on this basis the manner and the means of providing an adequate minimum income in all Member States and to consider further steps in support of social convergence across the EU, taking into account the economic and social circumstances of each Member State as well as national practices and traditions; 15. Notes that the European social partners have not come forward with an agreement on a comprehensive package of legislative and non-legislative measures regarding the reconciliation of professional, private and family life; calls on the Commission to put forward as soon as possible a proposal for such a package as part of the Commission Work ***Programme*** 2017, in the context of the announced European pillar of social rights; 16. Calls on Member States to draft legislation introducing preventive policies such as gender equality ***plans*** to combat gender discrimination at the workplace and create a suitable working environment for women and for men; 17. Calls on Member States to take steps to regularise undeclared work and the abuse of temporary contracts to which women in particular are subject, with the aim of improving the position of and protection for the most vulnerable groups, in particular women domestic workers and fictitiously self-employed women workers; urges Member States to implement measures such as the provision of services offering advice and acting to prevent occupational discrimination, and the setting-up of employment monitoring and regulation authorities to ensure compliance with rules on hiring, payments, training, working practices and the termination of contracts; 18. Recommends that Member States ensure that all young people have access to high-quality free public education at all ages, particularly at the higher levels of education and training, since it has been shown that raising the level of training helps to reduce labour inequalities between men and women; PE587.795v02-00 34/37 RR\1128207EN.docx EN 19. Calls on the Member States to provide adequate income replacement and social protection during any type of family- or care-related leave, in particular so as to ensure that low-income workers can benefit from leave measures on an equal footing with others; 20. Underlines that migrants and refugees should have the same rights and should have access to the same benefits and services as other workers, through a universal model that is not related to insurance contributions and employment history; 21. Calls on the Commission to draw up a compendium of practices that have proved successful in the Member States, with a view to disseminating and promoting them in order to prevent gender discrimination at work and protect women’s rights in particular; 22. Calls on Member States and social partners to promote decent working conditions and quality employment for care workers, including through decent pay, recognition of care workers’ status and the development of high-quality vocational training pathways for care workers; 23. Asks the Commission to guarantee that part-time workers, workers facing job discontinuity and workers with career gaps or with periods where fewer hours were worked have an effective equalisation to full-time workers in their right to access a decent pension scheme without any form of discrimination; 24. Stresses that women workers with mental health problems are at a very high risk as regards all elements of precarious work; stresses that those workers are over-represented in time-limited contracts, in-work poverty, part-time work, career disruptions and other precarious contract arrangements; calls on the Commission and the Member States to ensure that European health and safety legislation is sufficiently strong and efficient to protect those vulnerable workers in a better way; stresses that all types of harassment at work strongly affect the quality of life and work, health and wellbeing. RR\1128207EN.docx 35/37 PE587.795v02-00 EN RESULT OF FINAL VOTE IN COMMITTEE ASKED FOR OPINION Date adopted 6.2.2017 Result of final vote +: –: 0: 15 7 1 Members present for the final vote Beatriz Becerra Basterrechea, Vilija Blinkevičiūtė, Viorica Dăncilă, Iratxe García Pérez, Arne Gericke, Anna Hedh, Mary Honeyball, Agnieszka Kozłowska-Rajewicz, Florent Marcellesi, Maria Noichl, Pina Picierno, João Pimenta Lopes, Terry Reintke, Michaela Šojdrová, Ángela Vallina, Elissavet Vozemberg-Vrionidi, Jadwiga Wiśniewska, Anna Záborská Substitutes present for the final vote Inés Ayala Sender, Evelyn Regner, Mylène Troszczynski Substitutes under Rule 200(2) present for the final vote Francisco Assis, Claudia Schmidt PE587.795v02-00 36/37 RR\1128207EN.docx EN INFORMATION ON ADOPTION IN COMMITTEE RESPONSIBLE Date adopted 30.5.2017 Result of final vote +: –: 0: 38 1 5 Members present for the final vote Laura Agea, Guillaume Balas, Brando Benifei, Vilija Blinkevičiūtė, Enrique Calvet Chambon, Ole Christensen, Lampros Fountoulis, Elena Gentile, Arne Gericke, Czesław Hoc, Danuta Jazłowiecka, Agnes Jongerius, Jan Keller, Agnieszka Kozłowska-Rajewicz, Jean Lambert, Jérôme Lavrilleux, Jeroen Lenaers, Verónica Lope Fontagné, Javi López, Thomas Mann, Dominique Martin, Anthea McIntyre, Elisabeth Morin-Chartier, João Pimenta Lopes, Marek Plura, Terry Reintke, Claude Rolin, Anne Sander, Sven Schulze, Siôn Simon, Jutta Steinruck, Romana Tomc, Yana Toom, Ulrike Trebesius, Marita Ulvskog, Tatjana Ždanoka, Jana Žitňanská Substitutes present for the final vote Georges Bach, Dieter-Lebrecht Koch, Paloma López Bermejo, Joachim Schuster, Csaba Sógor, Neoklis Sylikiotis Substitutes under Rule 200(2) present for the final vote Sophia in ‘t Veld RR\1128207EN.docx 37/37 PE587.795v02-00 EN FINAL VOTE BY ROLL CALL IN COMMITTEE RESPONSIBLE 38 + ALDE EFDD GUE/NGL NI PPE S&D VERTS/ALE Enrique Calvet Chambon, Yana Toom, Sophia in 't Veld Laura Agea Paloma López Bermejo, João Pimenta Lopes, Neoklis Sylikiotis Lampros Fountoulis Georges Bach, Danuta Jazłowiecka, Dieter-Lebrecht Koch, Agnieszka Kozłowska-Rajewicz, Jérôme Lavrilleux, Jeroen Lenaers, Verónica Lope Fontagné, Thomas Mann, Elisabeth Morin-Chartier, Marek Plura, Claude Rolin, Anne Sander, Sven Schulze, Csaba Sógor, Romana Tomc Guillaume Balas, Brando Benifei, Vilija Blinkevičiūtė, Ole Christensen, Elena Gentile, Agnes Jongerius, Jan Keller, Javi López, Joachim Schuster, Siôn Simon, Jutta Steinruck, Marita Ulvskog Jean Lambert, Terry Reintke, Tatjana Ždanoka 1 - ENF Dominique Martin 5 0 ECR Arne Gericke, Czesław Hoc, Anthea McIntyre, Ulrike Trebesius, Jana Žitňanská Key to symbols: + : in favour - : against 0 : abstention

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Lincolnshire Echo

September 7, 2017 Thursday

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**Section:** BUSINESS:***AGRICULTURE***; Pg. 20-21

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**Body**

RAF SQUIRREL HT.1

The Squirrel - once an AÃ©rospatiale product, subsequently a Eurocopter one, and now part of the new Airbus Helicopters family - was chosen by the UK Ministry of Defence to provide single-engined rotary-wing training for all three armed services. As such, it is used by the component units of the Defence Helicopter Flying School at RAF Shawbury. Another Squirrel operator is the Central Flying School (Helicopter) Squadron, also Shawbury-based, which will send an HT.1 variant to RIAT 2017 for static display. CFS(H) trains helicopter instructors.

RAF A400M ATLAS C.1

The RAF is inducting the Airbus Atlas C.1, its designation for the A400M, into service with Nos 24 and 70 Squadrons at Brize Norton in Oxfordshire. The first of 22 such aircraft arrived in November 2014 and deliveries of the whole fleet are expected to be completed by 2019.

The four-turboprop A400M combines the attributes of a tactical airlifter, in being able to operate from short, unprepared strips, with the long-range ***strategic*** capabilities of heavy jet transports.

The RAF will gradually expand the type's tactical capabilities as it gets ready to retire the C-130J Hercules from service. No 24 Squadron is the RAF's Fixed-Wing Air Mobility Operational Conversion Unit, while No 70 Squadron is the service's first operational Atlas unit.

RAF HAWK T.1

The RAF still operates many examples of the 'original' Hawk T.1, not least through the type's use by No 100 Squadron at RAF Leeming, North Yorkshire. 'The Ton' is an historic unit, having been formed in 1917. Today it uses its fleet of Hawks to provide target facilities support, flying as aerial targets for other aircraft during training sorties, as well as exercise support and weapons systems officer training; it also provides aircraft for use by the Joint Forward Air Controllers Training and Standards Unit. No 100 Squadron was based at RAF Scampton briefly from December 1945 to May 1946.

RAF HAWK T.2

The Hawk T.2 is a fully aerobatic, low wing, transonic, 2-seat training aircraft with mission avionics that are representative of front-line aircraft. It is used to train pilots for Tornado GR.4, Typhoon and F-35 Lighting II. The Hawk has tandem seats, with full controls available in the front and rear cockpit. Duplication of essential controls with appropriate override facilities is provided in the rear cockpit, for example store jettison, landing gear and flaps. The aircraft's 'glass cockpit' avionics suite provides a realistic advanced fast jet training platform. It allows trainees to be immersed in the more complex tactical environments.

RAF KING AIR

The twin-turboprop Beech King Air family has been used for a very wide variety of civilian and military applications. The RAF employs the B200 model as an advanced multi-engine trainer, in service with No 45 (Reserve) Squadron, part of No 3 Flying Training School at Cranwell in Lincolnshire. As part of the course, students learn essential skills for handling a multi-engined aircraft and develop the skills necessary to get the best out of operating in a multi-crew environment. Other King Air variants used by the UK military are based on the larger 350 model, these being the RAF's Shadow surveillance platform and the Royal Navy's Avenger observer trainer.

RAF TORNADO

The mainstay of the RAF's strike force, the Tornado GR.4 is now in its twilight years. Able to operate by day or night and in all weathers, the Tornado remains just as relevant, flexible and capable a strike aircraft today as when it entered front-line operational RAF service in 1982. This much has been proved by its involvement in many recent conflicts in the Middle East. Armed with precision-guided weapons and possessing highly advanced reconnaissance sensors, the GR.4 will continue to be part of the RAF's inventory until a ***planned*** out-of-service date in 2019. The examples at Scampton 2017 are from No. 9 (Bomber) Squadron based at RAF Marham.

RAF TUCANO

The Tucano T.1 is a modified version of the Brazilian Embraer EMB-312 Tucano aircraft, and is built under licence by Shorts of Belfast. The Tucano T1 is operated primarily from No 1 Flying Training School, at RAF Linton-on-Ouse, to provide basic fast jet flying training to RAF and RN student pilots. The aircraft handling is similar to that of a jet aircraft and it is fully aerobatic, thus providing an excellent platform for the training of fast-jet pilots in all aspects of military flying. It is used to develop students in a full range of skills, including general aircraft handling, formation flying and low-level navigation and, due to its comprehensive avionics and ice protection packages, it can be flown in all types of weather, by day and by night.

RAF TUTOR

The G115 was designed by German manufacturer Grob as a basic trainer, made from carbon composites. Very light and fully aerobatic, it was selected by the RAF as a replacement for the Scottish Aviation Bulldog with the Air Experience Flights and University Air Squadrons. The Tutor, as the RAF dubbed it, has side-by-side seating, but the primary flight instruments are on the right-hand side of the cockpit, allowing the student to fly the aircraft from the right-hand seat with a right-hand stick and left-hand throttle, rendering easier their hopeful future transition to fast jets. The aircraft are provided to RAF by VT Group, and all are on the civil register; today they equip 15 UASs and 12 AEFs, plus the Central Flying School and RAF College. No 57 Squadron will be providing the static example on the ground at Scampton.

RAF TYPHOON - STATIC

The Typhoon is a multi-role, all weather capable fighter and ground attack aircraft that has seen operational deployments covering military action in Libya during 2011 through to Baltic air policing around the Eastern Bloc nations.

The Typhoon holds the United Kingdom's Quick Reaction Alert (QRA) from RAF Lossiemouth and nearby RAF Coningsby. The two examples joining the static display at Scampton Airshow are from No 6 Squadron, based at RAF Lossiemouth in Scotland and No 41 Squadron from nearby Coningsby.

ROYAL NAVY MERLIN

The Royal Navy was the first of the UK's armed services to induct into service the multi-purpose Merlin helicopter, this being the British military designation of what was the EH Industries EH101, now the AgustaWestland AW101. It did so in Merlin HM1 form, front-line operational capability being achieved in 2000. An upgrade ***programme*** ***produced*** 30 examples of the HM2 version with, amongst other improvements, enhanced mission systems and avionics. Anti-submarine warfare is the stock-in-trade of the Navy Merlins, for which role the type is armed with Sting Ray torpedoes. That aside, this is very much a multi-role helicopter, able also to perform general passenger and cargo transport, search and rescue, surface patrol, casualty evacuation and anti-piracy or anti-drug-running sorties. Four Naval Air Squadrons currently operate the Merlin, all from Royal Naval Air Station Culdrose in Cornwall. The fleet was also augmented by the addition of aircraft from the RAF's Merlin force, which were transferred to the Navy.

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[***Council of the European Union: COMMISSION STAFF WORKING DOCUMENT Report on Critical Raw Materials and the Circular Economy ST 5450 2018 ADD 2***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5RP3-61W1-F0YC-N3NY-00000-00&context=1516831)

Impact News Service

February 9, 2018 Friday

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**Body**

Brussels: Council of the European Union has issued the following document:

5450/18 ADD 2 MM/am DG E 1A EN Council of the European Union Brussels, 18 January 2018 (OR. en) 5450/18 ADD 2 ENV 29 IND 19 RECH 22 COVER NOTE From: Secretary-General of the European Commission, signed by Mr Jordi AYET PUIGARNAU, Director date of receipt: 17 January 2018 To: Mr Jeppe TRANHOLM-MIKKELSEN, Secretary-General of the Council of the European Union No. Cion doc.: SWD(2018) 36 final - Part 3-3 Subject: COMMISSION STAFF WORKING DOCUMENT Report on Critical Raw Materials and the Circular Economy Delegations will find attached document SWD(2018) 36 final - Part 3-3. Encl.: SWD(2018) 36 final - Part 3-3 EN EN EUROPEAN COMMISSION Brussels, 16.1.2018 SWD(2018) 36 final PART 3/3 COMMISSION STAFF WORKING DOCUMENT Report on Critical Raw Materials and the Circular Economy 32 (b) (c) 33 (d) For example, Figure 13 shows that currently only a small fraction of CRMs remains inside Europe’s socio-economic system through functional recycling. For dysprosium (one of the heavy REEs), functional recycling is not observed at all. The potential to improve recycling of materials depends on various factors such as recycling infrastructure, market prices, possibility to disassemble products, and the amount of material becoming available from products reaching their end-of-life.

In some cases, material flows are going to stock (e.g when used in durable products) and they are not available for recycling for several years. This, however, is often the result of a continuous service of the materials to the society i.e maintaining value within the economy, in line with the circular economy concept. Lifetime of CRMs in EEE largely depends on the type of application and the end-use product. For example, lifetimes of REEs can vary from a few years (or even months) for lamps, up to decades in high efficiency motors. It is not possible either to generalise on the ease of disassembly (and hence of repair and re-use) of certain parts containing CRMs, since this depends on the type of product and even its brand. It is observed that the trend of miniaturisation of electronics is generally making disassembly of components increasingly challenging. At the same time, the recycling of CRMs contained in EEE largely depends on the type of application and on the value of the raw materials. For example, precious metals in electronics (e.g PGMs in printed circuit boards) are generally separated and recycled because this is economically viable1. On the contrary, the recycling of materials such as 1 [*http://www.umicore.com/en/about/elements/*](http://www.umicore.com/en/about/elements/) 34 gallium, germanium, indium, silicon metal, and REEs is more challenging because of their disperse use in products2. Few data are available about the reuse of EEE. Reuse of EEE is generally not much established in the EU, except for some durable household products, e.g , washing machines and dishwashers, for which the reuse rate in certain EU countries can amount to 1% of the flow3. The ProSUM EU Urban Mine Knowledge Data Platform provides data on stocks and flows of secondary raw materials arising from different WEEE such as end-of-life screens, including end-of-life Cathode Ray Tube (CRT) TVs and monitors, Liquid Crystal Display (LCD) based TVs and monitors, laptops, and tablets4. The project has estimated the content of screens placed on the market and screen waste over time (see Figures 14 and 15). This includes the content of precious metals such as gold (Au) and silver (Ag) but also CRMs such as indium (In), neodymium (Nd) and palladium (Pd). Figure 14: Selected precious metals and CRMs in screens placed on market 2000-2020, in tonnes (source: ProSUM project) 2   [*http://bookshop.europa.eu/en/feasibility-study-for-setting-up-reference-values-to-support-the-calculation-of-recyclability-recoverability-rates-of-electr-on-ic-products-pbLBNA27922/*](http://bookshop.europa.eu/en/feasibility-study-for-setting-up-reference-values-to-support-the-calculation-of-recyclability-recoverability-rates-of-electr-on-ic-products-pbLBNA27922/) 3   [*http://publications.jrc.ec.europa.eu/repository/handle/JRC102632*](http://publications.jrc.ec.europa.eu/repository/handle/JRC102632) 4 More detailed information can be found on   [*http://rmis.jrc.ec.europa.eu/?page=contributions-of-h2020-projects-236032*](http://rmis.jrc.ec.europa.eu/?page=contributions-of-h2020-projects-236032) 35 Figure 15: Selected precious metal and CRM content estimated in screen waste generated in the EU 2000 -2020, in tonnes (source: ProSUM project) Data sources No Name and link/ref. Scope Refer-ence period / date of publ. Lan-guage Free / sub-scrip-tion Comments Subsec-tors CRMs Geo-gra-phic area 1 Eurostat5 WEEE - EU 28 2005-2014 English, German, French Free Data on WEEE collected and treated by Member States 2 ProSUM6 WEEE All EU 28 2015- English Free Data on stocks and flows of secondary raw materials 3 Ecodesign preparatory study on enterprise servers7 Enter-prise servers All EU 27 2014 English Free Example of prepar-atory study investi-gating the relevance of certain CRMs for the product group in question8 4 Review of Ecodesign preparatory study on fan9 Fans Rare Earths EU 27 2015 English Free Example of preparatory study investigating the relevance of rare earths for the product group in 5   [*http://ec.europa.eu/eurostat/web/waste/key-waste-streams/weee*](http://ec.europa.eu/eurostat/web/waste/key-waste-streams/weee) 6   [*http://www.prosumproject.eu*](http://www.prosumproject.eu)/ 7   [*https://bookshop.europa.eu/en/ecodesign-preparatory-study-on-enterprise-servers-and-data-equipment-pbET0415685/;pgid=GSPefJMEtXBSR0dT6jbGakZD0000SnCBUHBt;sid=dGYfUdVvKhofVY0Th7OB9rdKc7UZgnesCDY=*](https://bookshop.europa.eu/en/ecodesign-preparatory-study-on-enterprise-servers-and-data-equipment-pbET0415685/;pgid=GSPefJMEtXBSR0dT6jbGakZD0000SnCBUHBt;sid=dGYfUdVvKhofVY0Th7OB9rdKc7UZgnesCDY=) 8 See also the JRC study on material efficiency aspects of servers:   [*https://bookshop.europa.eu/en/environmental-footprint-and-material-efficiency-support-for-product-policy-pbLBNA27467/*](https://bookshop.europa.eu/en/environmental-footprint-and-material-efficiency-support-for-product-policy-pbLBNA27467/) 9   [*http://www.eceee.org/static/media/uploads/site-2/ecodesign/final\_report\_fan\_review\_-\_16\_mar\_2015.pdf*](http://www.eceee.org/static/media/uploads/site-2/ecodesign/final_report_fan_review_-_16_mar_2015.pdf) 36 question 5 Recovery of rare earths from electronic waste: an opportunity for high-tech SMEs. Study for the ITRE Committee IP/A/ITRE/2014-09. EEE REEs EU28 2014 English Free 1.1.1 Existing EU policies The Ecodesign Directive10 addresses the potential negative impact that energy-related products can have on the environment. It does so by 'pushing' the market towards more energy efficient products as the worst performing ones are banned from the market. This Directive is complemented by the Energy Labelling Directive11, which 'pulls' the market towards more energy (and resource) efficient products by informing consumers about their energy performance through the well-recognised and understood EU energy label. The Ecodesign Directive provides an overall framework, while specific requirements are put in place for different groups of products that have, during their use, an impact on the energy consumption. These requirements are set after analysing the impact the products can have on the environment during their production, use and disposal or recycling. The Ecodesign Working ***Plan*** 2016-201912, adopted as part of the Clean Energy for All Europeans package, sets out to give more support to measures seeking to improve resource efficiency, reparability, recyclability and durability. See Annex II for examples of CRMs discussed within Ecodesign preparatory studies. The WEEE Directive 2012/19/EU has as its objective to contribute to sustainable production and consumption of EEE through, as a first priority, the prevention of waste and, in addition, by the preparation for re-use, recycling and other forms of recovery of waste of EEE, so as to reduce the disposal of waste and to contribute to the efficient use of resources and the retrieval of valuable secondary raw materials contained in EEE. The WEEE Directive sets collection targets to be met over time. Until 2015 the target of 4 kilograms per inhabitant from private households applied, while a target of 45% of the average weight of EEE placed on the market in the three preceding years applies from 2016. From 2019, a target of 65% of the average weight of EEE placed on the market in the three preceding years, or 85% of WEEE generated in the year of reference, applies. The WEEE Directive also requires that all separately collected WEEE undergoes proper treatment in order to avoid losses of valuable secondary raw materials. To this end, it sets recovery targets which are applicable per EEE category as set out in Annex V to the Directive. Annex VII to the Directive lays down minimum treatment requirements. To assist relevant operators in fulfilling the requirements of the WEEE Directive, the Commission requested the European Standardisation Organisations to develop non-binding European standards for the treatment, including recovery, recycling and preparing for reuse of WEEE, reflecting the state of the art. The standards13 have been largely finalised by CENELEC. 10 Directive 2009/125/EC 11 Directive 2010/30/EU 12 COM(2016) 773 final 13   [*http://ec.europa.eu/environment/waste/weee/standards\_en.htm*](http://ec.europa.eu/environment/waste/weee/standards_en.htm) 37 In order to support Member States in reaching the targets and the full implementation on the ground of the Directive, the Commission has initiated a targeted compliance promotion initiative, starting with assessing the implementation in Member States. Critical factors and obstacles to reaching the targets as well as good practices are being identified, to enable Member States to learn from each other and for further developing WEEE policies. 1.1.2 Circular Economy Action ***Plan*** Additional emphasis is to be put on circular economy aspects in future product requirements under the Ecodesign Directive. In 2016, standardisation work was started within CEN/CENELEC following a request14 by the Commission. The work includes the development of a general method to declare the use of CRMs in energy-related products. The results of the standardisation work are expected by March 2019. To facilitate preparation for reuse and the environmentally sound treatment of WEEE, supporting the requirement in the WEEE Directive15, the Commission initiated a dialogue between manufacturers of EEE and re-use operators and recyclers of WEEE with the aim to improve the exchange of information needed for preparation for reuse and treatment of WEEE. Following a first workshop in 2015, European associations representing the parties concerned are engaged in discussions about how to further operationalise these requirements, specifying information needs and communication channels etc. Initially, the focus of these efforts lies on information needed for the environmentally sound treatment of WEEE as far as dangerous substances and mixtures are concerned, but the scope should be broadened at a later stage to also cover information that will foster the preparation for reuse of WEEE (components) and the recycling of CRMs, and be aligned with the above-mentioned standardisation work. The Action ***Plan***, with a view to fostering increased recycling of CRMs, also includes the development of European standards for material-efficient recycling of complex end-of-life products such as WEEE. The Horizon 2020 project SCRREEN (see Section 3.4) is carrying out preparatory work on WEEE to this end, and a request from the Commission to the European Standardisation Organisations is underway. As pointed out in the Action ***Plan***, in order to raise levels of high-quality recycling, improvements are needed in waste collection and sorting. A new Horizon 2020 funded project called COLLECTORS16 will map different WEEE collection systems in Europe, gain insight into the overall performance of systems and support decision-makers in shifting to better-performing systems via capacity-building and guidelines. Finally, in order to foster high-quality recycling in the EU and elsewhere, the Action ***Plan*** sets out to promote voluntary certification of treatment facilities for certain key types of waste including WEEE. The Commission has launched a call for proposals under Horizon 2020 to this effect.17 1.1.3 Best Practices • Using the Ecodesign Directive to improve the design of EEE so as to increase the recycling of CRMs. Several eco-design regulations are asking manufacturers to 14 M/543,   [*http://ec.europa.eu/growth/tools-databases/mandates/index.cfm?fuseaction=search.detail&id=564*](http://ec.europa.eu/growth/tools-databases/mandates/index.cfm?fuseaction=search.detail&id=564) 15 Article 15 of the WEEE Directive requires that ***producers*** provide information on different EEE components and materials, as well as the location of dangerous substances and mixtures in EEE which shall be made available to operators carrying out preparation for re-use and/or treatment operations. 16   [*https://www.innovationplace.eu/project/collectors-waste-collection-systems-assessed-and-good-practices-identified/954*](https://www.innovationplace.eu/project/collectors-waste-collection-systems-assessed-and-good-practices-identified/954) 17   [*https://ec.europa.eu/research/participants/portal/desktop/en/opportunities/h2020/topics/ce-sc5-08-2018-2019-2020.html*](https://ec.europa.eu/research/participants/portal/desktop/en/opportunities/h2020/topics/ce-sc5-08-2018-2019-2020.html) 38 provide technical documentation of “information relevant for disassembly, recycling or disposal at end-of-life”. More specifically, the regulation on ventilation units18 requires “detailed instructions (…) for the manual disassembly of permanent magnet motors, and of electronics parts” that generally contain significant amounts of CRMs (in particular REEs). Several preparatory studies are addressing the use of CRMs and circular economy aspects, e.g those on electronic displays or enterprise servers (see Annex II). • Supporting the development of innovative recycling technologies for CRMs. The Commission has funded several research projects concerning the development of innovative solutions for the recycling of CRMs from EEE. For example, the RECLAIM project19 led to the design and construction of an innovative plant for the recycling of yttrium and europium from spent fluorescent lamp powders. (See Section 3.6 for examples of on-going projects.) 1.1.4 Possible further actions • Several recent preparatory studies under the Ecodesign Directive have come up with proposals of requirements to ensure an easier extraction at end-of-life of key components containing CRMs or proposals for declaring the content of some CRMs. • Further explore with stakeholders the potential of new satellite technologies to better detect and tackle e-waste crime. See also the Technological Roadmap to Near Zero Waste in WEEE20 of the Horizon 2020 project NEW\_InnoNet. 5.4 Batteries (This section also covers to a certain extent batteries used in the automotive sector. For more information on such batteries, see Section 5.5 ) 5.4.1 Data and data sources There are three types of batteries: portable, industrial and automotive batteries. In the last decades, new battery chemistries have appeared on the market due to the development of new applications (e.g electric vehicles, e-bikes). Depending on the battery chemistry, the main CRMs embedded in waste batteries are antimony, cobalt, natural graphite, indium and some rare earth elements (see Figures 16 and 17). Antimony is mainly use for lead-acid batteries, and its use has declined due to new battery technologies.21 In contrast, in recent years the battery market has seen a relative increase in the amount of cobalt: from 25% of global end uses of cobalt in 2005 to 44% in 2015.22 This is mainly related to specific Li-ion chemistries (e.g Li-NMC suitable for new applications, see Figure 16). Concerning natural graphite, almost 10% of worldwide uses of graphite in 2010 was for the batteries sector.23,24 In fact, graphite is widely used in several rechargeable and non- 18 Commission Regulation (EU) No 1253/2014.   [*http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32014R1253*](http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32014R1253) 19   [*http://www.re-claim.eu*](http://www.re-claim.eu)/ 20   [*http://www.newinnonet.eu/ReportsList.aspx*](http://www.newinnonet.eu/ReportsList.aspx) 21 EC, 2015. “Report on Critical Raw Materials for the EU critical raw materials profiles”, available at   [*http://ec.europa.eu/DocsRoom/documents/11911/attachments/1/translations/en/renditions/native*](http://ec.europa.eu/DocsRoom/documents/11911/attachments/1/translations/en/renditions/native) 22 2017 CRM assessment 23 EC, 2015. “Report on Critical Raw Materials for the EU critical raw materials profiles”, available at   [*http://ec.europa.eu/DocsRoom/documents/11911/attachments/1/translations/en/renditions/native*](http://ec.europa.eu/DocsRoom/documents/11911/attachments/1/translations/en/renditions/native) 39 rechargeable batteries (both portable and industrial) as anode, for example in the quickly growing Li-ion battery market (see Figure 16).25 From 2010 to 2017, alkaline batteries accounted for about 5% of indium consumption.26 Finally, among rare earth elements, 10% of the worldwide lanthanum and 6% of cerium are used for NiMH batteries.27 \* Graphite carbon Figure 16: Elements embedded in Li-ion batteries according to specific chemistries (source: ProSUM project) Figure 17: Flow of CRMs into battery applications according to the 2017 CRM assessment 24 Labie R. et al. (2015). “Recuperation of critical metals in Flanders: Scan of possible short term opportunities to increase recycling”, available at   [*https://steunpuntsumma.be/nl/publicaties/recuperation-of-critical-metals-in.pdf*](https://steunpuntsumma.be/nl/publicaties/recuperation-of-critical-metals-in.pdf) 25 EC, 2015. “Report on Critical Raw Materials for the EU critical raw materials profiles”, available at   [*http://ec.europa.eu/DocsRoom/documents/11911/attachments/1/translations/en/renditions/native*](http://ec.europa.eu/DocsRoom/documents/11911/attachments/1/translations/en/renditions/native) 26 Indium Corporation (2013), The Indium Market. 2017 CRM assessment 27 2017 CRM assessment 0102030405060708090100LiSO2LiSOCl2LiMnO2LiCFxLiCoO2LiNMCLiFePO4LiMnmass fraction ( median)Lithium batteriesAlC\*CdCeCoCrCuFFeLaLiMnNdNiPPbPrSSbZn 40 Actual collection rates of waste batteries depend on the battery technology/type (e.g rechargeable/non-rechargeable batteries, Lithium/Ni-Cd batteries), on the lifetime of batteries, and on the end-use behaviour. For automotive lead-acid batteries, the collection and the recycling rates are much higher than for other batteries.28 Material ***produced*** from battery recycling can be used for the battery industry (e.g cobalt) or steel and other industries, depending on the quality of the recycled material. Recycling of cobalt mainly occurs thanks to the lower costs of the recovered cobalt compared to cobalt extraction from ores.29 Recycling of graphite, on the other hand, is quite limited. In the recycling process of batteries, graphite is usually lost in the recovery processes. However, in hydrometallurgical processes, the recovery of graphite is possible.30,31 Finally, the end-of-life recycling rates for lanthanum and cerium are below 1%.32 Figure 18: Simplified Sankey diagrams for materials used predominantly in the battery sector: (a) cobalt and (b) natural graphite. Values for the EU-28 expressed in t/year for the year 2012 based on the 2015 MSA study33 (a) 28 IHS Consulting, 2014. “The availability of automotive lead-based batteries for recycling in the EU”, available at   [*www.eurobat.org/sites/default/files/ihs\_eurobat\_report\_lead\_lores\_final.pdf*](http://www.eurobat.org/sites/default/files/ihs_eurobat_report_lead_lores_final.pdf) 29 EC, 2015. “Report on Critical Raw Materials for the EU critical raw materials profiles”, available at   [*http://ec.europa.eu/DocsRoom/documents/11911/attachments/1/translations/en/renditions/native*](http://ec.europa.eu/DocsRoom/documents/11911/attachments/1/translations/en/renditions/native) 30 EC, 2015. “Report on Critical Raw Materials for the EU critical raw materials profiles”, available at   [*http://ec.europa.eu/DocsRoom/documents/11911/attachments/1/translations/en/renditions/native*](http://ec.europa.eu/DocsRoom/documents/11911/attachments/1/translations/en/renditions/native) 31 Moradi, B. & Botte, G.G J Appl Electrochem (2016) 46: 123.   [*http://link.springer.com/article/10.1007/s10800-015-0914-0*](http://link.springer.com/article/10.1007/s10800-015-0914-0) 32 EC, 2015. “Report on Critical Raw Materials for the EU critical raw materials profiles”, available at   [*http://ec.europa.eu/DocsRoom/documents/11911/attachments/1/translations/en/renditions/native*](http://ec.europa.eu/DocsRoom/documents/11911/attachments/1/translations/en/renditions/native) 33   [*https://ec.europa.eu/jrc/en/scientific-tool/msa*](https://ec.europa.eu/jrc/en/scientific-tool/msa) 41 (b) Among the waste batteries flows, it is worth noting that the export flow of waste batteries to non-EU Member States is low; on the contrary, there is significant movement of waste batteries and accumulators between Member States.34 However, batteries contained in EEE, especially rechargeable portable batteries, can enter in a second hand market outside of Europe.35 Together with these waste flows, un-removed batteries from (W)EEE or batteries removed from WEEE but treated without recording their treatment contribute to increasing the data uncertainty.36 Data sources No Name and link/ref. Scope Reference period / date of publ. Lan-guage Free / sub-scrip-tion Comments Subsectors CRMs Geo-graphic area 1 Eurostat37 “Lead batteries”, “Ni-Cd batteries”, “Other batteries and accumula-tors” No specific data on CRMs Europe 2009-2015 English Free Data about recycling of batteries and accumulators 34 Tsiarta et al., 2015, “Final Implementation Report for the Directive 2006/66/EC on Batteries and Accumulators”, available at   [*http://ec.europa.eu/environment/waste/batteries/studies.htm*](http://ec.europa.eu/environment/waste/batteries/studies.htm) 35 EPBA, 2015 “The collection of waste portable batteries in Europe in view of the achievability of the collection targets set by Batteries Directive 2006/66/EC”, available at   [*http://www.epbaeurope.net/documents/Reportontheportablebatterycollectionrates-UpdateDec-15-Exerpt.pdf*](http://www.epbaeurope.net/documents/Reportontheportablebatterycollectionrates-UpdateDec-15-Exerpt.pdf) 36 EPBA, 2015 37   [*http://ec.europa.eu/eurostat/data/database?node\_code=env\_wasbat*](http://ec.europa.eu/eurostat/data/database?node_code=env_wasbat) 42 2 Eurostat38 Portable and batteries accumula-tors No specific data on CRMs Europe 2009-2015 English Free Data about sales and col-lection of portable bat-teries and accumulators 3 ProSUM39 Batteries All EU 28 2015- English Free Data on stocks and flows of secondary raw materials 4 EPBA (Euro-pean Portable Batteries Asso-ciation)40 Portable batteries No specific data on CRMs Europe 1995 - 2014 English Free Data on col-lection rates in EU countries 5 Recharge (Eu-ropean Associ-ation for Ad-vanced Re-chargeable Batteries)41 Li-ion batteries No specific data on CRMs Europe 2006-2013 English Free Data about collection rates of portable batteries in Europe 6 EUROBAT (European Automotive and Industrial Bat-tery Manufac-turers) 42 Automotive and indus-trial batter-ies Antimony and cobalt Europe 2011-2015 English Free Data about battery market volume. Considerations of antimony and cobalt in the report “Re-source Availa-bility of Metals used in Batteries for Automotive Applications”. 7 EUCOBAT (European association of national collec-tion schemes for batteries)43 Portable batteries No specific data on CRMs Europe 2000-2012 English Free Data about the collection rate of portable batteries 8 EBRA Euro-pean Battery Recycling As-sociation44 Batteries’ recycling No specific data on CRMs Europe 2009-2012 English Free Statistics about battery recy-cling 9 Darton Com-modities. 2016. Cobalt market review, 2015-201645 All sectors with spe-cific data on Li-ion batteries Cobalt World-wide 2015-2016 English Sub-scrip-tion 10 Roskill: Natural and Synthetic Graphite Market Outlook (2015) 46 All sectors with spe-cific data on Li-ion batteries Graphite World-wide 2015-2020 English Free 38   [*http://ec.europa.eu/eurostat/data/database?node\_code=env\_waspb*](http://ec.europa.eu/eurostat/data/database?node_code=env_waspb) 39   [*http://www.prosumproject.eu*](http://www.prosumproject.eu)/ 40   [*http://www.epbaeurope.net/pub\_technicalSupport.html*](http://www.epbaeurope.net/pub_technicalSupport.html) 41   [*http://www.rechargebatteries.org/contribution-of-advanced-rechargeable-batteries-to-the-eu-agenda-and-initiatives-on-climate-energy-raw-materials-resource-efficienc*](http://www.rechargebatteries.org/contribution-of-advanced-rechargeable-batteries-to-the-eu-agenda-and-initiatives-on-climate-energy-raw-materials-resource-efficienc)/ 42   [*http://eurobat.org/brochures-reports*](http://eurobat.org/brochures-reports),   [*https://eurobat.org/statistics*](https://eurobat.org/statistics) 43   [*http://www.eucobat.eu/downloads*](http://www.eucobat.eu/downloads) 44   [*http://www.ebra-recycling.org/releases*](http://www.ebra-recycling.org/releases) 45   [*http://www.dartoncommodities.co.uk/cobalt*](http://www.dartoncommodities.co.uk/cobalt)/ 46   [*https://roskill.com/market-report/natural-synthetic-graphite/*](https://roskill.com/market-report/natural-synthetic-graphite/) 43 5.4.2 Existing EU policies The Batteries Directive (2006/66/EC) establishes obligations for Member States to maximise the collection of waste batteries and accumulators, and to ensure that all collected batteries undergo proper treatment and recycling. To this end, the Directive defines targets for collection rates and for recycling efficiencies. The Directive is expected to achieve economies of scale in collection and recycling, as well as optimal resource saving. In 2015 only 9 Member States had reached the 45% target for collection of portable batteries established for 2016. However, recycling processes in most countries achieved the minimum levels of recycling efficiencies set by the Directive for lead, nickel-cadmium and other types of batteries. The Directive requires the Commission to review the impact of its provisions on the environment and internal market as well as to evaluate some particular aspects, in relation to heavy metals, targets and recycling requirements. The Commission has launched an evaluation process intended to assess whether the Directive is delivering its objectives, considering also whether new uses of batteries and the new technologies and chemistries developed since its adoption in 2006 are duly addressed. Likewise, the coherence between the provision of the Directive and EU policies on Circular Economy and raw materials is being assessed. As announced in the renewed EU Industrial Policy Strategy47, the Commission proposed a second Mobility Package on 8 November 201748 following the 2016 Strategy for low emission mobility and the spring 2017 first Mobility Package49. The November 2017 package includes strengthened post-2020/2021 carbon dioxide standards for cars and vans and an Alternative Fuels Infrastructure Action ***Plan*** to support the deployment of an EU backbone charging infrastructure. Technologies based on batteries make a crucial contribution to the achievement of the objectives of these ***plans***. How to foster better supply conditions for several CRMs is an important consideration in this context. 5.4.3 Circular Economy Action ***Plan*** The Action ***Plan***, with a view to fostering increased recycling of CRMs, includes the development of European standards for material-efficient recycling of complex end-of-life products such as batteries. A request from the Commission to the European Standardisation Organisations is underway. 5.4.4 Best Practices • Improving the efficiency in the recycling of CRMs in batteries. In Europe, several recyclers have invested in research projects in order to increase the recycling efficiency including for CRMs.50,51,52 • Projects for Policy (P4P) is an initiative aimed at using research and innovation project results to support policy making. Several batteries projects53 addressed issues 47 COM(2017) 479 48   [*https://ec.europa.eu/transport/modes/road/news/2017-11-08-driving-clean-mobility\_en*](https://ec.europa.eu/transport/modes/road/news/2017-11-08-driving-clean-mobility_en) 49 COM(2016) 501; COM(2017) 283 50   [*http://www.recupyl.com/121-20-31-lithium-polymer-battery.html*](http://www.recupyl.com/121-20-31-lithium-polymer-battery.html),   [*http://recupyl.com/44-used-batteries-recycling-plant.html*](http://recupyl.com/44-used-batteries-recycling-plant.html) 51   [*http://www.akkuser.fi/en/news.htm*](http://www.akkuser.fi/en/news.htm) 52   [*http://www.accurec.de*](http://www.accurec.de)/ 44 such as life-time, re-use and recycling and contributed to policy recommendations.54 5.4.5 Possible further actions • Promote suitable design for disassembly of WEEE so that batteries can be readily removed (see Section 5.3.5). Further options are to be identified and assessed as part of the on-going evaluation of the Batteries Directive. 5.5 Automotive sector 5.5.1 Data and data sources In the automotive sector, including conventional (combustion engine vehicles), hybrid (HEVs) and electric vehicles (EVs), several vehicle components contain CRMs. Some examples are graphite (in brake linings, exhaust systems, motors, clutch materials, gaskets and batteries), cobalt (in lithium-ion batteries especially for EVs), Platinum Group Metals (palladium, platinum and rhodium in auto-catalysts and particulate filters), niobium (as an alloying agent in high-strength steel and nickel alloys used in the body structure, engine system and structural components55) and Rare Earth Elements (in permanent magnets, auto-catalysts, filters and additives).56,57,58 About 14% of worldwide uses of graphite in 2011 refer to automotive parts.59 In 2012, the share of EU demand of palladium for petrol engines was 69%, 70% of platinum was used for light duty diesel engines, and 80% rhodium for 3-way catalytic converters used to reduce tailpipe emissions from vehicles.60 With respect to niobium, in 2012 44% of the EU demand was intended to the automotive sector.61 Among the REEs, neodymium, praseodymium and to a lesser extent dysprosium and terbium are used in large high performance neodymium-iron-boron magnets for HEVs and EVs electric motors. These are also used in small electric motors and electronic sensors for the standard automotive industry including starter motors, brake systems, seat adjusters and car stereo speakers.62 Moreover, lanthanum and cerium are embedded for example in nickel metal hydride (NiMH) batteries used in HEVs designs. Cerium is additionally used in auto-catalysts, which accounted for 35% of consumption in 2013.63 Although the internal combustion engine is likely to remain dominant in the short and medium term, the market for HEVs and EVs is expected to experience significant and 53 BATTERIES2020, MARS EV, EVERLASTING 54 EC, 2017, 'BATTERIES - A major opportunity for a sustainable society',   [*https://ec.europa.eu/info/sites/info/files/batteries\_p4p-report\_2017.pdf*](https://ec.europa.eu/info/sites/info/files/batteries_p4p-report_2017.pdf) 55 Chalmers, 2013. “The Use of Potentially Critical Materials in Passenger Cars”,   [*http://publications.lib.chalmers.se/records/fulltext/162842.pdf*](http://publications.lib.chalmers.se/records/fulltext/162842.pdf) 56 EC, 2015. “Report on Critical Raw Materials for the EU critical raw materials profiles”,   [*http://ec.europa.eu/DocsRoom/documents/11911/attachments/1/translations/en/renditions/native*](http://ec.europa.eu/DocsRoom/documents/11911/attachments/1/translations/en/renditions/native) 57   [*http://www.criticalrawmaterials.eu/wp-content/uploads/CRM\_InnoNet\_transport-SCA\_140514.pdf*](http://www.criticalrawmaterials.eu/wp-content/uploads/CRM_InnoNet_transport-SCA_140514.pdf) 58 Roskill (2015). “Natural and Synthetic Graphite Market Outlook” and “Rare Earths Market Outlook to 2020”,   [*https://roskill.com/market-reports*](https://roskill.com/market-reports)/ 59 EC, 2015. “Report on Critical Raw Materials for the EU critical raw materials profiles”,   [*http://ec.europa.eu/DocsRoom/documents/11911/attachments/1/translations/en/renditions/native*](http://ec.europa.eu/DocsRoom/documents/11911/attachments/1/translations/en/renditions/native) 60 EC, 2015. “Report on Critical Raw Materials for the EU critical raw materials profiles”,   [*http://ec.europa.eu/DocsRoom/documents/11911/attachments/1/translations/en/renditions/native*](http://ec.europa.eu/DocsRoom/documents/11911/attachments/1/translations/en/renditions/native) 61   [*https://ec.europa.eu/jrc/en/scientific-tool/msa*](https://ec.europa.eu/jrc/en/scientific-tool/msa) 62 Roskill (2015). Rare Earths Market Outlook to 2020, 15th edition 2015 63 Roskill (2015) . Rare Earths Market Outlook to 2020, 15th edition 2015 45 rapid growth over the coming decades. The CRMs embedded in vehicles are expected to increase proportionally. Cobalt, graphite, and rare earths employed in Li-ion batteries and electric motors are among the most targeted by increasing EVs demand (Figure 19). Lithium-ion is the reference technology for EV batteries. Many different Li-ion chemistries are currently available64 and are being tested to improve the performance and lower the battery costs. For example, in recent years Li-ion chemistries have shifted in favour of lower cobalt compositions. Natural graphite in turn is the reference anode material. In comparison to available alternatives, natural graphite had a market share of 64 % in 2014.65 Levels attained by the EV market in the EU in 2015 created a demand for batteries of 510 t and 8330 t for cobalt and graphite, respectively.66 With regards to the rare earths for electric traction motors, in 2015, new EV's sold in the EU used about 50 t of neodymium, 16 t of praseodymium and 16 t of dysprosium while the demand for HEVs was around 33 t of neodymium, 11t of dysprosium and 11 t of praseodymium.67 Figure 19: CRMs use in the EVs sector (battery electric vehicles (BEVs), plug-in hybrid vehicles, (PHEVs)) and potential flows resulting from recycling of EVs deployed in the EU68 64 Li-ion chemistries available include: LCO (lithium-cobalt-oxide), NMC (lithium-nickel-manganese-cobalt), NCA (lithium-nickel-cobalt aluminium-oxide), LMO (lithium-manganese-phosphate) and LFP (lithium-iron-phosphate). 65 Available alternatives include: artificial graphite, mesocarbon microbeads, Si and Sn composites/alloys, and lithium-titanium-oxide, LTO. 66 JRC, 2016.   [*https://ec.europa.eu/jrc/en/publication/eur-scientific-and-technical-research-reports/assessment-potential-bottlenecks-along-materials-supply-chain-future-deployment-low-carbon*](https://ec.europa.eu/jrc/en/publication/eur-scientific-and-technical-research-reports/assessment-potential-bottlenecks-along-materials-supply-chain-future-deployment-low-carbon) 67 JRC, 2016.   [*https://ec.europa.eu/jrc/en/publication/eur-scientific-and-technical-research-reports/assessment-potential-bottlenecks-along-materials-supply-chain-future-deployment-low-carbon*](https://ec.europa.eu/jrc/en/publication/eur-scientific-and-technical-research-reports/assessment-potential-bottlenecks-along-materials-supply-chain-future-deployment-low-carbon) 68 Data sources are either explained in the text or given in JRC, 2016.   [*https://ec.europa.eu/jrc/en/publication/eur-scientific-and-technical-research-reports/assessment-potential-bottlenecks-along-materials-supply-chain-future-deployment-low-carbon*](https://ec.europa.eu/jrc/en/publication/eur-scientific-and-technical-research-reports/assessment-potential-bottlenecks-along-materials-supply-chain-future-deployment-low-carbon) 46 Figure 20: CRMs demand in the EU for the hybrid and electric vehicles segments69 Given the recent introduction of EVs on the European market, and taking into account the average lifetime of EV components (estimated to be approximately 10 years)70, a significant number of EVs have not yet reached end-of-life. Large-scale recycling is not expected before 2020 and should only be more effective beyond 2025. Under cur

rent circumstances of low lithium and rare earth prices, high costs for technology largely untested at an industrial scale and the absence of substantial waste streams, the EU recycling infra-structure targeting EV batteries and electric motors is still weak.71 Currently, the material of most interest to Li-ion battery recyclers is cobalt. Specifically in the EV batteries sphere the recycling potential is significant as these batteries may be easier to collect if a dedicated system of return is established. However, specific challenges related to the declining use of cobalt in most appropriate Li-ion chemistries may make recycling unattractive, if economic practicality is not extended to the other materials such as lithium and graphite.72 For example, whilst graphite anode materials are currently not recycled there are no obvious barriers to their recovery by hydrometallurgical and direct physical recycling processes.73 Regarding the rare earths contained in electric traction motors, although the current level of recycling from end-of-life permanent magnets is still very limited74, several studies estimate the potential level of recycling of REEs to be around 40% in the next 20 years.75 The growth of the electric vehicle market could over time reduce demand for platinum, palladium and rhodium, though hybrid technology is still reliant on these catalysts to curb emissions. However, growth in the use of fuel cell catalysts could help to balance 69 Demand forecasts up to 2030 are based in penetration scenarios put forward by ERERT (European Roadmap for Electrification of Road Transport) for BEVs and PHEVs and on Avicenne Energy projections for HEVs. Details concerning the calculations are given in JRC, 2016. [*https://ec.europa.eu/jrc/en/publication/eur-scientific-and-technical-research-reports/assessment-potential-bottlenecks-along-materials-supply-chain-future-deployment-low-carbon*](https://ec.europa.eu/jrc/en/publication/eur-scientific-and-technical-research-reports/assessment-potential-bottlenecks-along-materials-supply-chain-future-deployment-low-carbon) 70 JRC, 2016 (as above) and references therein. 71 JRC, 2017,   [*http://dx.doi.org/10.2760/6060*](http://dx.doi.org/10.2760/6060) 72 CEC, 2015. Environmentally Sound Management of End-of-Life Batteries from Electric-Drive Vehicles in North America. 73 Moradi, B. & Botte, G.G J Appl Electrochem (2016) 46: 123.   [*http://link.springer.com/article/10.1007/s10800-015-0914-0*](http://link.springer.com/article/10.1007/s10800-015-0914-0) 74 Recovery of rare earths from electronic waste: an opportunity for high-tech SMEs. Study for the ITRE Committee IP/A/ITRE/2014-09. 75 JRC, 2016 (as above) and references therein. 47 out some of this reduction in demand.76 Concerning the recycling of platinum, palladium and rhodium, the auto-catalysts recycling is estimated to be between 50 and 60%.77 It is reported that the tyre industry uses up to 75% of natural rubber consumed in the EU. An average car tyre contains 15% natural rubber by weight and a truck tyre contains an average of 30%. The management of used tyres is relatively well organised in Europe. In 2015, 92% of used tyres (vs. 51% in 1996) were either reused as second-hand tyres, reconditioned through retreading, recycled or sent to energy recovery. However, tyre recycling is an open-loop recycling, meaning that tyre-derived rubber granulates are mainly recycled in other applications than tyres as current tyre devulcanization technologies are not selective enough to get the required high quality devulcanization.78 Data sources No Name and link/ref. Scope Refer-ence period / date of publ. Lan-guage Free / sub-scription Comments Subsectors CRMs Geo-graphic area 1 ProSUM79 Vehicles All EU 28 2015- English Free Data on stocks and flows of secondary raw materi-als 2 Darton Commodities. 2016. Cobalt market review, 2015-201680 All sectors with specific data on Li-ion batteries Cobalt Global 2015-2016 English Availa-ble upon request 3 Roskill: Natural and Synthetic Graphite Market Outlook (2015)81 All sectors with specific data on Li-ion batteries Graphite Global 2015-2020 English Sub-scription required 4 Roskill: Rare Earths: Global Industry, Markets & Outlook82 All sectors with specific data on per-manent mag-nets REEs Global 2015-2020 English Sub-scription required 5 Assessment of poten-tial bottlenecks along the materials supply chain for the future deployment of low-carbon energy and transport technologies in the EU: Wind power, photovoltaic and electric vehicles technologies, time Low-carbon energy appli-cations (with specific chap-ters on EVs) Cobalt, Graphite, REEs EU 2015-2030 English Free 76 EC, 2015. “Report on Critical Raw Materials for the EU critical raw materials profiles”,   [*http://ec.europa.eu/DocsRoom/documents/11911/attachments/1/translations/en/renditions/native*](http://ec.europa.eu/DocsRoom/documents/11911/attachments/1/translations/en/renditions/native) 77 EC, 2015. “Report on Critical Raw Materials for the EU critical raw materials profiles”,   [*http://ec.europa.eu/DocsRoom/documents/11911/attachments/1/translations/en/renditions/native*](http://ec.europa.eu/DocsRoom/documents/11911/attachments/1/translations/en/renditions/native) 78 EC, 2017. 'Study on the review of the list of Critical Raw Materials - Critical Raw Materials Factsheets',   [*https://publications.europa.eu/en/publication-detail/-/publication/7345e3e8-98fc-11e7-b92d-01aa75ed71a1/language-en*](https://publications.europa.eu/en/publication-detail/-/publication/7345e3e8-98fc-11e7-b92d-01aa75ed71a1/language-en) 79   [*http://www.prosumproject.eu*](http://www.prosumproject.eu)/ 80   [*http://www.dartoncommodities.co.uk/cobalt*](http://www.dartoncommodities.co.uk/cobalt)/ 81   [*https://roskill.com/market-report/natural-synthetic-graphite/*](https://roskill.com/market-report/natural-synthetic-graphite/) 82   [*https://roskill.com/product/rare-earths-market-outlook/*](https://roskill.com/product/rare-earths-market-outlook/) 48 frame: 2015-2030, JRC, 201683 6 Binnemans, Koen, et al. 'Recycling of rare earths: a critical re-view.' Journal of Cleaner Production 51 (2013): 1-2284 All sectors with specific data on per-manent mag-nets REEs Global 2010-2020 English Free 7 Re-use and Second use of Rechargeable Batteries85 Li-ion Bat-teries - EU 2014 English Free 8 Battery Materials Analysis, EURO-BAT86 Battery mate-rial analysis in the automo-tive batteries Cobalt, Anti-mony, Graphite, REEs EU 2009 – 2013 English Free 9 The Use of Poten-tially Critical Materi-als in Passenger Cars, Chalmers University of Technology87 Information of CRMs in automotive Various EU --- English Free 10 Drabik and Rizos: 'Circular Economy Perspectives for Future End-Of-Life EV Batteries' (forth-coming) Li-ion batter-ies Cobalt, graphite Eu-rope Forth-coming English Free Data on the impacts of collection and recy-cling rates 5.5.2 Existing EU policies Directive 2000/53/EU on end-of life vehicles (the 'ELV Directive') sets high targets required to be attained by the economic operators: 95% for reuse and recovery and 85% for reuse and recycling by an average weight per vehicle and year, as from 2015. Based on reporting so far, nearly all Member States have reached the earlier targets of 85% for reuse and recovery and 80% for reuse and recycling. Directive 2005/64/EC on the type-approval of motor vehicles with regard to their reusability, recyclability and recoverability was adopted following the provision of Art. 7(4) of the ELV Directive to ensure that vehicle manufacturers design vehicles so that parts and materials may be reused, recycled or recovered once the vehicle comes to the end of its natural life. As a result, new vehicles may only be sold in the EU if they may be reused, recovered and recycled in line with the targets of the ELV Directive. The Batteries Directive 2006/66/EC also applies to automotive and traction batteries. 5.5.3 Circular Economy Action ***Plan*** There is one explicit reference to vehicles in the Circular Economy Action ***Plan***: in the context of the EU Regulation on waste shipment88, the Commission undertook to take further measures to help ensure that the Regulation is properly implemented stating that 83   [*https://ec.europa.eu/jrc/en/publication/eur-scientific-and-technical-research-reports/assessment-potential-bottlenecks-along-materials-supply-chain-future-deployment-low-carbon*](https://ec.europa.eu/jrc/en/publication/eur-scientific-and-technical-research-reports/assessment-potential-bottlenecks-along-materials-supply-chain-future-deployment-low-carbon) 84   [*http://www.sciencedirect.com/science/article/pii/S0959652612006932*](http://www.sciencedirect.com/science/article/pii/S0959652612006932) 85   [*http://www.rechargebatteries.org/wp-content/uploads/2014/04/RECHARGE-Information-Paper-on-Re-use-and-second-use-October-2014-v.14.pdf*](http://www.rechargebatteries.org/wp-content/uploads/2014/04/RECHARGE-Information-Paper-on-Re-use-and-second-use-October-2014-v.14.pdf) 86   [*http://www.eurobat.org/sites/default/files/resource\_availability-final\_long\_version.pdf*](http://www.eurobat.org/sites/default/files/resource_availability-final_long_version.pdf) 87   [*http://publications.lib.chalmers.se/records/fulltext/162842.pdf*](http://publications.lib.chalmers.se/records/fulltext/162842.pdf) 88 Regulation (EC) No 1013/2006 as amended by Regulation (EU) No 660/2014 49 high-value waste streams, such as end-of-life vehicles, will be targeted specifically, to prevent raw materials leakage. As a first step, in the general context of ensuring compliance with the ELV Directive, a study was commissioned to assess the implementation of the ELV Directive with emphasis on end-of-life vehicles of unknown whereabouts, in the course of which a stakeholder workshop was organised and a public consultation89 was carried out. It emerged that there is a broad and joint understanding among stakeholders that the current procedures need further improvement to keep track of vehicles and to improve the implementation of the requirement to issue and present a certificate of destruction. This includes addressing possible loopholes, for instance through requiring evidence on the vehicle's fate during a temporary de-registration and fining owners which do not provide statement of whereabouts for temporarily deregistered vehicles. The use of economic incentives - for instance fees or refund systems - to deliver end-of-life vehicles to authorised treatment facilities has also been discussed, inter alia, in the light of experience in some Member States. 5.5.4 Best Practices • Vehicle manufacturers have established the International Dismantling Information System (IDIS)90 compiling information for treatment operators of end-of-life vehicles to promote the environmental and economic dismantling and treatment and to help meet the targets set in the ELV Directive. • To facilitate the control of shipments of end-of-life vehicles and to in particular set criteria enabling to distinguish between second-hand vehicles and waste vehicles, the Member States' Waste Shipments Correspondents have agreed Guidelines for Waste Vehicles91, in use since 1 September 2011. • Following the Commission's recommendations to address the problem of end-of-life vehicles of unknown whereabouts, a number of Member States have amended national legislation to ensure better control of registered vehicles and avoid deregistrations that are not linked to the legal treatment of end-of-life vehicles or the legal sale as second-hand vehicles. • Some companies have begun investing in recycling of used EV batteries in Europe (e.g Umicore in Belgium92, Recupyl in France93). Some (like Société Nouvelle d’Affinage des Métaux, SNAM, and Umicore) have teamed up with car manufacturers (such as Toyota94 and PSA Peugeot Citroën95 and Tesla96), to collect and recycle batteries. • A number of research initiatives and pilot projects have been developed for assessing the reuse of batteries that are no more suitable for EVs in energy storage applications. Batteries202097, Energy Local Storage Advanced system (ELSA)98, ABattReLife99 and Netfficient100 are examples of EU-funded projects looking at the most suitable and 89   [*http://ec.europa.eu/environment/waste/elv/index.htm*](http://ec.europa.eu/environment/waste/elv/index.htm) 90   [*http://www.idis2.com*](http://www.idis2.com) 91   [*http://ec.europa.eu/environment/waste/shipments/guidance.htm*](http://ec.europa.eu/environment/waste/shipments/guidance.htm) 92   [*http://www.umicore.com/en/industries/recycling/umicore-battery-recycling/*](http://www.umicore.com/en/industries/recycling/umicore-battery-recycling/) 93   [*http://www.recupyl.com/104-batteries-the-future.html*](http://www.recupyl.com/104-batteries-the-future.html) 94   [*http://www.gov.scot/Publications/2013/12/9124/5*](http://www.gov.scot/Publications/2013/12/9124/5) 95   [*http://www.snam.com/upload/actu/20151208%20PR%20PSA%20SNAM\_A%20-%20version%20FS.pdf*](http://www.snam.com/upload/actu/20151208%20PR%20PSA%20SNAM_A%20-%20version%20FS.pdf) 96   [*https://www.tesla.com/it\_IT/blog/teslas-closed-loop-battery-recycling-****program***](https://www.tesla.com/it_IT/blog/teslas-closed-loop-battery-recycling-program) 97   [*http://www.batteries2020.eu*](http://www.batteries2020.eu)/ 98   [*http://www.elsa-h2020.eu*](http://www.elsa-h2020.eu)/ 99   [*http://www.abattrelife.eu*](http://www.abattrelife.eu)/ 100   [*http://netfficient-project.eu*](http://netfficient-project.eu)/ 50 sustainable second use applications for EVs batteries. Further calls are planned101, requiring the consideration of the whole value chain including circular economy aspects. 5.5.5 Possible further actions • Promote the adoption of labels or other tools for declaring CRM content in key vehicle components such as batteries and auto-catalysts, e.g via standardisation. • Request the development of European standards for material-efficient recycling of end-of-life vehicles including for CRMs. • Provide further support to R&D and industrial-scale innovation activities for developing competitive recycling technologies focusing on materials which are currently not (or hardly) recycled, such as lithium, graphite and rare earths. • Continue to monitor developments in the EVs market and carry out projections on related critical materials demand and stocks. • Make national procedures on registration/deregistration more harmonised within the EU, foster exchange of information among Member States and ensure follow-up of the fate of the temporary deregistered vehicles. • Encourage Member States to make use of economic incentives - for instance fees or refund systems - to deliver end-of-life vehicles to authorised treatment facilities. • Make binding, if needed in a revised form, the Correspondents Guidelines No. 9 to the Waste Shipment Regulation. See also the Technological Roadmap to Near Zero Waste in ELV102 of the Horizon 2020 project NEW\_InnoNet. 5.6 Renewable energy 5.6.1 Data and data sources The markets for wind and photovoltaic (PV) energy technologies have been growing rapidly in recent years, and are expected to account for a large share of renewable energy growth in the coming years. Wind and PV energy technologies rely on a variety of materials including six CRMs, namely neodymium (Nd), praseodymium (Pr), dysprosium (Dy), indium (In), gallium (Ga), and silicon metal (Si) (see Figure 21). The EU demand for these materials will evolve in future depending on the deployment rates of wind and PV energy technologies and the technology mix. For instance, most of the wind turbines currently installed in the EU do not use permanent magnet generators and thus do not require rare earths. However, the situation can significantly change in the next 10-15 years due to sizing up of the wind energy: introduction of large and more efficient turbines as well as more offshore wind power may entail a higher use of permanent magnets. The projected evolution in the EU demand for the six CRMs is given in Figure 22103. Big economies such as China and USA have ambitious ***plans*** for clean energy deployment, even if they may not depend to the same extent as Europe on offshore based deployment of wind power using permanent magnets. EU manufacturers could thus face more competition for the same material supplies. 101   [*https://ec.europa.eu/inea/en/horizon-2020/green-vehicles*](https://ec.europa.eu/inea/en/horizon-2020/green-vehicles) 102   [*http://www.newinnonet.eu/ReportsList.aspx*](http://www.newinnonet.eu/ReportsList.aspx) 103 Silicon demand in Figure 22 denotes the amount of solar grade silicon required to achieve the PV deployment rates. 51 Several projects dedicated to permanent magnet recycling are either approved or under way in China104. Currently, there is no recycling of these rare earths in the EU. Up to 2030, most of the wind turbines will still be in operation (assuming a 30 years lifetime). Recycling of Si, In, Ga from PV modules, alongside other raw materials such as glass, aluminium, copper and silver, has a high potential: more than 95% is claimed as an economically feasible recycling rate.105 PV modules have a considerable lifetime - more than 25 years – meaning that this still young technology has generated little waste so far. Yet, the potential is huge: between 2 and 8 million tonnes of PV waste is estimated to be generated globally in 2030, increasing to 60-75 million tonnes by 2050.106 \* Only a subset of all CRMs used in renewable energy sector is included. Figure 21: Share of CRMs used in the renewable energy sector (wind and PV) (JRC Elaboration based on 2017 CRM assessment) 104 Roskill, 2015. Rare Earths: Market Outlook to 2020, 15th edition 2015, London UK, ISBN 978 0 86214 618 4. 105 BINE, 2010. Bine Informationdienst, Recycling photovoltaic modules, Projektinfo 02/10.   [*http://www.bine.info/fileadmin/content/Publikationen/Englische\_Infos/projekt\_0210\_engl\_internetx.pdf*](http://www.bine.info/fileadmin/content/Publikationen/Englische_Infos/projekt_0210_engl_internetx.pdf) 106 End-of-Life Management, Solar Photovoltaic Panels, IRENA 2016 and IEA-PVPS;   [*http://www.irena.org/DocumentDownloads/Publications/IRENA\_IEAPVPS\_End-of-Life\_Solar\_PV\_Panels\_2016.pdf*](http://www.irena.org/DocumentDownloads/Publications/IRENA_IEAPVPS_End-of-Life_Solar_PV_Panels_2016.pdf) 52 Figure 22: Projected evolution in EU demand for the six CRMs required in wind and PV sectors: existing low and high deployment scenarios considered. (Note that for the SOLAR PV diagram the scale is logarithmic.) Data sources No Name and link/ref Scope Refer-ence period / date of publ. Lan-guage Free / sub-scription Com-ments Subsec-tors CRMs Geo-graphic area 1 Assessment of potential bottlenecks along the materials supply chain for the future deployment of low-carbon energy and transport technologies in the EU: Wind power, photovoltaic and electric vehicles technologies, time frame: 2015-2030, Wind and PV Nd, Dy, Pr, Si, In, Ga Europe 2016 English Free 713561191760537879826842933895207313910363693345423131282311563811565213385DyNdPrDyNdPrDyNdPrDyNdPr2015202020252030025005000750010000125001500017500Demand ( tonnes) Values 2015 High scenario Low scenarioWIND POWER1.17332441.30.69442854210553.80.4263133155147786.50.545323496216854GaInSiGaInSiGaInSiGaInSi20152020202520300.11101001000100001000001000000SOLAR PVDemand ( tonnes) Values 2015 High scenario Low scenario 53 JRC107 2 Energy Transition and Demand for Raw Materi-als, The Hague Centre for ***Strategic*** Studies108 All Various Global 2017 English Free 3 Wind energy scenarios for 2030, A report by EWEA, the European Wind Energy Association 109 Wind Nd, Dy, Pr Europe 2016 English Free 4 Solar Power Europe (SPE). European Photo-voltaic Industry Associa-tion. Global Market Outlook For Solar Power / 2016 – 2020110 PV Si, In, Ga Europe 2016 English Free 5 EU reference scenario 2016. Energy, transport and GHG emissions. Trends to 2050, Euro-pean Commission111 Wind and PV Nd, Dy, Pr, Si, In, Ga Europe 2016 English Free 6 Recycling of photovol-taic modules, BINE 2010112 PV Si, In, Ga Europe 2010 English and German Free 7 IRENA, International Renewable Energy Agency and Energy Technology System Analysis ***Programme***. Solar Photovoltaic. Technology Brief; 2013113 PV Si, In, Ga Europe 2013 English Free 8 Roskill, 2015. Rare Earths: Market Outlook to 2020, 15th edition 2015 Wind Nd, Dy, Pr, Global 2015 English Sub-scription 9 Photovoltaic module decommissioning and recycling in Europe and Japan114 PV Si, In, Ga, Europe and Japan 2015 English Free 10 PV CYCLE115 PV Si, In, Ga Free 107   [*https://ec.europa.eu/jrc/en/publication/eur-scientific-and-technical-research-reports/assessment-potential-bottlenecks-along-materials-supply-chain-future-deployment-low-carbon*](https://ec.europa.eu/jrc/en/publication/eur-scientific-and-technical-research-reports/assessment-potential-bottlenecks-along-materials-supply-chain-future-deployment-low-carbon) 108   [*http://www.rawmaterialsconference.nl/uploaded/docs/Raw\_materials/Policy\_Paper\_Raw\_Materials\_04\_09\_2017.pdf*](http://www.rawmaterialsconference.nl/uploaded/docs/Raw_materials/Policy_Paper_Raw_Materials_04_09_2017.pdf) 109   [*http://www.ewea.org*](http://www.ewea.org) 110   [*http://www.solarpowereurope.org*](http://www.solarpowereurope.org) 111   [*https://ec.europa.eu/energy/sites/ener/files/documents/20160713%20draft\_publication\_REF2016\_v13.pdf*](https://ec.europa.eu/energy/sites/ener/files/documents/20160713%20draft_publication_REF2016_v13.pdf) 112   [*http://www.bine.info/fileadmin/content/Publikationen/Englische\_Infos/projekt\_0210\_engl\_internetx.pdf*](http://www.bine.info/fileadmin/content/Publikationen/Englische_Infos/projekt_0210_engl_internetx.pdf),   [*http://www.bine.info/publikationen/publikation/recycling-von-photovoltaik-modulen/*](http://www.bine.info/publikationen/publikation/recycling-von-photovoltaik-modulen/) 113   [*http://www.irena.org*](http://www.irena.org) 114   [*http://stud.epsilon.slu.se/7608/1/auer\_a\_150211.pdf*](http://stud.epsilon.slu.se/7608/1/auer_a_150211.pdf) 115   [*http://www.pvcycle.org*](http://www.pvcycle.org) 54 5.6.2 Existing EU policies Renewable Energy is at the core of the Energy Union's priorities. The Renewable Energy Directive (2009/28/EC), setting European and national binding renewables targets for 2020, has been and will continue to be a central element of the Energy Union policy, in view of making the EU world number one in renewables. The EU as a whole is well on track to reach the 20% target by 2020. However, some Member States will have to step up their efforts in order to reach their national targets. The Commission's proposal for a revised Renewable Energy Directive116 aims at further strengthening the European dimension of renewable energy policy, to make the EU a global leader in renewable energy and to ensure that the target of at least 27% renewables in the final energy consumption in the EU by 2030 is met. The Ecodesign Working ***Plan*** 2016-2019 includes solar panels and inverters as a group of products that hold a significant potential for saving energy. A dedicated study will be launched for investigating this potential, but also looking at aspects supporting material efficiency issues such as durability and recyclability. These aspects should enable an efficient use of CRMs in solar panels and inverters. 5.6.3 Best Practices • Sweden: Early adoption of mandatory recycling targets (under the WEEE Directive) for PV systems to encourage higher recycling and recovery rates.117 • The PV CYCLE association118, established in 2007, collects PV waste for treatment free of charge, already recycling solar panels (mainly production scrap, panels damaged during delivery or installation or failed before reaching end-of-life) from Spain, Germany, Italy, Belgium, Greece and the Czech Republic. • EU support to the development and demonstration of material efficient solutions for equipment used in wind (e.g the Horizon 2020 project NEOHIRE119 on the use of REE, Co and Ga in permanent magnets) and PV (e.g the LIFE project FRELP120) energy technologies. 5.6.4 Possible further actions • Examine whether the EU should develop a specific policy for eco-design of wind turbines (under the Ecodesign Directive) and/or their end-of-life management, in support of the manufacturing and recycling sectors concerned. • Provide dedicated support to innovation and research actions fostering material efficient solutions in the use of CRMs in wind and PV energy technologies. 116 COM(2016) 767 117 Photovoltaic module decommissioning and recycling in Europe and Japan– current methodologies, norms and future trends, Master’s Thesis • 30 HEC, Swedish University of ***Agricultural*** Sciences;   [*http://stud.epsilon.slu.se/7608/1/auer\_a\_150211.pdf*](http://stud.epsilon.slu.se/7608/1/auer_a_150211.pdf) 118   [*http://www.pvcycle.org*](http://www.pvcycle.org) 119   [*http://neohire.eu*](http://neohire.eu) 120   [*https://frelp.info*](https://frelp.info) 55 5.7 Defence industry 5.7.1 Data and data sources The defence industry in Europe depends on a variety of raw materials, which are necessary to build a large spectrum of key defence capabilities. Thirty-nine raw materials have been identified as “important”121 for production of high-performance processed and semi-finished materials (e.g alloys, composites, etc.) needed for manufacture of a large variety of defence-related components and subsystems.122 Seventeen of these thirty-nine raw materials are evaluated in 2017 as CRMs123 (Table 3). Table 3: Critical raw materials (2017 list) used in the European defence industry, their role in defence industry and major end-use defence sectors (JRC source216) Critical raw material Role in defence industry Major end-use defence sub-sector Beryllium As an oxide and in various alloys with copper or aluminium to ***produce*** different components, for instance in fighter airframes, landing gears, connectors, electronic/optical systems for communication and targeting Aeronautics, naval, electronics Cobalt Mainly in nickel-based superalloys for turbine, compressors and fans in fighter aircraft propulsion, and in electric motors (magnets) and batteries in combination with samarium and other elements (e.g nickel or lithium) Aeronautics, naval Dysprosium As a minor additive in high-powered neodymium-iron-boron (NdFeB) permanent magnets for electric motors, guidance, control systems, actuators and amplifications (e.g voice coil motors and audio speakers, satellite communication) Missiles Gallium Communication (e.g transmitter) and electro-optical systems and on-board electronics as gallium arsenide and gallium nitrite; missile guidance Electronics Germanium On-board electronics for inertial and combat navigation, IR tracking systems, binoculars (including night vision), GPS/SAL guidance system; canopy; as substrate in solar cells powering military satellites Electronics Hafnium As oxide in electro-optical systems for radar and in a small percentage of superalloys for aircraft propulsion Aeronautics, electronics Indium Laser targeting, sensors, identification equipment for IR imaging systems and inertial navigation as well as in on-board electronics for phased array radar Electronics Neodymium Component of high-powered neodymium-iron-boron permanent magnets for a variety of applications: electric motors, guidance, control systems, actuators and amplifications (e.g voice coil motors and audio speakers, Aeronautics, space, electronics 121 The term ‘important’ is used to denote materials with unique properties, necessary to fulfil the stringent requirements of defence applications. 122 C.C Pavel, E. Tzimas. JRC report: Raw materials in the European defence industry. EUR 27542 EN; doi:10.2790/0444. 123   [*https://ec.europa.eu/growth/sectors/raw-materials/specific-interest/critical\_en*](https://ec.europa.eu/growth/sectors/raw-materials/specific-interest/critical_en) 56 satellite communication, etc.); in lasers as neodymium: yttrium-aluminium-garnet crystals Niobium Guidance section of missiles and in small quantities in composition of nickel super- alloys for high-temperature section of jet turbines Aeronautics, missiles Platinum Thin coating of turbine blades (to increase thermal barrier) in combination with nickel and aluminium Aeronautics Praseodymium In neodymium-iron-boron permanent magnets (usually in mixture with neodymium in a ratio Nd:Pr=4:1) with the same applications as for neodymium Missiles REEs (other124) Rather limited and specialised application in defence, such as magnets, radar (signal generation, surveillance and missile launch detection), lasers, sensors, other electronic components, phosphor (avionic display), heat-resistant superalloys and steel alloys Aeronautics, electronics Samarium With cobalt in samarium-cobalt permanent magnets used in electric motors and diesel electric for propulsion, and electronic applications Aeronautics, naval, electronics Tantalum Capacitors for on-board applications: binoculars, identification equipment/IR, inertial navigation, radars; in superalloys used in jet turbines and other propulsion systems; as a liner in shaped charges and explosively shaped penetrators Aeronautics, electronics Tungsten Alloy element for ballast, warheads, shaped charges, throats, soldering, electrics, armour piercing and tank ammunition; also used in alloys in aeronautics for shells (arrowhead), fuselages, wings and turbine engines; tungsten carbide is essential for cutting machines Aeronautics, land Vanadium Additive to improve the resistance to wear and deformation of steel; vanadium-containing alloys are used for the hull of submarines, in structural parts, engines and landing gear, but also in gun alloy elements, armour, fuselages and wings Aeronautics, naval Yttrium Laser crystals for targeting weapons, finding and sight communication, electrolyte for fuel cells, phosphors for display screens, vision and lighting; in composition in equipment for signal generation, detection and surveillance, in thermal barrier coatings, and as alloying element for special steel grades Electronics The aeronautic and electronic defence sub-sectors are the major users of CRM (and the most vulnerable to potential material supply constraints). Precise information on the type, composition and quantity of materials used in the European defence applications is limited mainly due to sensitivity reasons. Accurate information about the reuse of waste streams generated during production of high-tech components for defence applications, management of the end-of-life military products and recycling of materials from these products is not readily available either. 124 Other REEs: cerium, erbium, europium, gadolinium, holmium, lanthanum, lutetium, scandium, terbium, thulium, ytterbium. 57 Overall, technological and economic barriers to recycle critical and scarce materials from defence industry could be expected. From an economic perspective, raw materials represent for some applications only a small fraction of the total value of the product (for example, the value of the materials contained in a jet engine may account for no more than up to 2 % of the engine cost125). Even though an alloy which is recycled from defence or civil applications contains valuable and high priced CRMs, the separation into its constituents might not be cost-effective. In the aerospace industry recycling of materials from aircraft was not under a major consideration until recently and little information is currently available, in particular in official statistics. Now it has become a common practice to account for all metals used in the aerospace industry, for instance in the manufacture of a jet engine; any excess metal is fed into a closed-loop recycling operation.126 Some publications argue that now the recycling rate of an aircraft has reached about 60 % and the aerospace industry is aiming to increase it to 80-90%.127 Carbon fibre composite materials are becoming more popular in the aeronautic applications, such as jet fighters, and large industrial players (e.g , Airbus, Boeing, etc.) have already initiated ***programmes*** for recycling the carbon-fibre material. Aluminium, magnesium, titanium as well as steel are several materials which are currently recycled both from waste generated during the production of aircraft structure and engine components and from reclaimed components from retired aircraft. However, other CRMs such as rare earth elements are still recycled only in small quantities, mainly from permanent magnet scrap. Data sources No Name and link/ref. Scope Refer-ence period / date of publ. Lan-guage Free / sub-scrip-tion Comments Subsec-tors CRMs Geo-graphic area 1 JRC report, Raw mate-rials in the European defence industry; EUR 27542 EN; doi:10.2790/0444128 Air, Na-val, Land, Space, Electronic Missile EU 2016 English Free 2 US National Academy of Science, Managing Materials for a Twenty-first Century Military129 Military sector Rare earth elements, beryllium USA 2008 English Free 3 US Department of Defence, ***Strategic*** and critical materials 2015 Report on stockpile requirements130 Military sector Various USA 2015 English Free 4 Marscheider-Weide-mann, F., Langkau, S., Hummen, T., Erdmann, L., Tercero Espinoza, L., Angerer, G., Marwede, M. & Be- Emerging technolo-gies Several Ger-many 2016 German Free 'Raw mate-rials for emerging technolo-gies 2016' 125 ***Strategic*** materials: technologies to reduce U.S import vulnerabilities. Washington, DC: U.S Congress, Office of Technology Assessment, OTA-ITE-248, May 1985:   [*https://www.princeton.edu/~ota/disk2/1985/8525/8525.PDF*](https://www.princeton.edu/~ota/disk2/1985/8525/8525.PDF) 126 US National Academy of Science, Managing Materials for a Twenty-first Century Military. Washington, D.C 2008, p. 89. 127 A.P Mouritz, Introduction to aerospace materials. Elsevier. May 2012, p. 560. 128   [*https://ec.europa.eu/jrc/en/publication/eur-scientific-and-technical-research-reports/raw-materials-european-defence-industry*](https://ec.europa.eu/jrc/en/publication/eur-scientific-and-technical-research-reports/raw-materials-european-defence-industry) 129   [*https://www.nap.edu/catalog/12028/managing-materials-for-a-twenty-first-century-military*](https://www.nap.edu/catalog/12028/managing-materials-for-a-twenty-first-century-military) 130   [*https://www.hsdl.org/?view&did=764766*](https://www.hsdl.org/?view&did=764766) 58 necke, S. (2016): Rohstoffe für Zu-kunftstechnologien 2016. DERA Rohstoff-informationen 28; 353 S., Berlin. March 2016131 5 MSA study132 Defence sector CRMs (2014) EU 2015 English Free 5.7.2 Existing EU policies On 30 November 2016 the Commission adopted the European Defence Action Plan133. It sets out concrete proposals to support a strong and innovative European defence industry and defence capability priorities agreed by EU countries. It will do this by mobilising available EU instruments to ensure that the European defence industrial base is able to meet Europe's future security needs. The main measures proposed are: • a European Defence Fund to fund collaborative research projects as well as the joint development of defence capabilities, to be owned by EU countries, in priority areas; • supporting SMEs through fostering investments in defence supply chains; • ensuring Europe has an open and competitive single market for defence. Security of supply is considered to be a cornerstone in the establishment of a genuine single market for defence. This is why the Commission will identify bottlenecks and supply risks linked to the materials that are needed for the development of key capabilities. This work, ***planned*** to take place in 2018, will build on the findings of a first study, undertaken by the JRC134. The outcome of the work may provide valuable inputs to future EU research ***programmes*** which could contribute to mitigating supply risks, for example through substitution of CRMs. 5.7.3 Best Practices (No relevant best practice identified at this stage.) 5.7.4 Possible further actions • Collect information about material supply chains for semi-finished defence products and determine whether the defence-based European industries are exposed to supply risks based on specific assessments. • Provide support to collaborative defence research funding to mitigate supply risks linked to raw materials needed for the development of key defence capabilities by Europe's defence industry and to find solutions for improving resource efficiency, recycling and substitution of relevant raw materials. 131   [*https://www.bgr.bund.de/DERA/DE/Downloads/Studie\_Zukunftstechnologien-2016.pdf;jsessionid=A996A13E9E2764B203496C746AB0D6D4.1\_cid284?\_\_blob=publicationFile&v=5*](https://www.bgr.bund.de/DERA/DE/Downloads/Studie_Zukunftstechnologien-2016.pdf;jsessionid=A996A13E9E2764B203496C746AB0D6D4.1_cid284?__blob=publicationFile&v=5) 132   [*https://ec.europa.eu/jrc/en/scientific-tool/msa*](https://ec.europa.eu/jrc/en/scientific-tool/msa) 133 COM(2016)950 134 Pavel, C. and Tzimas, E., Raw materials in the European defence industry. Luxembourg, European Commission, joint Research Centre (JRC), 2016. 59 5.8 Chemicals and fertilisers 5.8.1 Data and data sources The production of several chemicals and fertilisers in Europe relies on many CRMs (see Figure 23), such as: antimony, baryte; bismuth; borate; cobalt; fluorspar; hafnium; natural graphite; niobium; platinum-group metals (PGMs); phosphate rock; phosphorus; rare earth elements (REE); silicon metal; tantalum; tungsten; vanadium. \*Only a subset of CRMs used in chemicals and fertilisers are included. \*\*Average share for: Pt, Pd, Rh, Ru in PGM (except Ir); Ce, Nd, Pr in REE. ‘P (rock)’ means phosphate rock. Figure 23: Share of CRMs used in chemicals and fertilisers according to the 2017 CRM assessment135 The main applications of CRMs in the chemical and fertilisers sectors include their use in the production of catalysts, fertilisers, polymers, pharmaceutics and dyes. Examples include: 86% of phosphate rock is used in the production of fertilisers; 90% of white phosphorus is used in the production of detergents and other chemicals; 60% of bismuth is used in the manufacture of pharmaceuticals and other chemicals; and 54% of silicon metal is used for making silicones and silicates (final applications in e.g shampoos, fixing materials and insulating materials). 135 JRC elaboration based on data from the 2017 EU criticality assessment. The chemical and fertilisers sectors consists mainly in the NACE sectors C20 - Manufacture of chemicals and chemical products. \*\* \*\* 60 Phosphate Rock Chemicals containing CRMs are ***produced*** for a broad variety of other sectors, e.g 43% of antimony is used in the production of flame retardant chemicals, which are incorporated in polymers used mainly in the electric and electronic equipment sector (see Section 5.3). Therefore, the overall importance of CRMs for the manufacturing industry is higher than what is presented in Figure 23. According to the MSA study136, CRMs used in several chemical applications are lost to the environment due to dissipative use or to landfill. Examples of these losses include: natural graphite used in lubricants, silicones used in different chemicals, tungsten used in the production of catalysts and a large percentage of borates and phosphates used in fertilisers. For borates and phosphates, the sources of secondary materials are biogenic wastes (e.g manure or other animal by-products, bio- and food wastes, wastewater)137, for which recycling is considered as functional (see Figure 24) because it replaces primary boron and phosphorus. The recycling of phosphorus rich wastes can also help prevent water eutrophication. 136   [*https://ec.europa.eu/jrc/en/scientific-tool/msa*](https://ec.europa.eu/jrc/en/scientific-tool/msa) 137 Schoumans, OF, Bouraoui, F, Kabbe, C, Oenema, O, van Dijk, KC. Phosphorus Management in Europe in a Changing World, 44, 180–92, 2015. Figure 1: Examples of flows of CRMs used in chemicals and fertilisers based on 2015 MSA study 61 Data Sources: No Name and link/ref. Scope Refer-ence period / date of publ. Lan-guage Free/ sub-scription Comments Subsectors CRMs Geo-graphic area 1 Eurostat: data on P gross bal-ance138 Fertilisers Phospho-rus EU 28 2006-2015 English Free Data on P gross balance, includ-ing consumption of fertilisers, P inputs and re-movals from soil 2 Eurostat: data on chemical production139 Chemicals - EU 28 1995-2015 English Free Chemical pro-duction statistics (PRODCOM), NACE 2 sector 20 3 LUCAS: Land Use/ Land Cover Area Frame Survey140 Land Use/ Land Cover Phospho-rus LUCAS Soil Survey 2009/2012: EU 27 2015: EU 28 2009/ 2012 and 2015 Next soil survey in 2018 English Free Information on physical and chemical proper-ties of topsoil (0-20 cm) in the EU, including concentration of Phosphorus 4 FAO Statis-tics on fertilisers141 Various (including Fertilisers) Phospho-rus World 2002-2014 English Free Information on fertilisers flows. 5 Van Dijk et al., 2016 142 Various (including Fertilisers) Phospho-rus EU 27 2005 English Free Phosphorus flows in EU-27 and its Member States, including food and non-food production, consumption, and waste. 5.8.2 Existing EU policies The existing Fertilisers Regulation (No 2003/2003) ensures free movement on the internal market for fertiliser products belonging to one of the product types included in Annex I to the Regulation. Such products may be labelled 'EC-fertilisers'. Companies wishing to market products of other types as EC-fertilisers must first obtain a new type-approval through a Commission decision amending that Annex. Around 50% of the fertilisers currently on the EU market, including virtually all fertilisers ***produced*** from organic materials, such as animal or other ***agricultural*** by-products or recycled bio-waste from the food chain, are currently not included in the Annex. 138   [*http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=aei\_pr\_gnb&lang=en*](http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=aei_pr_gnb&lang=en) 139   [*http://ec.europa.eu/eurostat/web/prodcom/overview*](http://ec.europa.eu/eurostat/web/prodcom/overview) 140   [*http://ec.europa.eu/eurostat/web/lucas/overview*](http://ec.europa.eu/eurostat/web/lucas/overview) 141   [*http://www.fao.org/faostat/en/#data*](http://www.fao.org/faostat/en/#data) 142 van Dijk, KC, Lesschen, JP, Oenema, O. Phosphorus Flows and Balances of the European Union Member States, Science of The Total Environment, 542, 1078–93, 2016. 62 5.8.3 Circular Economy Action ***Plan*** The Commission undertook in the Circular Economy Action ***Plan*** to propose a revised EU Regulation on fertilisers, so as to facilitate recognition of organic and waste-based fertilisers in the single market and thus encourage the recycling of bio-nutrients as fertilising products in the circular economy. On 17 March 2016, the Commission proposed a Regulation143 to harmonise EU rules for products derived from organic waste and by-products and to provide rules for the safe recovery of nutrients into secondary raw materials; when organic waste fulfils strict rules, it can become a component of CE-marked fertilising products with unrestricted access to the single market. 5.8.4 Best Practices • The recycling of CRMs from spent catalysts used in the chemicals sector: In 2012, the European Catalysts Manufacturers Association ***produced*** general guidelines for the management of spent catalysts that can be applied for recycling CRMs.144 PGMs recycling from catalysts used in chemical processes achieves recycling rates of 80-90%.145 5.8.5 Possible further actions • Support the development of new or optimisation of existing chemical processes and/or technologies that enable/enhance the safe recycling and/or reuse of CRMs. 6 CONCLUSIONS AND OUTLOOK As set out in the Circular Economy Action ***Plan*** of 2015, this Report provides key data sources, suggests a number of best practices and identifies options for further action, in order to ensure a coherent and effective EU approach to CRMs in the context of the transition to a circular economy. The possible further actions presented in the report (see Annex III for an overview) are to be further assessed before deciding whether or not they should be implemented by the Commission. The Commission welcomes the views of Members States and stakeholders on this report, and will use the Raw Materials Supply Group (a Commission expert group) and the European Innovation Partnership on Raw Materials, as well as other relevant (specific) forums to consult on further measures to be taken so as to properly address issues in relation to CRMs in the transition to a circular economy. 143   [*https://ec.europa.eu/transparency/regdoc/rep/1/2016/EN/1-2016-157-EN-F1-1.PDF*](https://ec.europa.eu/transparency/regdoc/rep/1/2016/EN/1-2016-157-EN-F1-1.PDF) 144 ECMA, Ecma Guidelines For The Management Of Spent Catalysts, 2012. 145 Hagelüken, C, Recycling the Platinum Group Metals: A European Perspective, Johnson Matthey Technology Review, 56, 29-35, 2012. 63 Annex I. Major applications of CRMs and information on recycling (JRC elaboration based on the 2017 CRM study and on the MSA study 2015) CRM Major applications Recycling End-of-life recycling input rate Recycling from products at end-of-life Antimony Flame retardants; Lead acid batteries; Lead alloys 28% Secondary antimony is mainly recovered from lead-acid batteries Baryte Weighting agent in oil and gas well drilling fluids or “muds”; Filler in rubbers, plastics, paints & paper; Chemical industry 1% Little baryte is recovered at drilling sites Beryllium Electronic and telecommunications equipment; Transport and Defence (Vehicle electronics, Auto components, Aerospace components) 0% Beryllium is not recycled from end-of-life products Bismuth Chemicals; Fusible alloys (low-melting alloys) & other alloys; Metallurgical additives 1% Bismuth is difficult to recycle because it is mainly used in many dissipative applications, such as pigments and pharmaceuticals. Borates Glass (insulation); Glass (excl. insulation); Frits and Ceramics; Fertilisers 0.6% Borates can be replaced by secondary sources from the recycling of biogenic waste flows such as food and vegetal waste, manure and sewage sludge Coking coal Base metal production 0% The end-of-life recycling input rate for coking coal is estimated to be zero Cobalt Battery chemicals, Superalloys, hardfacing/HSS and other alloys; Hard materials (carbides and diamond tools) 35% Cobalt-bearing end-of-life scrap can be in the form of used turbine blades or other used parts from jet engines, used cemented carbide cutting tools, spent rechargeable batteries, magnets that have been removed from industrial or consumer equipment, spent catalysts, etc. Fluorspar Solid fluoropolymers for cookware coating and cable insulation; Refrigeration and air conditioning; Steel and iron making; Fluorochemicals; Aluminium making and other metallurgy 1% Although fluorspar itself is not recyclable, a few thousand tons of synthetic fluorspar are recovered each year during uranium enrichment 64 CRM Major applications Recycling End-of-life recycling input rate Recycling from products at end-of-life Gallium Integrated circuits; Lighting 0% The rate of recovery of gallium from end-of-life products is close to zero and this is due to the difficulty and cost to recover it from highly dispersed items Germanium Optical fibres; Infrared optics; Satellite solar cells 2% Only a small amount of germanium is recycled from old scrap of IR optics such as used mobile phones Hafnium Base metals; Machinery parts; Chemical products; Optics 1% It is likely that little to no post-use recycling is being carried out currently, given its contamination in the nuclear industry and the low percentage content in super alloys Helium Cryogenics; Controlled atmospheres; Welding; Pressurisation and purging; Semiconductors, optic fibres; Balloons 1% Helium used in large-volume applications is seldom recycled Indium Flat panel displays; Solders 0% Very little old scrap is recycled worldwide because of minor indium concentrations in final products, a lack of appropriate technology, or low economic incentives compared to recycling costs Magnesium Transportation; Packaging; Desulphurisation agent 13% In the EU, a large share of magnesium is used as an alloying element in the production of aluminium alloys and derived applications. Most of end-of-life magnesium scrap is recycled as part of the aluminium value stream. Magnesium alloys are entirely recyclable once they are collected from end-of-life products Natural Graphite Refractories for steelmaking; Refractories for foundries 3% Efforts toward recycling post-consumer products containing natural graphite are dampened by oversupply and low prices. There is some recycling of used refractory material Natural rubber Automotive 1% End-of-life recycling is limited either due to contamination issues or due to the impossibility to recycle the application Niobium Steel (structural, automotive, pipeline) 0% The amount of niobium physically recovered from scrap is negligible 65 CRM Major applications Recycling End-of-life recycling input rate Recycling from products at end-of-life PGMs Autocatalyst; Jewellery; Electronics 11% \* The high value of PGMs makes their recycling attractive. The majority of the recycling volumes come from the recycling of spent automotive catalysts and electronics Phosphate rock Mineral fertilizer; Food additives 17% Phosphate rock can be replaced by secondary sources of phosphorus from the recycling of biogenic waste flows such as food and vegetal waste, manure and sewage sludge Phosphorus Chemical industry applications 0% REEs (Heavy) Phosphors: lighting, displays; Magnets; Chemical (other) 6% \* Recycling of REEs is often difficult because of the way they are incorporated as small components in complex items or as part of complex materials. The processes required for recycling are energy intensive and complex REEs (Light) Magnets; Glass Polishing; FCCs; Metallurgy 7% \* Scandium Solid Oxide Fuel Cells; Al-Sc alloys 0% No recycling circuit is known for scandium in end-of-life products Silicon metal Chemical applications; Aluminium alloys 0% Silicon metal is not currently recovered from post-consumer waste. Most chemical applications are dispersive, thus not allowing for any recovery. There is research on recycling of silicon wafers, however it has not yet materialised in marketable solutions Tantalum Capacitors; Aerospace; Sputtering targets; Mill products; Carbides 1% Tantalum can be recovered from end-of-life capacitors and spent sputtering targets Tungsten Mill and cutting tools; Mining and construction tools; Other wear tools 42% Recycling of tungsten in high speed steel is high. On the other hand, recycling in applications such as lamp filaments, welding electrodes and chemical uses is low because the concentration is low and therefore not economically viable Vanadium Ferrovanadium; Tubes and pipes; Turbines and electromotors 44% Two kinds of secondary vanadium scrap can be discerned: steel scrap, recycled along with the vanadium content, and spent chemical process catalysts \* average values 66 Annex II. Examples of CRMs discussed in Ecodesign preparatory studies Year of conclusion Preparatory study on: Details 2007 Space and combination heaters The study mentions the use of PGMs in catalytic combustion 2007 (review on-going) Personal computers and servers The initial study discussed the content of silicon in computers. The on-going revision study specifically mentions the EU CRMs and it analyses their content in the products (based on research conducted by JRC) 2010 Sound and Imaging Equipment The study discusses the content of silicon in the products 2007 (review on-going) Televisions / electronic displays The initial study discusses the content of indium (as ITO) in the products. Potential measures on the declaration of indium were discussed in the review process (based on a research conducted by JRC) 2007 Linear and compact fluorescent lamps The study discusses the presence of some materials such as REEs, gallium and indium 2007 (review on-going) Domestic washing machines The review study discusses the content of REEs in motors 2007 (review 2017) Domestic dishwashers The review study specifically mentions the EU CRMs and it discusses the content of REEs in motors 2007 Simple set top boxes The study discusses content of silicon metal in products 2007 Domestic lighting; incandescent, halogen, LED and compact fluorescent lamps The study discusses the content of some CRMs (such as gallium and indium) in the products. 2008 Electric motors The study mentions some REEs used in high performance motors 2009 Room air conditioning appliances, local air coolers and comfort fans The study discusses the content of REEs and their relevance for high efficiency motors 2009 Directional lighting: luminaires, reflector lamps and LEDs The study discusses the content of some CRMs (such as gallium and indium) in the products 2011 (review 2015) Ventilation fans in non-residential buildings The review study discusses the content of REEs and the relevance of their recycling 2014 Uninterruptible Power Supplies The study mentions the use of some CRMs (such as gallium, cobalt, silicon) to improve efficiency 2014 Electric Motors and Drives The study discusses the use of some REEs in high-performance magnets 2015 Power cables No CRM was found relevant for this product group 2015 Enterprise servers The study specifically refers to CRMs and is a first example of a study which assesses the content of CRMs in the products (based on research conducted by JRC) 2015 Light Sources The study specifically refers to the CRMs and is a first example of a study which specifically assesses the content of CRMs in the products 67 Annex III. Overview of possible further actions by sector and EU policy area Sector / policy area EU industrial and raw materials policy EU environment policy EU research and innovation policy Other EU policies General Workshop for Member States on CRMs under the Waste Framework Directive. Mining Improve pan-European data acquisition, collection and management on the composition of mining waste; Develop tools to assess feasibility of recovery of CRMs from mining wastes. Development of technologies to efficiently extract CRMs from primary ores and extractive wastes. Landfills Promote the recovery of CRMs from landfills. Electrical and electronic equipment Under the Ecodesign Directive, consider requirements on easier extraction at end-of-life of key components containing CRMs or declaring the content of CRMs. Explore the potential of new satellite technologies to detect e-waste crime. Batteries Promote suitable design for disassembly of EEE so that batteries can be readily removed. Automotive sector Promote labels or other tools for declaring CRM content in key vehicle components; Request the development of European standards for material-efficient recycling of end-of-life vehicles including for CRMs; Monitor developments in the EVs market and carry out projections on related CRM demand and stocks. Encourage Member States to use economic incentives to deliver end-of-life vehicles to authorised facilities; Make the Waste Shipment Correspondents Guidelines No. 9 binding. Development of recycling technologies focusing on materials which are currently not recycled. Make vehicle registration/ deregistration more harmonised and foster exchange of information among Member States. Renewable energy Include eco-design of wind turbines under the Ecodesign Directive. Research and innovation actions for efficiency in the use of CRMs in wind and PV energy. 68 Defence industry Collect information about material supply chains for defence products and examine possible supply risks. Research on materials needed for key defence capabilities to improve their resource efficiency, recycling and substitution. Chemicals and fertilisers Development /optimisation of chemical processes or technologies for safe recycling or reuse of CRMs.

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**Body**

Zagreb, 01 March 2018 (Hina) - GDP growth slows down to 2% at end 2017ZAGREB, Feb28(Hina) - Croatia's economy grew in Q4 2017 by 2% from the same period of 2016, which is its slowest growth rate since Q2 2015 and a result of a mild slowing down of personal consumption growth and slower-than-expected investment growth.The national statistical office (DZS) on Wednesday released a preliminary estimate showing that GDP in the last quarter of 2017 rose 2% from the same period of the year before.The fourth quarter of 2017 was the 14th consecutive quarter to see GDP grow, albeit at a slower rate thanin Q3, when the economy grew by 3.3%. The Q4 2017 GDP growth rate is also the lowest growth rate since Q2 2015, when the growth rate was 1.9%.Eight economic analysts polled by Hina had predicted an average annual GDP growth rate of 2.7%, with their estimates ranging from 2.1% to 3.2%.2017 growth slows down to 2.8%In 2017 the national economy grew by 2.8%, less than in 2016, when the growth rate was 3.2%, and less than expected.Eight economic analysts polled by Hina three months ago expected GDP to grow by 3% on average.The European Commission said recently that Croatia's economy was expected to grow by 3.2% in 2017, while the Croatian National Bank (HNB) expected a growth rate of 3.1%.The government defined the 2017 budget based on a growth estimate of 3.2%.Analyst: Slower investment dynamic"We expected the growth rate in Q4 2017 to be 3%, so 2% is disappointing," said Alen Kovac, an analyst at Erste Bank.Speaking about the structure of GDP, Kovac said that the mild slowdown in personal consumption growth had been expected but that the slowdown in investment growth was more significant than expected.In Q4household spending grew 3.4% on the year while in the previous quarter it grew 3.7%.Investment growth slowed down even more, to 1.7% on the year, while in the previous quarter it was 3.4%."The reason for this is definitely a slower dynamic of investments and more unfavourable net exports, notably due to a stronger import dynamic, which has eventually resulted in the lower growth rate," said Kovac.The export of goods and services grew in Q4 by 3.6% on the year while the import of goods and services grew 6%."The growth of exports was as expected," said Kovac, but noted that imports grew slightly more than expected, with imports of services going up 16% on the year.

Tajana Striga of the Signalitics research agency believes that the Q4 growth slowdown is temporary."We expect a solid GDP growth in 2018... considering the HNB's expansionary monetary policy, recovery of lending and low inflationary pressures that increase citizens' available income," said Striga.She noted that investment growth would be supported by a stronger inflow of money from EU funds, last year's high corporate revenues, and expected investments in tourism worth EUR 940 million, which is a 15% increase compared to the investment estimate in 2017.Striga said that she did not expect the restructuring of the heavily indebted Agrokor conglomerate to have a stronger negative impact in the short term, while in the long run she believes that it could reflect positively on the national economy through greater competitiveness and easier access to sources of financing for other market players.Kovac said that he expected the economy to grow by 2.8% in 2018 but that it was possible that he would lower the estimate.Growth slower than EU averageAccording to seasonally adjusted data, Croatia's GDP in Q4 grew 0.1% from the previous quarter, while compared to Q4 2016 it grew 2.2%.The national economy thus grew at a slower rate compared to the EU average, which in Q4 2017 was 0.6%.It also grew more slowly on the year as the average GDP growth in the EU was 2.6%.DZS head comments on GDP growthDZS head Marko Kristof said today that growth rates in Q4 2017 dropped the most in ***agriculture*** (-5% year-on-year), primarily due to last year's drought, and in the industrial sector, which together with mining and energy saw a drop of 0.2%, he said.Kristof explainedthat the structure of the economy in Q4 was significantly different from its structure in other periods of the year, namelythe share of industries in the overall GDP was higher as the volume of seasonal activities was smaller, which in the case of a smaller volume of industrial activity meant itsgreater impact on the overall GDP.Industrial production in the last two months of 2017 dropped. The decline for two consecutive months was notrecorded since mid-2104. That is why industrial output in Q4 2017 stagnated on the year while in the previous quarter it grew 2.9%.The lower industrial output was due to a lower output in the metal industry, primarily shipbuilding and metal construction, as well as in the furniture industry."We have very stable rates of growth and consumption, salaries andemployment but the impact of tourism is really big. In Q4, when there is no tourism, as soon as several sectors record lower outputs, that affects overall growth rates," said Kristof.The biggest positive contribution to GDP growth in Q4 2017 was made by growing household consumption. The contribution of domestic demand was positive while the contribution of foreign demand was negative.FinMin: We need to aspire to higher growth ratesZAGREB, Feb 28 (Hina) - Finance Minister Zdravko Maric on Wednesday commented on the latest figures released by the State Bureau of Statistics (DZS) indicating an economic growth of 2% in the last quarter of 2017, saying that the results did not deviate much from what was expected but that it was necessary to aspire to higher growth rates."Even if we had achieved a better resultin the fourth quarter, my response would be the same. I think that at the momenta growth rate of about 3% would be satisfactory because economic growth is on much healthier foundations now then it was in the pre-recession period when we had growth rates of 4.5% and 5%. At that time, however, we had a current account deficit of more than 9%, the budget deficit and public debt was growingrapidly. Both those deficits have now been transformed into surpluses," Maric told a press conference.A 3% growth rate, he said, isn't anything to be satisfied with in the period to come."We should do everything possible to improve the economy's performance and to continue relieving both tax and non-tax burdens whileimplementing structural measures and reforms to boost certain segments of the economy," Maric said.He added that seasonally adjustedfigures indicated a growth rate of 2.2% in Q4, the main driver of growth being personal consumption."I have to note that this is the 14th consecutive quarter of growth. In the last quarter personal consumption rose by 3.4%, and investments rose too," Maric said.When these preliminary data are put in context and when we calculate GDP generated in the other three quarters in 2017, total economic growth was 2.8%. "That is then the second consecutive year that growth was in the vicinity of3%," he concluded.Asked to comment on the fact that this was the slowest growth rate since Q2 in 2015 and that the economy was slowing down, Maric said that economic growth was somewhat slower compared to the preceding quarter and "below expectations.""Our aim and idea of economic growth is thatalong with personal consumption, a greater contribution is made particularly by investment spending because that is a guarantee for the future and can have the greatest impact on raising GDP not just in one year but in the years to follow and onincreasing exports of goods and services," he added and admitted that the figures showed that some things needed to be corrected.He underscored that when domestic consumption rises due to relatively high import dependency it contributes negatively to overall GDP. "Despite the figures from the Bureau of Statistics figures on the monthly level, which suggest somewhat slower imports of goods, current figures indicate that imports of goods and all services are at a level of 6% (Q4) which negatively impacts overall GDP," he said.Industrial production and ***agricultural*** production are the main reasons for the mild slowing down, he added.A preliminary report by the national statistical office shows that in the fourth quarter of 2017 Croatia's GDP grew 2% from the same period of 2016, which is a significantly lower rate than in the previous quarter and lower than expected.Chamber of Commerce, employers comment on GDP growthZAGREB, Feb 28 (Hina) - The Croatian Chamber of Commerce on Wednesday said that a slower gross investment growth and export of services and a stronger export growthas well as other consumption components were the reason why GDP growth had slowed down in 2017.The HGK said that personal consumption, as the biggest individual component of GDP, grew by only 0.1 percentage points faster than the year before, encouraged by a relatively high growth of net salaries (5.5%), a mild employment growth, a recovery of lendingand tendencies to spend more.The Croatian Employers Association said that a slower GDP growth in Q4 2017 was expected, stressing that current rates were insufficient and indicate the urgency of structural reforms.Croatia's economy grew in Q4 2017 by 2% from the same period of 2016, which is its slowest growth rate since Q2 2015 and a result of a mild slowing down of personal consumption growth and slower-than- expected investment growth.The national statistical officeon Wednesday released a preliminary estimate showing that GDP in the last quarter of 2017 rose 2% from the same period of the year before.The fourth quarter of 2017 was the 14th consecutive quarter to see GDP grow, albeit at a slower rate than in Q3, when the economy grew by 3.3%. The Q4 2017 GDP growth rate is also the lowest growth rate since Q2 2015, when the growth rate was 1.9%.Court appoints Perusko, Weber to Agrokor emergency administrationZAGREB, Feb 28 (Hina) - The ailing Agrokor food conglomerate on Wednesday reported that the Zagreb Commercial Court, acting on a proposal from the government, had replaced Ante Ramljak as Agrokor's emergency administrator and appointed Fabris Peruskoas the new emergency administrator and Irena Weber as his deputy.Agrokor notes that both Perusko and Weber are experts whountil now had worked within the Agrokor group.Perusko was a member of the management board of the Tisak newsstand chain in charge of finances and restructuring.Weber was an adviser to Ramljak onAgrokor's non-core business and property portfolio.This makes them capable of taking overthe emergency administration and settlement process in the shortest possible time, and running it in accordance with deadlines defined by the law on emergency administration procedures in systemic companies, Agrokor said on its web site.Settlement is priority, says new Agrokor administratorZAGREB, Feb 28 (Hina) - The newly appointed emergency administrator at the ailing Agrokor food conglomerate, Fabris Perusko, said on Wednesday that his priority was to reach a settlement with the creditors while his predecessor Ante Ramljak saidhe felt no bitterness and wished his successor success."Settlement is number one," Peruskotold reporters before taking overfrom Ramljak.Peruskoannounced that he would meet with all stakeholders in the process and reiterated that settlement was his priority.Ramljak told reporters that the handover between him and the new emergency administrator had taken place."We went through all the documents and discussed what is is expected in the next few days, Ramljak said after the handover ceremony.Ramljak added that when he arrived 11 months ago there was HRK 6 in the accounts and that today there is HRK 1.6 billion. "IwishFabris and Irena all the luck. I believe they will do a good jobuntil the end," he added.Asked what was decisive for him to have resigned, Ramljak said:"You'll have to ask someone else that.""I think that this process and the entire situation around Agrokor was a big transformation and a big change in society. You know, it wasn't easy for politicians or me. We knew that we would have problems and if my sacrifice is necessary for this to be brought to an end, then I acceptthat sacrifice and I sincerely hope we succeed," he said.Asked whether he expected the State Prosecutor's Office (DORH) would launch an investigation into him, Ramljak said that that was a question for DORH."I am here. I absolutely have no problems with that. I will stay in Zagreb and won't be going anywhere," Ramljak said.Opposition agrees to initiate no-confidence vote in economy ministerZAGREB, Feb28(Hina) - Opposition parties and some independent MPs agreed in principle on Wednesday to initiate a no-confidence vote in Economy Minister Martina Dalic at the proposal of the Bridge party.Fifteen MPs, both from the left and right, agreed tosubmit the initiative to parliament by Monday at the latest.Bridge political secretary Nikola Grmoja said he expected the whole opposition to be united during the vote in parliament."We are aware that this ruling majority has been bought and that it will be difficult to shake. But we want Milorad Pupovac of the SDSS, Darinko Kosor of the HSLS, the HNS and others to stake their political capital on Martina Dalic and the interests she represents. We also want the HDZ to defend Martina Dalic and (Prime Minister) Andrej Plenkovic to defend her too over everything that has been happening with Agrokor," Grmoja told reporters, saying the opposition realised that it was unlikely their initiative would pass.Arsen Bauk of the Social Democratic Party (SDP) said he could not remember a time when the opposition managed to the sack government. "The objective of the initiative is to open a discussion and in that sense, every initiative will succeed."Kreso Beljak of the Peasant Party (HSS) said the opposition wanted the government's fall and an early election because the model under which Croatia was being run was wrong.Goran Aleksic of SNAGA said the aim of the initiative was to make the public "see everything that Minister Dalic has donewrong, but it's also necessary to make the HDZ's satellites see who they are dealing with."Human Shield president Ivan Vilibor Sincic said that, "with every day of this government, notably of Minister Dalic, corruption in the country is bigger and bigger.A large majority of the opposition has agreed about the initiative for a no-confidence vote in Dalic and I hope some MPs of the ruling majority will find their conscience and that there will be enough votes to replace her."Before today'smeeting, the opposition Istrian Democratic Party (IDS) and GLAS asked in a statement that Bridge MPs commit to backing the ratification of the Istanbul Convention, but GLAS president Anka Mrak Taritas later said this was not a requirement for giving Dalic a vote of no confidence."Tomorrow we will send a motion to all opposition parliamentary groups to sign for the ratification to be put ... on parliament's agenda. In that way we will show the real rift between the HDZ and its coalition partners," she said.The president of the ruling HDZ's parliamentary group, Branko Bacic, said the HDZwas "sure that the no-confidence vote won't pass."A vote of no confidence in the government, one of its members or the PM can be initiated if at least one-fifth of allMPs, i.e.31, sign a motion to that end. The motion is then immediately put on parliament's agenda. The government has eight days to take a position and the vote in parliament must be held within 30 days. At least 76 votes are required for a no-confidence vote to pass."For the homeland ready" can be used only for commemorative purposesZAGREB, Feb 28 (Hina) - The council for dealing with the consequences of the rule of undemocratic regimes concluded its work on Wednesday, recommending sanctions for the use of symbols of totalitarian regimes, with an exception that the WWII-era Ustasha salute "For the homeland ready" can be used for commemorative purposes subject to prior permission, a press conference was told.The council, composed of 17 experts in different scientific fields and of different political inclinations, concluded their work by adopting recommendations in the form of two documents, one dealing with historical issues and the other focusing on legal solutions to those issues.Prime Minister Andrej Plenkovic thanked the council members for providing answers to all the questions asked and said that the recommendations would help gradually defuse the existing tensions and divisions in society."The document clearly reflects the actual mood in the country and I expect these recommendations to become basic guidelines in further legislative work," the PM added."Since the work of this council is closely associated with the installation of a HOS memorial plaque in Jasenovac, which contains a salute that is contrary to the constitution, the council has made it clear in its recommendations that the salute can be used in exceptional cases with prior permission," Plenkovic said.Council chairman Zvonko Kusic said that the salute "For the homeland ready" can be used only on the coat of arms of the Croatian Defence Forces (HOS), the armed wing of the Croatian Party of Rights (HSP) during the 1991-1995 Homeland War."This is official tolerance, which has been inherited and which can be tolerated if strictly regulated," Kusic added.The symbols of the undemocratic regimes can be used only at commemorative events for persons who were killed under those symbols and not at large-scale events, Kusic said."Our recommendations could not be completely specific. The legislature will deal with the matter in greater detail and eventually judges will always look at the context, if it was an act of provocation. These are general guidelines. The council could not make recommendations for individual cases but provided a framework," Kusic concluded.Plenkovic said that this problem concerned a small portion of the population, people who gave their lives defending the country in the Homeland War. "We have no doubts about this salute and its nature in the context of World War II. The context here is completely different and from another time," he said.Kusic said that the five-pointed red star and communist symbols were not questionable but were ambiguous. "They have both positive and negative connotations. The part relating to the antifascist struggle and World War II is indisputable. But if it is about promoting hatred and violence, it can be subject to regulation. The legislature can regulate this matter if any such situations arise," he added.The purpose of this document is to help us overcome major ideological divisions and look to the future based on reconciliation and truth about the past, Plenkovic said.Plenkovic said that the government would analyse the council's recommendations and see how they could help improve the legislative framework. He highlighted the recommendation to strengthen the judicial and administrative capacity.SDP leader says conclusion on Ustasha salute shamefulZAGREB, Feb 28 (Hina) - Social Democratic Party (SDP) president Davor Bernardic said on Wednesday the council for dealing with the past had adopted a shameful conclusion on the Ustasha salute "For the Homeland Ready" by "making it acceptable in exceptional situations.""This means the salute will be visible only a few kilometres from Jasenovac," he said in a press release, referring to the site of a WWII concentration camp."We condemn in the strongest terms this decision whereby (Prime Minister Andrej) Plenkovic and the government are allowing the interpolation of the official salute of the Nazi and fascist NDH in memorial plaques of HOS in a public area. Once again, the defeated and pernicious Ustasha ideology is being allowed to destroy Croatian society in the most perfidious way," the SDP said in the press release.The SDP believes that those in power "can't resolve serious problems" and that "the prime minister's indecisiveness and incompetence is being fully revealed."Council's recommendations elicit criticism from SDSS, HSP ZAGREB, March 1 (Hina) - The conclusions outlined on Wednesday by the the council for dealing with the consequences of undemocratic regimes on how to treat insignia of totalitarian regimes have elicited criticism from politicians and from parliamentary and non-parliamentary parties.Thus, Milorad Pupovac of the Independent Democratic Serb Party (SDSS), said on Wednesday evening that the solution proposed for 'For the Homeland Ready' salute did not solve the situation but made it more complicated."It would be better if they (the council) had done nothing. These non-binding recommendations would stir up confusion among the law enforcement authorities," Pupovac said.The Croatian Serb leader said that he looked at the conclusions with concern and anxiety.The Istrian Democratic Party (IDS) said that the conclusions were as expected. This parliamentary regional party said that it would insist on the adoption of the draft law it proposed on the matter.HSP holds that conclusions reflect Yugoslav Communist policiesThe non-parliamentary Croatian Party of Rights (HSP) criticised the conclusions adding that members of the HOS units, former Croatian Defence Forces, that were the armed wing of the HSP during the Homeland War, could not accept the recommendations.They insist that not only HOS members but also other soldiers defending Croatia in the Homeland Defence War used the salute.The HSP found the conclusions to be "too dangerous for the national unity" and that they were in line with "Yugoslav Communist policies".The Council's recommendations are that Croatia punishes all forms of glorification of fascist regimes but allows the use of the "For the Homeland Ready" salute strictly to commemorate a soldier killed in the 1991-95 Homeland War.After the Council session on Wednesday afternoon, Prime Minister Andrej Plenkovic said the "For the Homeland Ready" salute, registered as part of statutory provisions of certain associations related to the activities of HOS during the Homeland War, was contrary to the Croatian constitution.The council, composed of 17 experts in different scientific fields and of different political inclinations, concluded their work by adopting recommendations in the form of two documents, one dealing with historical issues and the other focusing on legal solutions to those issues.Re-elected members say no political pressure on Conflict of Interest CommissionZAGREB, Feb 28 (Hina) - The re-elected members ofthe Conflict of Interest Commission, Tatijana Vucetic and Davor Ivanjek, on Wednesday said that there had not been any political pressure that could have impacted the Commission's work.That is a collective body, individuals are not the Commission. Each one of its members contributes to its workwith their integrity, Vucetic told the Anti-corruption Council after it adopted a report on the Commission's workin 2017.Vucetic, who was the Commission's deputy chair for the past five years, said that from the very start the Commission took the stance that did not allow any memberto accept any form of pressureand that there hadnot been any direct pressure.She is convinced that the Commission's new makeup will operate in the same way, if not better, because it now has the experience and the parameters below which it cannot go.Ivanjek added that they could not say that any pressure was put on their work and that not one decision was made under any form of political pressure. He called for a new Commission chairto be elected as soon as possible.Opposition Social Democratic Party (SDP) MP Damir Tomic said therecentfailure to electa new chair in parliament was a "fiasco" of the incumbent government.Anti-corruption CouncilchairmanZeljko Jovanovic (SDP) said it wasbad that theCommission's new chair was notelected two weeks agoand thatelecting onewithout a new call for applicationswill not leave a good impression in public.The council's deputy chair, Ante Babic of the ruling Croatian Democratic Union (HDZ), rejected theOpposition's doubts. The Conflict of Interest Commission is an independent institutionand I don't believe there was any pressure, Babic said.Jovanovic said that the latest index onthe perception of corruption was not favourable for Croatia. According to the Eurobarometer, 94% of citizens believe that Croatia is a corrupt country, which is something the national Anti-corruption Council must not ignore, he said.Energy minister meets unionists on future of INA, Sisak oil refineryZAGREB, Feb 28 (Hina) - Environmental Protection and Energy Minister Tomislav Coric met with a delegation of union representatives from the INA oil company on Wednesday to discuss the company's future, notably the future of the Sisak oil refinery.All 40 workers of the Sisak refinery'sFluid Catalytic Cracking (FCC) plant will be offered adequate alternative jobs and those who decline it will be offered severance packages, Coric told reporters after the meeting.Responding to a question about the selection of consultants on the buyout of the Hungarian energy groupMOL's stake in INA, Coric said they would be selected "in the next two or three weeks, certainly before the end of March."Union leader Jasna Pipunic said that the government supported investment in the Rijeka refinery and that the Sisak refinery would be operating until completion of that process. As for the workers of the FCC plant, she said that that was a business decision, announcing a new meeting with the CEO of the Sisak refinery for Friday. She added that they did not expect any of the 40 workers to be fired."We have been told that after the closure of the FCC plant the Sisak refinery will no longer refine gasoline but diesel fuel. The closureof the plant is not acceptable to the unions because it means job losses," Pipunic said.The management has decided that gasoline will be refined at the Rijeka refinery because it has betterequipment, while the Sisak refinery will refine diesel and some other products. The unions will discuss the situation and make decisions at a meeting on Monday, she added.Workers' representative Predrag Sekulic said that the dissolution of the FCC plant would be a step towards closing the refinery. He demanded a meeting with "competent people" to show that the Sisak refinery was operating at a profit and to propose new solutions.INA: FCC plant at Sisak is not an independent entityZAGREB, Feb28 (Hina) - The INA oil company said on Wednesday that theFluid Catalytic Cracking (FCC) plant at the Sisak oil refinery was not an independent entity and that its closure would notmean closure of the refinery but optimisation of the refining business to improve the company's performance."The operation of the FCC plant at Sisak cannot be viewed separately from the entire refinery because this plant is not a separate unit in the process. By the same token, the Sisak oil refinery cannot be viewed independently of INA's refining system which also includes the Rijeka oil refinery," INA said in a statement emailed to Hina.The statement was issued after a meeting between Environmental Protection and Energy Minister Tomislav Coric and a delegation of union representatives on the company's future.INA stressed that closure of the FCC plant at Sisak did not mean closure of the Sisak refinery. Crude oil refining will continue in blocks, while secondary plants will operate without interruption, which has not been the case so far, it added.INA said this business decision was based on market demand and comparative advantages of both refineriesand its aim was to optimise the refining business and improve the company's performance.The company's financial statement for 2017 has shown that the Sisak refinery generated an operating loss of HRK 207 million and a negative cash flow of HRK 125 million.The proposed ***plan*** is a step towards considerablyreducing these losses, INA said.HPB's net profit in 2017 totals HRK 7.1MZAGREB, Feb28(Hina) - Hrvatska Postanska Banka (HPB) posted a net profit of HRK 7.1 million in 2017, as well as a rise innet revenues from interest and fees.2017 was also marked by higher provisions due to the bank's exposure to Agrokor Group, the HPB said in a press release on Wednesday.The press release said that the bank recorded HRK 64.5 million in losses in H1 2017, but compensated for it in H2, ending the year in the black.The bank's operating profit in 2017 amounted to HRK 373.2 million, nearly reaching the record-high amount from2016.The banks's net revenues from interest in 2017 totalled HRK 531.3 million, up3.3% on the year, while net revenues from commissions and fees increased by 4%, reaching HRK 192.1 million.The recapitalisation of the bank has been postponed for 2018.Croatia Airlines posts 2017 net profit of HRK 27MZAGREB, Feb28 (Hina) - Croatia Airlines generated a net profit of HRK 27 million in 2017, as against 6.6 million in 2016, the national flag carrier said in a preliminary annual financial statement on Wednesday.Operating revenue was HRK 1.76 billion, up 13% over 2016. The increase was due to the sale of slots at London's Heathrow Airport. Expenditure rose by 10% toHRK 1.72 billion.Croatia Airlines flew 2.125 million passengers in 2017, which is 10% more than in 2016. It also transported 2,270 tonnes of goods and mail.Passenger occupancy was a record 74.4%, the statement said.ACI doubles its net profit in 2017ZAGREB, Feb28(Hina) - Croatia'snautical tourism companyAdriatic Croatia International Club (ACI) last year generated a net profit totalling HRK 20.3 million, which is nearly 86% more than in 2016, ACI said in a press release on Wednesday.ACI's total revenues in 2017 amounted to HRK 201.1 million, while total expenditures reached HRK 176.1 million.The company's gross profit reachedHRK 25 million, up 77% on the year.Business revenues, namely revenues from nautical activities, amounted to HRK 190 million, up one percent on the year.The company's biggest investment project in 2017 was the complete overhaul of the ACI marina in the northern Adriatic resort of Rovinj, the press release said.In 2017, ACI received a HRK 2.7 million grant from European funds for the preparation of project documentation for the restoration of the Sorkocevic Castle in ACI marina Dubrovnik.Early this year, the government, which has a 78.58% stake in the company, put ACI on the list of state-ownedcompanies of ***strategic*** and special interest to Croatia.Croatia Osiguranje reports 43% increase in net profitZAGREB, Feb28 (Hina) - The Croatia Osiguranje insurance company generated a net profit of HRK 251.9 million in 2017, which is an increase of 43.2% over the previous year, its financial statement shows.Total consolidated revenue was HRK 3.41 billion, up 4.2%, while expenditure rose by nearly 2% to HRK 3.16 billion.Total gross premium charged was HRK 3.14 billion, an increase of 4%. Of that amount, gross non-life insurance premium accounted for HRK 2.5 billion (+4.7%) and life insurance premium reached HRK 639.4 million (+1.6%).The group's assets increased by 7.1% to HRK 11.1 billion.Podravka Group makes HRK 4.1bn in sales revenue in 2017ZAGREB, Feb28(Hina) - Podravka Group's sales revenue in 2017 totalled HRK 4.1 billion, down 1.8% on the year, while net profit was HRK 54.4 million, according to a consolidated financial statement released on Wednesday.Last year the group successfully controlled its exposure to the companies within the indebted Agrokor conglomerate, notably in Croatia, the financial statement said.During the emergency administration in Agrokor, Podravka reported HRK 97.4 million in receivablesand as of 31 December 2017, its exposure to Agrokor companies in Croatia totalled HRK 93.5 million, it added.The group's gross profit in 2017 was nearly HRK 1.5 billion, net profit was HRK 54.4 million, down from HRK 182.4 million in 2016, while normalised net profit was HRK 165.6 million.The revenue of Podravka's food division amounted to HRK 3.2 billion, down 3.8% on the year, while the revenue of the pharmaceutical divisionwent up 6.4% to HRK 867.5 million.Uljanik Group closes 2017 with HRK 687M lossZAGREB, Feb 28 (Hina) -The Pula-based Uljanik Grouprecorded a loss of HRK 687 million in 2017, mostly due to delays in production, the shipbuilding company reported on Wednesday.Based on preliminary data, revenue from sales in 2017 was HRK 111 million higher than in 2016 and amounted to HRK 2.04 billion, the company's unaudited consolidated financial statementsaid.Last year the group delivered four ships and had 4,504 employees.The group's core company Uljanik d.d. also recorded negative financial results with a loss of HRK 253 million even though revenue from sales wasHRK 511 million higher than in 2016.The losses can be ascribed to the restructuring ofthe 3. Majshipyard, Uljanik noted in its financial statement.Atlantic Group's revenues up 3.9%, net profit up 69.2%ZAGREB, Feb28(Hina) - In 2017 the Atlantic Group food company reported sales in the amount of HRK 5.3 billion, an increase of 3.9% from the previous year, while net profits after minority interest rose by 69.2% to HRK 275.5 million, the company said.Theseresults are owing to the growth of the group's own brands and distribution business, as well as the growth of all of its biggest markets. In late 2017 the group's profitability expectations were revised upwards for the first time, the group said.EBITDA amounted to HRK 582.2 million, up 22.7%.Koncar Group reports HRK 111.4M in net profitZAGREB, Feb 28 (Hina) - The Koncar Group, an electrical, transport and energy company, in 2017 generated HRK 111.4 million in profit after tax, which is 35.8% lessthan in 2016, the group's financial statementreleased on Wednesday says.The group's total revenue amounted to HRK 3.13 billion, up 0.5%, and total expenditure also increased, toHRK 3 billion (+3%).The group's consolidated revenue from sales and services amounted to HRK 2.8 billion, the same as the year before.Revenue from sales and services on the domestic market amounted to HRK 1.2 billion, a drop of 13.2% on the year. Revenue from sales and services on the foreign market increased by 12% to HRK 1.57 billion.In 2017, Koncar signednew contracts valued at HRK 2.48 billion, 48% or HRK 1.2 billion's worth on the domestic market and 52% or HRK 1.27 billion relatingto exports.Media committee discusses work of Hina's steering boardZAGREB, Feb28(Hina) - The parliamentary Committee on Information, Computerisation and the Media on Wednesday took note of reports on the work of Hina's Steering Board in 2014 and 2015 and accepted a report on its work in 2016, with several committee members noting that the Hina Act should be updated.The reports for 2014 and 2015 are being taken note of because of the passage of time, said Committee chair Andrija Mikulic of the ruling HDZ party, rejecting Social Democrats Nenad Stazic and Bojan Glavasevic's proposal that the committee should also accept the reports for 2014 and 2015.That the reports for 2014 and 2015 only be taken note of and the report for 2016 adopted was recommended also by the government.Positive trends are evident, Hina has been operating better, it has been investing surplus money into its core business, Assistant Culture Minister Marica Mikec said, adding that the Hina Act would be amended by the end of 2018 or in 2019.Hina Steering Board chair Maja Pleskalt underlined the agency's positive results in 2014, 2015 and 2016. After a restructuring process was launched in 2013, in 2014 Hina operated in the black for the first time, and a loan taken out for restructuring in 2014 was repaid in 2015. The agency had an average of 126 employees and 150 clients, whose number stopped declining.Similar trends continued in 2015, when the number of subscribers rose slightly and when two new sub-portals were launched - on health and on youth and the EU, as well as in 2016, when the agency reported a profit of slightly more than HRK 880,000, Pleskalt said.Bridge MP calls for new law on mountainous regionsZAGREB, Feb28(Hina) - Commenting on the current harsh weather conditions,Bridge party MP Miro Bulj and Independent Democratic Serb Party (SDSS) MP Milorad Pupovac warned on Wednesday that less developed Croatian regions were particularly affected, with Bulj calling for the adoption of a good law on mountainous regions."It'sgood that the Croatian army responds in cases of inclement weather, but the regions of Dalmatia, Zagora, Lika and Gorski Kotar have been forgotten and 250,000 people live there," said Bulj.He said that the current law on mountainous regions had been changed seven times and was still not good.If it were good, communities in the less developed regions would have sufficient fiscal capacity to deal with harsh weather on their own, said Bulj.MP Pupovac said that it was good to see the prime ministervisit Delnice in Gorski Kotarand that the army was the first to respond."But areas south of Karlovac and all the way to Knin and Obrovac in the Dalmatian hinterland arestill covered in ice," he said.Those people have been cut off from the rest of the world for days. On the one hand, that shows the lack of technical preparation and on the other, the lack of our social and human empathy as a society and state. It is as if those regions and people living there were not part of Croatia, said Pupovac."Thanks to the defence minister, the Croatian army has been on the ground in the area of Gracac and has been moving towards the settlements affected the most, however, the area bordering with Bosnia and Herzegovina cannot be accessed and we have to do our best to help those people because they, too, are Croatian citizens," said Pupovac.NGOs say Croatia continuing to treatrefugees unlawfullyZAGREB, Feb 28 (Hina) - The Are You Syrious(AYS) and Centre for Peace Studies (CMS) non-governmental organisations on Wednesday released their fourth report on refugees and warned that Croatia has continued with its practice of expulsion, unlawful behaviour and sporadic violence against refugees who have tried to seek international protection in Croatia.Last year, the two NGOs alerted the Interior Ministry and the State Prosecutor's Office(DORH) of suchincidents, butthey did not react or their reaction was limited. The situation changed, however, at the beginning of this year when the human rights ombudswoman sent aletter to DORHpresenting a series of claims of unlawful procedures by the police, Julija Kranjec from CMS told a press conference.The ombudswoman's report shows that those were not isolated cases but systematic and plannedmeasures of denying access to international protection, deprivation of liberty without legal grounds and disregard for the principle that they should not be turned back.The NGOs are also concerned that thermal-vision camera recordings do not exist for those times when the unlawful incidents were reported to have occurred. The latest report notes that these incidents are occurring on the Bosnia and Herzegovina border too and that not even vulnerable people are exempt from this type of behaviour.Kranjec said that police treatment toward refugees in Croatia has changed for those arriving as part of the resettlement quotasbut, she added,that should not exclude all people who need protection.Tatjana Tadic fromAYSsaid that in 2017the UNHCR in Serbia recorded 3,242 cases of unlawful expulsion of refugees from Croatia and that many of them claimed that they were not allowed to seek international protectionand that they were regularly abused. Data for January 2018 indicates 189 newly documented cases of expulsion.The NGOs claimthat there are growing indications that the police are covering up verbal and physical violence againstrefugees.Referring to a recent statement by Interior MinisterDavor Bozinovicthatthe first requirementfor asylum is legal entry into Croatia, the NGOsunderscored that according to international and domestic law, any person in Croatia, regardless of how they crossed the border, has the right to apply for asylum, which then needs to be processed by expert bodies and not arbitrarily by border police.The NGOs called on the Interior Ministry and the Police Directorate to immediately withdraw orders that generate unlawful police behaviour and called on border police not to follow suchorders as they are exposing themselves to possible prosecution.They alsocalled on DORH to investigate the claims made by the human rights ombudswoman regardingunlawful police behaviour and on Prime Minister Andrej Plenkovic to distancehimself from this type of police behaviour.Interior ministry denies allegations of unlawful behaviour toward refugeesZAGREB, Feb 28 (Hina) - The Interior Ministry on Wednesday denied allegations by the non-governmental organisations Are You Syrious, the Centre for Peace Studies and No Name Kitchen of not allowing refugees access to international protection and emphasised that the Croatian police were protecting the state border, which is at the same time the external border of the European Union, applying national and European rules.Croatia advocates lawful, sustainable and controlled migration, which is in the best interest of Croatian citizens and current and future seekers of international protection, the ministry said. It underscored that migrants in Croatia have access to the international protection system and their numbers quadrupledin 2017 compared to the previous four years, reaching a record number in Croatia's history."With the consistent implementation of Article 13(2) of the Schengen Borders Code, Croatian police preventand determigrants from entering Croatia illegally, using all available human and technical resources while at the same timerespecting the human rights of the migrants," the ministry said in its statement.The Croatian police consistently treat illegal migrants in accordance with the law on foreigners and relevant regulations, the ministry said.From the beginning of 2016 until 12 February 2018, 4,253 seekers of international protection were registered, whichis a significant increase compared to previous years. In 2017 international protection was granted to 213 persons, which is a little more than the average granted in the EU and the highest number ever in Croatia.The ministry emphasised that Croatia is mostly a transit country for illegal migrants and that most of them do not formally apply for international protection until they arrive at their final destination."Most migrants refrain from expressing their intention for international protection when they are required to give their finger prints for the EURODAC system because they are aware that in that case Croatia is responsible to process their application. By seeking international protection in Croatia, itbecomes the country destination for migrants which means that they will be immediately returned to Croatia from any other member state until Croatia processes their application or until they are returned to their country of origin," MUP explained.MUP underscored that 77% of the total number of applications for international protection in 2017 were suspended because the applicants had left Croatia before the process was completed. That, the ministry said, confirms the fact that these are economic migrants who are abusing the institute of asylum in Croatia.As part of the resettlement and relocation of migrants, in 2015 Croatia undertook to take in 1,583 migrants, 1,433 were to be relocated from Italy or Greece and 150 from Turkey. In October last year the government decided that in 2018it would take in an additional 100 Syrian refugees from Turkey, the ministry said.Education minister slams NGO calling for her dismissalZAGREB, Feb 28 (Hina) - Minister of Science and EducationBlazenka Divjakon Wednesday commentedon accusations against her by the Vigilare non-governmental organisation,sayingthat it"should be ashamed,"called on everyoneto first check the factsbefore labelling others, underscoring that it was necessary to avoid dealing with marginal topics and makingchildrenhostage to groups andindividuals not interested in advancing the education system.Vigilare on Wednesday called on Prime Minister Andrej Plenkovic to replace Divjak and accused her of "showing unwillingness or incompetenceto seriously deal with the promotion of paedophilia, homosexuality and genderideology in Croatian schools."Anyone who releases fake news without checking the facts should be ashamed,Divjak told reporters in parliament.She explained that she was referring to "the programmein which it was incorrectly reported that certain literature is on the required reading list, which is a lie." She was talking about a ***programme*** on the HTV nationalbroadcaster that discussed the Croatian language curriculum.She underscored that everything that is being introduced in schools is checked,that official documents areaccessible to all and that they should be checked before any accusations are made."On the ministry's website has the curriculathat are now ready for experimental implementation, even though they are still being advanced and certain changes are being made," she said and called on the public to become involved so as to avoid dealing with marginal topics and making children hostagetogroups and individuals who are not interested in advancing the education system.Law on vocational education important for demographic policiesThe billon vocational education which was discussed in parliament todayprovidesa legal basis for learning based on work experience, dual education, and centres of competence through whicha billion kuna from European funds can be absorbed, Divjak said.That waycounties will get centres of competenceand students a place where they will not just be educated but where they can collaborate directly with employers, teachers will have an opportunity for life-long learning and training, and this will also enable access to higher education, particularly atpolytechnics, and in that regardthis is certainly a very important demographic measure,Divjak said.Bosnian officials submit answers to EC questionnaireZAGREB, Feb28(Hina) - Bosnia and Herzegovina's top officials in Sarajevo on Wednesday presented European Commission President Jean-Claude Juncker with their long-awaited responses to the questionnaire which Brusselssent to Bosnia in December 2016 and the context of which should serve as the foundation for a decision on whether Bosnia has deserved EU candidate status.This step, although technical, represents great success for the country, as it opens EU membership prospects that have been "on hold" for yearsdue to internal political conflicts and reservations of EU member states towards further enlargement.At the ceremony of submitting the completed questionnaire, Juncker said this was an important day not only for Bosnia but for Europe too.Europe and Bosnia will from now on go together, Juncker said commending all those who made their contribution to completing the questionnaire.He however stressed he could not say when Bosnia would become a candidate, but added that EU bodies would most definitely be friendly.Covic says process of resolving border issues to be launchedThe Chairman of the Presidency of BiH, Dragan Covic, said it took Bosnia between seven and eight months to set up a functioning coordination mechanism, adding however that the system necessary for the negotiations process was now functional and that in the future everything would be easier."Our objective is to catch up with our neighbours and be the first in the next EU enlargement cycle," Covic said, adding that the first step would be to launchthe process of resolving the border issues with Croatia and Serbia. He said this would be done next week already at a trilateral meeting between Croatia, Serbia and BiH."BiH holds its European path in its own hands," Covic said, adding that it was clear that the pace of the European journey did not depend on Brussels but on the situation and relations in Bosnia and Herzegovina.Pre-election climate will not stop the reform path, as reforms are necessary to compensate for years pf delays.He once again insisted on amendments to the election legislation in order to receive a position opinion from the European Commission about Bosnia's membership.Sarajevo City Council decides to award honorary citizen title to Mesic despite his refusalZAGREB, Feb28 (Hina) - The Sarajevo City Council on Wednesday decided to award the title of honorary citizen to former Croatian president Stjepan Mesic despite his refusal to accept it.Mesic wrote to Sarajevo mayor Abdulah Skako on Tuesday saying he did not want to accept the title because it had become a political issue after theSarajevo City Council Commission on Elections and Appointments initially awarded the title to Orhan Pamuk, the world-renowned Turkish novelist and recipient of the 2006 Nobel prize forliterature, but later changed its mind and decided on Mesic.The change of heart was the result of pressure from the ruling, predominantly Muslim Party of Democratic Action (SDA) because of Pamuk's open criticism of the regime of Turkish President Recep Tayyip Erdogan.The City Council voted 23:1 to award the honorary citizen of Sarajevo title to Mesic. Council chairman Igor Gavric said that Mesic, unlike Pamuk,deserved the title."No one took away the title from Orhan Pamuk and no onedisputes his work. Although he is a world-renowned novelist and Nobel prize winner, no one could say in the explanation of the proposal what he actually wrote or did for Sarajevo," Gavric said.Gavric is a member of the Alliance for a Better Future, which together with the SDA, constitutes a ruling majority in the City Council.Pamuk was nominated for the title by the Sarajevo book publisher Buybook in cooperation with the non-governmental organisation Amadeus.In other news:Industrial ***producer*** prices in Jan up 1.2% y-o-yZAGREB, Feb28(Hina) -Industrial ***producer*** prices in Croatia in January 2018were 0.2% up from the previous month but compared to January 2017they were 1.2% higher, show data released by the national statistical office (DZS).January 2018was the 13th consecutive month to see an increase in industrial ***producer*** prices and Raiffeisenbank Austria (RBA) analysts expect their further increase in coming months.Without energy sector prices, industrial ***producer*** prices in January 2018 were 0.2% lower than in December 2017 and on the year, they were 0.6% higher.The DZS data show that industrial ***producer*** prices on the domestic market were 0.1% higher on the month, and on foreign markets they were 0.4% higher.Year-on-year, industrial ***producer*** prices on the domestic market jumped 1.5% and on foreign markets they increased 0.8%.International cat shows to be held on March 3-4ZAGREB, Feb28(Hina) - This year's first international cat shows in Croatia will be held on March 3-4 at Zagreb's Westgate Shopping City.The shows, organised by the Croatian Feline Association, will feature 150 cats as well as the two-time national winner in the category of adult shorthaircats, the British shorthaircat Tiger.ZSE indices and turnover riseZAGREB, Feb 28 (Hina) - The main Zagreb Stock Exchange (ZSE) indices increased on Wednesday and turnover was markedly higher than it was in the past few days.The Crobex jumped by 0.97% compared to Tuesday reaching 1,839.46 points while the Crobex10 increased by 0.87% to 1,062.69 points.Regular turnover was HRK 12.6 million, just under HRK 6.5 million more than on Tuesday.The highest turnover, of HRK 3.3 million, was generated by the HT telecommunications company. The price of its shares remained at HRK 163.50.The preferred shares of the Adris tourism and insurance company generated a turnover of HRK 1.75 million. Their price jumped by 0.72% toHRK 420 per share.(EUR 1 = HRK7.441215)THIS BULLETIN INCLUDES ITEMS RELEASED BY 0830 HRS ON THURSDAY. (Hina) ha Masthead Brief News Bulletin is published by the Croatian News Agency HINA Marulićev trg 1610 000 ZagrebCroatia web:[*www.hina.hr*](http://www.hina.hr) mail: [*hina@hina.hr*](mailto:hina@hina.hr) phone: (+385 1) 48 08 660; fax (+385 1) 48 08 822 Publisher: Branka Gabriela Valentić, DirectorEditor in Chief: Serđo Obratov Bulletin Editor: Marija Šestan

ZAGREB, Feb 28 (Hina) - Finance Minister Zdravko Maric on Wednesday commented on the latest figures released by the State Bureau of Statistics (DZS) indicating an economic growth of 2% in the last quarter of 2017, saying that the results did not deviate much from what was expected but that it was necessary to aspire to higher growth rates.

ZAGREB, Feb 28 (Hina) - The Croatian Chamber of Commerce on Wednesday said that a slower gross investment growth and export of services and a stronger export growthas well as other consumption components were the reason why GDP growth had slowed down in 2017.

ZAGREB, Feb 28 (Hina) - The ailing Agrokor food conglomerate on Wednesday reported that the Zagreb Commercial Court, acting on a proposal from the government, had replaced Ante Ramljak as Agrokor's emergency administrator and appointed Fabris Peruskoas the new emergency administrator and Irena Weber as his deputy.

ZAGREB, Feb 28 (Hina) - The newly appointed emergency administrator at the ailing Agrokor food conglomerate, Fabris Perusko, said on Wednesday that his priority was to reach a settlement with the creditors while his predecessor Ante Ramljak saidhe felt no bitterness and wished his successor success.

ZAGREB, Feb28(Hina) - Opposition parties and some independent MPs agreed in principle on Wednesday to initiate a no-confidence vote in Economy Minister Martina Dalic at the proposal of the Bridge party.

ZAGREB, Feb 28 (Hina) - The council for dealing with the consequences of the rule of undemocratic regimes concluded its work on Wednesday, recommending sanctions for the use of symbols of totalitarian regimes, with an exception that the WWII-era Ustasha salute "For the homeland ready" can be used for commemorative purposes subject to prior permission, a press conference was told.

The council, composed of 17 experts in different scientific fields and of different political inclinations, concluded their work by adopting recommendations in the form of two documents, one dealing with historical issues and the other focusing on legal solutions to those issues.

Prime Minister Andrej Plenkovic thanked the council members for providing answers to all the questions asked and said that the recommendations would help gradually defuse the existing tensions and divisions in society.

"The document clearly reflects the actual mood in the country and I expect these recommendations to become basic guidelines in further legislative work," the PM added.

"Since the work of this council is closely associated with the installation of a HOS memorial plaque in Jasenovac, which contains a salute that is contrary to the constitution, the council has made it clear in its recommendations that the salute can be used in exceptional cases with prior permission," Plenkovic said.

Council chairman Zvonko Kusic said that the salute "For the homeland ready" can be used only on the coat of arms of the Croatian Defence Forces (HOS), the armed wing of the Croatian Party of Rights (HSP) during the 1991-1995 Homeland War.

"This is official tolerance, which has been inherited and which can be tolerated if strictly regulated," Kusic added.

The symbols of the undemocratic regimes can be used only at commemorative events for persons who were killed under those symbols and not at large-scale events, Kusic said.

"Our recommendations could not be completely specific. The legislature will deal with the matter in greater detail and eventually judges will always look at the context, if it was an act of provocation. These are general guidelines. The council could not make recommendations for individual cases but provided a framework," Kusic concluded.

Plenkovic said that this problem concerned a small portion of the population, people who gave their lives defending the country in the Homeland War. "We have no doubts about this salute and its nature in the context of World War II. The context here is completely different and from another time," he said.

Kusic said that the five-pointed red star and communist symbols were not questionable but were ambiguous. "They have both positive and negative connotations. The part relating to the antifascist struggle and World War II is indisputable. But if it is about promoting hatred and violence, it can be subject to regulation. The legislature can regulate this matter if any such situations arise," he added.

The purpose of this document is to help us overcome major ideological divisions and look to the future based on reconciliation and truth about the past, Plenkovic said.

Plenkovic said that the government would analyse the council's recommendations and see how they could help improve the legislative framework. He highlighted the recommendation to strengthen the judicial and administrative capacity.

ZAGREB, Feb 28 (Hina) - Social Democratic Party (SDP) president Davor Bernardic said on Wednesday the council for dealing with the past had adopted a shameful conclusion on the Ustasha salute "For the Homeland Ready" by "making it acceptable in exceptional situations."

"This means the salute will be visible only a few kilometres from Jasenovac," he said in a press release, referring to the site of a WWII concentration camp.

"We condemn in the strongest terms this decision whereby (Prime Minister Andrej) Plenkovic and the government are allowing the interpolation of the official salute of the Nazi and fascist NDH in memorial plaques of HOS in a public area. Once again, the defeated and pernicious Ustasha ideology is being allowed to destroy Croatian society in the most perfidious way," the SDP said in the press release.

The SDP believes that those in power "can't resolve serious problems" and that "the prime minister's indecisiveness and incompetence is being fully revealed."

Council's recommendations elicit criticism from SDSS, HSP ZAGREB, March 1 (Hina) - The conclusions outlined on Wednesday by the the council for dealing with the consequences of undemocratic regimes on how to treat insignia of totalitarian regimes have elicited criticism from politicians and from parliamentary and non-parliamentary parties.

Thus, Milorad Pupovac of the Independent Democratic Serb Party (SDSS), said on Wednesday evening that the solution proposed for 'For the Homeland Ready' salute did not solve the situation but made it more complicated.

"It would be better if they (the council) had done nothing. These non-binding recommendations would stir up confusion among the law enforcement authorities," Pupovac said.

The Croatian Serb leader said that he looked at the conclusions with concern and anxiety.

The Istrian Democratic Party (IDS) said that the conclusions were as expected. This parliamentary regional party said that it would insist on the adoption of the draft law it proposed on the matter.

HSP holds that conclusions reflect Yugoslav Communist policies

The non-parliamentary Croatian Party of Rights (HSP) criticised the conclusions adding that members of the HOS units, former Croatian Defence Forces, that were the armed wing of the HSP during the Homeland War, could not accept the recommendations.

They insist that not only HOS members but also other soldiers defending Croatia in the Homeland Defence War used the salute.

The HSP found the conclusions to be "too dangerous for the national unity" and that they were in line with "Yugoslav Communist policies".

The Council's recommendations are that Croatia punishes all forms of glorification of fascist regimes but allows the use of the "For the Homeland Ready" salute strictly to commemorate a soldier killed in the 1991-95 Homeland War.

After the Council session on Wednesday afternoon, Prime Minister Andrej Plenkovic said the "For the Homeland Ready" salute, registered as part of statutory provisions of certain associations related to the activities of HOS during the Homeland War, was contrary to the Croatian constitution.

The council, composed of 17 experts in different scientific fields and of different political inclinations, concluded their work by adopting recommendations in the form of two documents, one dealing with historical issues and the other focusing on legal solutions to those issues.

ZAGREB, Feb 28 (Hina) - The re-elected members ofthe Conflict of Interest Commission, Tatijana Vucetic and Davor Ivanjek, on Wednesday said that there had not been any political pressure that could have impacted the Commission's work.

ZAGREB, Feb 28 (Hina) - Environmental Protection and Energy Minister Tomislav Coric met with a delegation of union representatives from the INA oil company on Wednesday to discuss the company's future, notably the future of the Sisak oil refinery.

ZAGREB, Feb28 (Hina) - The INA oil company said on Wednesday that theFluid Catalytic Cracking (FCC) plant at the Sisak oil refinery was not an independent entity and that its closure would notmean closure of the refinery but optimisation of the refining business to improve the company's performance.

ZAGREB, Feb28(Hina) - Hrvatska Postanska Banka (HPB) posted a net profit of HRK 7.1 million in 2017, as well as a rise innet revenues from interest and fees.

ZAGREB, Feb28 (Hina) - Croatia Airlines generated a net profit of HRK 27 million in 2017, as against 6.6 million in 2016, the national flag carrier said in a preliminary annual financial statement on Wednesday.

ZAGREB, Feb 28 (Hina) -The Pula-based Uljanik Grouprecorded a loss of HRK 687 million in 2017, mostly due to delays in production, the shipbuilding company reported on Wednesday.

ZAGREB, Feb28(Hina) - In 2017 the Atlantic Group food company reported sales in the amount of HRK 5.3 billion, an increase of 3.9% from the previous year, while net profits after minority interest rose by 69.2% to HRK 275.5 million, the company said.

ZAGREB, Feb 28 (Hina) - The Koncar Group, an electrical, transport and energy company, in 2017 generated HRK 111.4 million in profit after tax, which is 35.8% lessthan in 2016, the group's financial statementreleased on Wednesday says.

ZAGREB, Feb 28 (Hina) - The Are You Syrious(AYS) and Centre for Peace Studies (CMS) non-governmental organisations on Wednesday released their fourth report on refugees and warned that Croatia has continued with its practice of expulsion, unlawful behaviour and sporadic violence against refugees who have tried to seek international protection in Croatia.

ZAGREB, Feb 28 (Hina) - The Interior Ministry on Wednesday denied allegations by the non-governmental organisations Are You Syrious, the Centre for Peace Studies and No Name Kitchen of not allowing refugees access to international protection and emphasised that the Croatian police were protecting the state border, which is at the same time the external border of the European Union, applying national and European rules.

ZAGREB, Feb 28 (Hina) - Minister of Science and EducationBlazenka Divjakon Wednesday commentedon accusations against her by the Vigilare non-governmental organisation,sayingthat it"should be ashamed,"called on everyoneto first check the factsbefore labelling others, underscoring that it was necessary to avoid dealing with marginal topics and makingchildrenhostage to groups andindividuals not interested in advancing the education system.

ZAGREB, Feb28 (Hina) - The Sarajevo City Council on Wednesday decided to award the title of honorary citizen to former Croatian president Stjepan Mesic despite his refusal to accept it.

ZAGREB, Feb28(Hina) -Industrial ***producer*** prices in Croatia in January 2018were 0.2% up from the previous month but compared to January 2017they were 1.2% higher, show data released by the national statistical office (DZS).

ZAGREB, Feb28(Hina) - This year's first international cat shows in Croatia will be held on March 3-4 at Zagreb's Westgate Shopping City.

ZAGREB, Feb 28 (Hina) - The main Zagreb Stock Exchange (ZSE) indices increased on Wednesday and turnover was markedly higher than it was in the past few days.

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[***Autonomous enclave amid violence of Syrian conflict; Experiment in self-rule in Rojava***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5PCJ-G741-JCM4-6530-00000-00&context=1516831)

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**Length:** 3249 words

**Byline:** Mireille Court & Chris Den Hond

**Highlight:** The now autonomous (and multi-cultural) territory of Rojava is attempting localised, egalitarian government in Kurdish regions won back from ISIS in northern Syria.

**Body**

We arrived at night, but the heat in Qamishli was still oppressive. As soon as we left the city’s small airport, still under the control of Bashar al-Assad’s soldiers and police, we entered the territory of the Democratic Federation of Northern Syria, or Rojava (‘west’ in Kurdish). At least two million people (60% Kurds) live here on land reclaimed by force from ISIS. The territory, along Turkey’s southern border, is bounded by the Euphrates and Iraq.

Since 2014, Syrians living here have been part of a political experiment inspired by Abdullah Öcalan, founder of the Kurdistan Workers’ Party (PKK), imprisoned by Turkey since 1999. The PKK and its Syrian ally, the Democratic Union Party (PYD), abandoning Marxism-Leninism, have taken inspiration for over a decade from the libertarian communalism of the American environmentalist Murray Bookchin (1921-2006). Rojava’s foundational text, the Social Contract for the Democratic Federation of Northern Syria (1), was adopted in 2014. It rejects nationalism and advocates an egalitarian society with equal representation, and respect for minority rights.

Rojava is now de facto autonomous. Apart from the tiny Damascus-controlled enclaves of Al-Hasakah and Qamishli airport, the region is run by the Syrian Democratic Forces (SDF), made up of Kurdish fighters from the People’s Protection Units (YPG), the Women’s Protection Units (YPJ) and contingents from Sunni Arab, Yezidi and Christian militias.

There are huge YPG flags at Qamishli’s many checkpoints, where the (autonomous) Rojava police carefully inspect vehicles. Suicide attacks by jihadists are a permanent threat; an attack on 27 July 2016 killed 44 people and injured 140. And Qamishli’s dark streets contrast with the bright lights of the Turkish cities of Nusaybin and Mardin just over the border.

**Energy solutions**

In this region with abundant natural resources, the issue of energy illustrates the challenges the new authorities face. In Rumeilan, 100km nearer Iraq, there are long queues at petrol stations. In 2011 the region ***produced*** 380,000 barrels of crude oil a day, a third of Syria’s total output. When fighting began, production fell by 70% and petrol became scarce. The Rojava self-rule authority lacks refineries and is forced to sell some crude oil to the Syrian regime, which sells back petrol at the high price of $0.95 a litre.

Many small-scale refineries sell petrol at $0.25, but they are an environmental problem; their smoke blackens the landscape, and skin and respiratory complaints are increasing. ‘We have no other solution at the moment,’ said Samer Hussein, deputy head of the Energy Commission in Rumeilan. ‘As soon as we can, we’ll build modern refineries and clean up the region. And we’ll employ all those workers in the new factories.’

In other parts of Rojava, such as Manbij, the ban on small-scale refineries made people angry, as there is electricity rationing even though control of the three main Euphrates dams was regained. Under international accords, Turkey, which controls the river upstream, must guarantee a flow of 600 cubic metres per second. ‘When those dams were controlled by ISIS, Turkey allowed a greater flow,’ said Ziad Rustem, an official at the Energy Commission in Jazira. ‘But when the Syrian Democratic Forces liberated us, Turkey began to reduce the volume of water. Now the flow is less than 200 cubic metres per second.’

Sherwan Youssef, a journalist on Qamishli’s Kurdish station Ronahi TV, has witnessed the discontent: ‘Hundreds of people demonstrated in Qamishli. They blame the self-rule authority not Turkey. But I think these demonstrations are justified. Criticism makes the authorities stronger, not weaker. The war can’t always be an excuse for a lack of services.’ Environmental protection is important in the social contract, but other people emphasised *why* building refineries, modernising dams and developing renewables is difficult: Turkey has imposed a blockade on the region, as have its allies in the Kurdistan Democratic Party (KDP), which controls northern Iraq.

Fighting and meeting urgent needs have not prevented the establishment of democratic confederalism based on local self-governance. Rojava is divided into three ‘cantons’— Jazira, Kobane and Afrin — each with its own legislative assembly and local authority. Eventually a Syrian Democratic Council should oversee the cantons, which already coordinate their policies. The first elections were in March 2015 and more are scheduled for later this year; the legislative assemblies should be elected in 2018.

However, the 2015 elections were boycotted by Syrian Kurds affiliated to the KDP, such as Narin Matini, head of communications for the Kurdish Future Movement and the Kurdish National Council (KNC), led by Masoud Barzani, president of the Kurdistan Regional Government of Iraq. Matini meets journalists at home in Qamishli’s working-class neighbourhood, as the self-rule authority has closed down her party headquarters. ‘Our project is a national Kurdish one, an independent Kurdistan,’ she said. ‘We don’t back the Democratic Federation of Northern Syria. The authorities closed our offices and arrested, then released, our leaders. The self-rule authority has told us we need to register in order to operate. But that would be a sign that we support them.’

**Female representation**

Jazira’s legislative assembly is in Amuda, 20km from Qamishli, in a heavily protected building, accessible only after undergoing a search and an identity check. Half the members of the 101-seat assembly are women, and all belong to parties that have signed the social contract. There are also representatives of civil society organisations, which send two members, a man and a woman. They are proposed by their community or organisation and approved by the assembly. A dozen Kurdish and Arab political organisations have been authorised and given funds, though they do not have assembly seats.

Founding a Kurdish nation state was not one of Öcalan’s objectives; he states his movement is ‘anti-nationalist’: ‘It aims at realising the right of self-defence of the peoples by the advancement of democracy in all parts of Kurdistan without questioning the existing political borders,’ he has written from prison (2). ‘We don’t want to be separated from other Syrian territories,’ said Siham Queryo, joint president of the foreign affairs committee of the Jazira canton authority. ‘The region’s Kurds, Arabs and Syriacs reached agreement in 2013 on establishing an autonomous government.’ Queryo, a member of the Christian community (mainly Syriacs, Assyrians and Chaldeans), pointed out that freedom of religion is guaranteed and there is no state religion.

The Syrian National Coalition (SNC) (which is supposed to bring all the opposition together, but is close to the Muslim Brothers) regards the PYD and its military groups as still ‘terrorist organisations’ (3) with links to the PKK. Many Syrian opposition figures accuse it of working for the regime as it does not fight Assad on the ground. But others, such as Bassam Ishak, from Al-Hasakah, a former executive director of a human rights organisation, have changed their opinion. Ishak joined the Syrian National Council, which is part of the SNC (based in Istanbul), before he came to Rojava: ‘When the revolution turned from peaceful demonstrations to armed insurrection, it became apparent their agenda was different from mine. This opposition wants to remove Assad and have a monopoly on power. So I had the choice between the Syrian National Council’s ***plan*** for a religious state, the ***plan*** for an Arab nationalist Syria, and [Rojava’s] for a pluralist state. The best way of avoiding having another dictator in Damascus is to divide power between regions.’

***Strategic* errors**

Many Kurds told us they condemned accusations of collusion with Damascus, and spoke of the opposition’s ***strategic*** errors. Muslim Nabo, a teacher, studied at Tishreen University in Latakia. He and his friends secretly published a magazine in Kurdish. They were arrested in 2007 and transferred to Damascus, where they were held in a tiny cell for three months, and beaten. ‘Some people say we support the Assad regime. That’s a lie.’ He was held for 53 weeks, the maximum period permitted without trial. ‘We suffered a lot from the regime, which has tortured and killed some of our political leaders. But the Kurdish parties didn’t want anything to do with a militarised revolution that depended on Turkey, Saudi Arabia and Qatar. These countries’ support for jihadist groups has been catastrophic for the Syrian revolution.’

US aid is ‘military, not political or economic, support,’ according to Commander Nasrin Abdullah: a ‘temporary, transparent, tactical’ agreement, in the words of several Kurdish leaders we met.

Reports in 2014 and 2015 cast doubt on PYD policy in zones recaptured from ISIS, especially Tell Abyad: ‘By deliberately demolishing civilian homes, in some cases razing and burning entire villages, displacing their inhabitants with no justifiable military grounds, the autonomous administration is abusing its authority and brazenly flouting international humanitarian law, in attacks that amount to war crimes,’ Lama Fakih, Amnesty International’s senior crisis adviser, said in October 2015 (4). Human Rights Watch had reached similar conclusions the year before (5).

Queryo said talk of ethnically cleansing Arabs is wrong: ‘When fighting was imminent, the YPG asked people to leave their homes for the duration. Afterwards I visited many liberated villages around Tell Abyad and Raqqa. Everyone told me that’s what happened. Two weeks later they went home.’

A UN Human Rights Council report in March 2017 also rejected allegations of ethnic cleansing: ‘the Commission found no evidence to substantiate claims that YPG or SDF forces ever targeted Arab communities on the basis of ethnicity, nor that YPG regional authorities systematically sought to change the demographic composition of territories under their control through the commission of violations directed against any particular ethnic group’ (6). While noting that ‘the presence of concealed bombs laid by ISIL’ justified ‘the displacement of civilians,’ the UN report criticised the lack of adequate humanitarian aid for displaced communities and found the YPG ‘forcibly conscript[ed] men and boys for military service.’

**‘We want to rebuild quickly’**

We left Amuda for Kobane, in western Rojava, taking a road parallel to the 500km wall Turkey has built on the Syrian side of the border. This concrete construction topped with barbed wire reinforces isolation in a region that was the country’s granary. In July sheep were looked for grazing in huge fields where cereal crops had already been harvested. The hills were covered with young olive trees, a new venture. ***Agricultural*** workers, many very young, start their day early to avoid the worst of the heat. Near Tell Abyad the road crossed a river in full flow. Until recently it had just been a trickle, but Turkey, by retaining the waters of the Euphrates, has diverted rainfall to secondary rivers, benefiting irrigation here.

As we entered Kobane, we saw photos of ‘martyrs’, many female, along the central reservation. Portraits of Öcalan were everywhere too. The town, in ruins two years ago, was full of energy. There were cranes putting up new apartment blocks amid buildings destroyed by missiles and shelling. ‘We want to rebuild as quickly as possible so that people can come back,’ said Hawzin Azeez, who works for a town-***planning*** organisation. But ‘we’re doing most of the reconstruction ourselves’: not all the promised aid has materialised.

The battle for Kobane (September 2014-January 2015) was a turning point in the fight against ISIS. It was here, after the capture of Mosul (Iraq) and Raqqa (Syria), that ISIS’s so-called ‘caliphate’ met its first setback: many of Kobane’s defenders were female. The town’s ‘House for Women’ is called Kongra Star, a huge building that provides refuge, in particular for victims of domestic violence: one part has a separate entrance so women can get in unobserved. A large communal room has a reproduction of a painting by a Gaza artist, showing a young woman rising from the ruins, a symbol of hope. There are portraits of women killed in the battle of Kobane.

The women we spoke to emphasised that gender equality is central to Rojava’s social contract. ‘According to the new laws passed by the autonomous government, a son and daughter inherit equally, whereas Islamic law only gives a daughter a half-share [of a man’s portion],’ said Sara Al-Khali, who helps run Kongra Star. ‘It’s not straightforward applying these new measures in a traditional society, but people are gradually accepting it.’ The self-rule authority forbids polygamy, with exceptions: the shortage of young men means some women choose to marry men who already have wives. Azeez said: ‘If all the parties involved agree, the judge may allow it as an exception.’

‘Vengeance is a dreadful custom in this region,’ said Al-Khali, who is working to eradicate honour crimes. Kongra Star has formed a committee for reconciliation through family representatives to avoid vendettas. She said a women’s committee intervenes to try to solve problems locally: ‘If they fail, they come here, and if we can’t find a solution, the dispute gets passed on to the court of justice.’

**United only against ISIS?**

This is a direct application of Bookchin’s principles of communalism. ‘Every street here can create a commune,’ said local resident Ibrahim Moussa. ‘It’s like a grassroots government, elected by local people and revocable. Last year 2,300 communes were registered in the Kobane region. They dealt with 9,700 complaints and only 500 had to go to court.’

The situation in Kobane illustrates the challenges of communities living together: they united to fight ISIS, but may agree on little else. Under the Assad regime, education was in Arabic. With some difficulty, education reform has made the three official languages — Syriac, Arabic and Kurdish — equal. Dildar Kobani, an education leader, said: ‘Some accuse us of “Kurdisation” but that’s ridiculous. Half our 20,000 teachers teach in Arabic. In Kobane, the majority of the administration is Kurdish, as is the population. But Tell Abyad is a mixed region, and the administration is half Kurdish and half Arabic.’

Some accuse us of ‘Kurdisation’ but that’s ridiculous. Half our 20,000 teachers teach in Arabic. In Kobane, the majority of the administration is Kurdish, as is the population

The FDS reclaimed Manbij from ISIS in August 2016 after a fierce battle, in which the FDS also fought Turkish forces and part of the Free Syrian Army (FSA). Its souk now makes the town’s cultural diversity clear with its different foods; women in full veil shopped alongside the uncovered. Arabs sold fruit next to Kurdish butchers and Circassian bakers. Ahmed, a Turkmen who makes pizza, said his community would not welcome Turkish ***intervention***. ‘We live here together like brothers. Relations between the Turkmen, Kurdish, Arab and Chechen communities are good. There are even mixed marriages. So what would be the point of Turkey coming here?’

Abeer Al-Aboud, who wears a veil, belongs to the large Arab Beni Sultan tribe. Her name has been put forward for a seat in Manbij’s civilian government. She inveighed against Turkish ambitions: ‘We totally reject Turkish allegations that the Kurds dominate Arab, Turkmen, Chechen or Circassian citizens. The five communities are represented in the grand council and Arabs are in the majority in all the others. Turkey is trying to sully our reputation. If it wants to fight the Kurds on this pretext, then we Arabs will stand with them to defend our mosaic of peoples.’

**‘Now we have a district council’**

Ali Hatem, an Arab who was once a driver in the construction industry, now sells cigarettes, punishable by death under ISIS. ‘When the Free Syrian Army Jabha Fatah al-Sham [former Al-Nusra Front] came here, things got really bad. They interfered in every aspect of life. They also robbed and beat us. With ISIS it was even worse. We were scared to speak, worried we might be overheard. Now if we’ve got a problem, we have the district council.’

The local authorities have to deal with the city’s recent past and the need to avoid new hatreds. Abeer Mahmoud, a member of the Council for Reconciliation and Integration, has heard nothing of her husband since his arrest by ISIS three years ago: ‘When Manbij was liberated, many people went to the FDS to denounce collaborators, who were arrested by the military council to prevent extra-judicial acts of revenge. Following our reconciliation work, 250 men who had no blood on their hands were freed, with the agreement of leading figures in their communities. We no longer have the death penalty here.’ Jihadists suspected or convicted of crimes of violence are held in prisons that claim to observe the Geneva Convention, to which the YPG is a signatory.

On our way to Raqqa, we stopped at Ain Issa, the FDS’s military headquarters. A militiaman was stencilling ‘Democratic Syrian Forces’ in Arabic, Kurdish and Syriac on a wall. The self-rule authority has instituted nine months of military service but most fighters at the front are volunteers. Some are foreigners, such as Robert Grodt, a former Occupy Wall Street activist, who died on 6 July when the YPG entered the Raqqa suburbs. Military convoys of US-supplied light armoured vehicles patrolled the narrow streets.

After a two-hour drive through destroyed buildings and burnt-out cars, Raqqa came into view. Snipers and jihadist attacks have slowed the FDS advances. At the entrance to the town, a first aid post in a garage was tending minor injuries. Later, we met young Yezidi women — a Kurdish religious minority from Iraq (7) — preparing to go to the front. One told us she wanted to avenge ISIS’s female victims. ‘I don’t care if the women detained are Yezidi, Arabic or Turkmen. We came here to liberate them. After, we’ll go home because we’re not an occupying force.’

From the terrace of the building where fighters come to rest, there was an impressive view over this city of 200,000, but the streets between destroyed buildings and those still standing were empty. All local residents had been evacuated as a precaution. There were sporadic explosions and gunfire. Downstairs, fighters shared a meal. Some were Arabs, other Kurds and Yezidis, but all paid close attention to the radio exchanges with FDS command, giving them their orders. Their break would soon be over. ISIS is fighting back and even if its defeat is inevitable, other battles lie ahead if Rojava is one day to appear on maps.

(1) An English translation is available at civiroglu.net/the-constitution-of-the-rojava-cantons/.

(2) Abdullah Öcalan, ‘Democratic Confederalism’.

(3) Press release, 31 July 2017.

(4) ‘Syria: “We had nowhere to go” — Forced displacement and demolitions in northern Syria’, Amnesty International, London, 13 October 2015.

(5) ‘Syria: Abuses in Kurdish-run Enclaves’, Human Rights Watch, New York, 18 June 2014.

(6) ‘Human rights abuses and international humanitarian law violations in the Syrian Arab Republic, 21 July 2016-28 February 2017’, United Nations Human Rights Council, Independent International Commission of Inquiry on the Syrian Arab Republic, Geneva, 10 March 2017.

(7) See Vicken Cheterian, ‘The destruction of the Yezidis’, *Le Monde diplomatique,* English edition, January 2017.

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HINA Digest

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**Body**

Zagreb, 18 May 2018 (Hina) - Croatia takes over Council of Europe chairmanshipZAGREB, May 18 (Hina) - Croatia on Friday took over the chairmanship of the Council of Europe, which will be an opportunity for the country to brand itself politically and culturally and prepare for the presidency of the European Union in the first half of 2020.Croatia'sMinister of Foreign and European Affairs, Marija Pejcinovic Buric, took over the rotating chairmanship from her Danish counterpart Anders Samuelsen at a ceremony in Helsingor.She said that Croatia'spriorities would be the fight against corruption, protection of ethnic minorities and vulnerable groups, decentralisation in the context of strengthening local government, and conservation of cultural heritage and culture routes.Croatia joined this pan-European organisation in 1996 and is presiding over it for the first time."In these six months, considering the number of activities, Croatia will be more prominent on the international scene and will brand itself politically and culturally. This presidency is in a way a preparation for the major presidency in 2020, which will be much more comprehensive given that that year Croatia will have to organise 1,400 meetings," Pejcinovic Buric told the press. "This will be a useful school for our future presidency," she added.In light of a reportearlier this week in which the Council of Europe'sEuropean Commission against Racism and Intolerance criticised Croatia for hate speech targeting ethnic Serbs, LGTB persons and Roma and for growing nationalism, reporters asked the minister how these criticisms reflected on her second priority, which is protecting ethnic minorities and vulnerable groups."The Council of Europe Committee of Ministers does not discuss such reports.

Those reports are compiled for each member state of the Council every five years. The previous report for Croatia was done in 2012. This report in some of its sections commends Croatia, but it also addresses some aspects where no progress or a step back was made," Pejcinovic Buric said.She said that these issues would be addressed at the national level and would also be raised at some of the Council meetings.Commenting on the report, Council of Europe Secretary General Thorbjorn Jagland said that the Croatian authorities, as well as parliament, political parties and civil society, should read the report carefully and see what conclusions could be drawn from it. He stressed the importance of implementing existing laws.Danish Foreign Minister Anders Samuelsen wished Croatia success in these challenging times for the organisation. He said that Denmark had worked on the reform of the human rights protection system and focused on the role and powers of the European Court of Human Rights, the promotion of rights for LGBT persons, education about democratic values, the rights of persons with disabilities and the fight against torture.Pejcinovic Buric spoke in great detail about Croatia'spriorities, and when asked why Croatia chosethose priorities given that it did not stand very well on some of them, she said: "We chose these priorities ourselves and in consultation with the Council of Europe. Human rights are the foundation on which the priorities must be built. The issue of corruption shows that no country or institution is immune and that work on the standards and their implementation should continue."Asked if the Council of Europe was losing its importance given the number of existing organisations and the fact that the focus was on the European Union, Pejcinovic Buric said it was true that there were organisations whose activities partly overlapped, which contributed to their inefficiency, but stressed that this was not the case with the Council of Europe and the EU.Croatia will hand over its chairmanship to Finland at a ceremony in Strasbourg on November 21, and the next meeting of the Committee of Ministers will take place in Helsinki on May 16 and 17, 2019, the year when the Council of Europe marks 70 years of its foundation.The Council of Europe has 47 members, all European countries with the exception of Belarus, and is the oldest European organisation. It was established in London on May 5, 1949 with the aim of promoting European unity and upholding democracy, human rights and rule of law in Europe.Rasmussen wants CoE to remain strong and relevantZAGREB, May 18(Hina) - The Council of Europe (CoE) did not lose its importance, Danish Prime MinisterLars Lokke Rasmussen said inHelsingor on Friday, adding that he wanted the oldest European organisation to continue its development and remain strong and relevant in the future.Rasmussen spoke at the start of asession of the CoE Committee of Ministers at which Denmark, which assumed the CoE chairmanship in November 2017,is expected to hand it over to Croatia.Six months later, Croatia will be replaced by Finland.The CoE today has 47 member states, that is, all European countries with the exception of Belarus.The CoE was founded in 1949 by 10 countries - Belgium, France, Luxembourg, the Netherlands, Great Britain, Ireland, Italy, Denmark, Norway and Sweden.Croatia joined the CoE on 6 November 1996 as the organisation's 40th member. Accession negotiations lasted unusually long because the Committee of Ministers considered that Zagreb was meddling in the war in Bosnia and Herzegovina and that it wasn't respecting minority rights or freedom of the media.The Parliamentary Assembly gave Croatia the green light for membership on 24 April 1996 after Croatia's then president, Franjo Tudjman, and parliament speaker Vlatko Pavletic signed a list of 21 demands.At the session inHelsingor, Rasmussen spoke about the priorities and the results of Denmark's six-month presidency, underscoring the adoptionof the Copenhagen declaration in April, the key objective of which is reforming the European human rights protection system.He said the reform of the European human rights system would lead to a more focused, more balanced and more efficient systemto the benefit of more than 800 million Europeans.After Rasmussen's speech, the ministers started discussing behind closed doorsdemocratic security, the future of theCoE, conflicts on the Old Continent and cooperationbetween CoE and the European Union, which will be presided by Croatia in the first half of 2020.Croatia-Romania cooperation has never been better, say PMsZAGREB, May 18 (Hina) - Croatian Prime Minister Andrej Plenkovic and his Romanian counterpart Viorica Dancila agreed in Bucharest on Friday that the relations between the two countries, as seenin cooperation in European matters, inthe economy, defence and transport, were at their most dynamic.Addressing a joint press conference, Plenkovic said such pace of dialogue at the highest level and the advancement of economic cooperation had not been seen in 30 years, adding that trade had surpassed EUR 310 million.Dancila said trade increased 25% last year and that the honorary consulate which Romania opened in Split in March would contribute to further growth.The two prime ministers attended the signing of a statement on the advancement of security and defence cooperation between the two countries. The statement was signed by Croatian Defence Minister Damir Krsticevic and his Romanian counterpartMihai-VIorel Fifor.Later today, Plenkovic and Krsticevic were due to attend the Black Sea Defense and Aerospace 2018 fair at which nine Croatian companies will show their products.Romania will chair the European Council in the first half of 2019, Finland in the second half of that year and Croatia in the first half of 2020.We will chair the Council at a time of challenges for the EU, from the UK's exit and new European Parliament elections to negotiations on a multiannual financial framework, Plenkovic said, adding that Romania, Finland and Croatia should agree a joint ***programme*** in the coming weeks and months.Dancila said she agreed with Plenkovic that the cohesion policy and the common ***agricultural*** policy should be the priorities of the next European budget.Our vision within the EU is firmly European and takes into accountdeeper integration of the alliance, and I am glad that Romania and Croatia have convergent views on the Union's future, she said.The two countries are also agreed on supporting the Euro-Atlantic prospects of Western Balkan countries and both wish to join the Schengen Area.The two prime ministers underlined the transport and economic potential of the Danube river basin to which the two countries belong.In the period ahead we will try to strengthen the EU's strategy for the Danube river region, to connect all countries from Schwartzwald to the Black Sea, said Plenkovic.The two prime ministers said the ethnic minorities played an important role in the strengthening of bilateral relations.The Croatian minority is one of the oldest minorities in Romania, living there, building its culture, heritage and identity for nearly six centuries, Plenkovic said, thanking Dancila for the fact that the Croats have their political representative in parliament and their education, which he said helped them to preserve their identity.In Croatia we pay special attention to the Istro-Romanians who livein Istria, speak Romanian and enrich the 22 ethnic minorities living in Croatia, he added.Defence minister:Croatia has excellent military productsZAGREB, May 18 (Hina) - Croatia has excellent military products and an excellent promoter of those products, the Croatian army, Defence Minister Damir Krsticevic said in Bucharest on Friday where he was visiting a military fair.Prime Minister Andrej Plenkovic and Minister Krsticevic toured the "Black Sea Defense and Aerospace 2018" fair, where nine Croatian companies exhibitedtheir products: Alan Agency, Cateks, Galeb, Galko, HS Produkt, Kap-Ko, Odjeca, KROKO and Sestan-Busch."We are working intensively on promoting Croatia's defence industry," Krsticevic said on that occasion. "We have excellent products and an excellent promoter of those products, the Croatian army," he underscored.Krsticevic and his Romanian counterpartMihai-VIorel Fifor earlier today signed a statement on advancing bilateral security and defence cooperation."That is very important," Krsticevic said, "because it enables us to deepen our cooperation in several fields, in the defence industry, joint military exercises, the air force, military medicine, training and exchange of officers.""Croatia is building a ***strategic*** relationship with Romania, which is essential in the context of security," Krsticevic concluded.By visiting the fair, Plenkovic and Krsticevic concluded their official visit to Romania.President receives intel report on Hotmail scandal, to meet PM on MondayZAGREB, May 18 (Hina) - President Kolinda Grabar-Kitarovic said on Fridayshe had received a detailed report on the Hotmail scandal from the Security and Intelligence Agency (SOA) last night and was expected to discuss the matter with Prime Minister Andrej Plenkovic on Monday, when she will propose a meeting of the National Security Council.The group of people who took part in the private email correspondence were very flippant about a very serious issue and national problem, and such communication casts a shadow on the whole process, she told reporters.The president said she would propose a National Security Council meeting during talks with Plenkovic on Monday. "There is certainly a need (for that) because I must express my concern about the current state of affairs."Grabar-Kitarovic said she had requested and received from SOA a detailed report on all the activities of said group, addingthat today she would meet with SOA chief Daniel Markic, who will inform her of SOA's role.The president said she was concerned about the current state of affairs becausea settlement on the ailing Agrokor conglomerate must be carried out. "I don't want there to be complications because the stability of jobs in Agrokor and the stability of Croatia's economy depend on that."She said it was also necessary to investigate who knew about the communication in the Hotmail scandal. "Why did a group of officials, serious people, communicatevia Hotmail and other private emails, whose servers are abroad, on such an important state issue? Why did they avoid official emails? That casts a shadow on the whole process."The president said another reason for her concern with the current state of affairs was the fear that all other issues in the state were standing still, adding that reforms should be launched.Asked about Plenkovic's responsibility, she said he had met with the Borg group butthat it was also necessary "to investigate the authenticity of those emails."The mailing group calling itself Borg comprised consultants and lawyers who worked on the law on extraordinary administration in systemic companies, dubbed Lex Agrokor."The relevant authorities are doing that. None of us must exert pressure on DORH (State Prosecutor's Office). Naturally, we are all politically responsible for the job we do, and this also depends on the stability within the (ruling) coalition, their talks," the president said.She said she had asked former economy minister Martina Dalic several times who wrote Lex Agrokorand that Dalic told her it was written by her and her associates. "She didn't tell me their names because I didn't ask for them and I don't know those people."Asked if those were associates from the economy ministry, the president said, "That's how I understood it."The president also commented on Plenkovic's call on the Agrokor consultants to return their fees. "I would return the money. I wouldn't want to cast doubt on my intentions in writing a law which in the endbrought stability. Let's not forget the positive part," the fact that Agrokor has been stabilised and that jobs have been preserved, she said."Honour is more important than money," she added.President says government not in crisisZAGREB, May 18(Hina) - President Kolinda Grabar-Kitarovic has said the Hotmail scandal has not caused a government crisis and that Croatia is not facing an early election."An early election can happenonly in the case that the government loses the support of the parliamentary majority (which) hasn't happened, and the best confirmation of the parliamentary majority will be seen during the vote on the new economy minister," she told Friday's issue of the Bosnian edition of the Vecernji List daily."It's exaggerated to talk about a government crisis at this moment. The government responded to the Agrokor crisis on time, offering a solution and successfully managing the Agrokor restructuring process so far."The presidentsaid non-transparent actions which "raise suspicion of a possible conflict of interest and possible offences" had primarilydamaged economy minister Martina Dalic, who resigned over the Hotmail scandal, but the government too."Despite that, the job has to be finished successfully and a settlement reached so as to achieve the fundamental goal - job preservation, (Agrokor's) stability - but also the stability of Croatia's entire economy," the president was quoted as saying.First draft of Agrokorsettlement agreement to be published next weekZAGREB, May 18 (Hina) - The extraordinary administrator of the Agrokor conglomerate, Fabris Perusko, said on Friday he did not expect any external process to endanger the reaching of a settlement byJuly 10, the deadline defined by law, adding that the first draft of the settlement agreement would be finished today and published next week.Asked by reporters in Opatija whether thesettlement would be reached by a permanent or the temporary creditors council, Perusko said the lattersince "there's no time" to form a permanentcouncil.Talks are under way with all stakeholders,the extraordinary administration needs peace and stability to focus on what has to be done, and there is no need to extend the deadline for reaching a settlement, he said in a discussion on the impact of the settlement on the extraordinary emergency procedure in Agrokor, held as part of the Croatian Money Market conference.He said the extraordinary administration would last until the settlement was implemented, in three to nine months, and that Agrokor's new owners wanted it to wrap up its work as soon as possible.Peruskosaidthe extraordinary administration was in daily contact with the courts and that every step related to thetext of the settlement was being agreed with the creditors, adding thatit would be fatal for the economy if a settlement was not reachedand that a broad consensus was required for reaching it.Agrokor ran into trouble because of excessive debts and because it was not run properly, he said, adding that the rollup loan enabled it to survive. He recalled that the conglomerate's debts stood at EUR 7 billion, while its value was EUR 2.5-3 billion.He said claim write-offs would be big and that the wish was to protect those most sensitive, adding that everyone involved in the settlement was trying to get more and that he did not expect everyone to be extremely satisfied.The first to be paid willbethose to which Agrokor owed money and if something remains, it will go to theshareholders, Perusko said, adding that the settlement would show the courts who had reportedclaims and who received how much.His deputy Irena Weber said the settlement ***plan*** envisaged 55,000 activities that need to be done.The vice president of the association of Agrokor's minority shareholders, Miroslav Jelicic Purko, said the settlement should be reset and the process startagain. He expects the settlement to result in lawsuits.Asked if he would ask the advisors in Agrokor to return their fees, Perusko said the creditors had made it clear that they were aware of advisors'expenses andthat the advisors were necessary to complete the process. The creditors have noissue with the expenses created during the process, he added.He said the emergency administration had agreed with a majority of the creditors tomake advisors' expenses public at the end of the process so as to show the public that the main problems now were to deal withthe claims that were being contestedand to finalise the text of the settlement.Perusko said advisors' expenses were reduced after April 10. Asked how much he was making, he said his salary was HRK 71,000 a month, that it was defined by law and that he would receive it until the end of the extraordinary administration procedure.Advisors' expenses will total about 1% of Agrokor's total debt, which is far below such expenses in similar processes, he said. Asked if he had asked them to cut their expenses, he said negotiations were held with all advisors and that the expenses were cut by 10 to 30%, depending on the company.FinMin: Ministry aware of potential negative impact of AgrokorZAGREB, May 18 (Hina) - Finance Minister Zdravko Maric said on Friday that the Finance Ministry was aware of the potential negative effect of Agrokor, but that risks were much more pronounced elsewhere, for example inPetrokemija and Uljanik, adding that solutions were being soughtand the negative effects were being calculated in the budget while at the same time efforts were being made to protect public finances.Speaking at a conference on the Croatian money market, organised by the Trziste Novca Zagreb company, Maricsaid that responsible control of the expenditure side of the budget was continuing and that the budget surplus was being used to further reduce public debt and to finance a new round to tax cuts."For now the budget is in line with our expectations. After two rounds of tax cuts there aren't any big or negative surprises intax revenues,but there are some slightly positive ones," Maric said.He added that the positive results over the past few years had created room for new talks about possible tax cuts, recalling that the focus of the first round of cuts had been ondirect taxes."In the next round we will once again look at the whole system. There won't be as many changes, but in any case it is good that we discuss them again and that we can talk about cuts for the third year in a row and not about new taxes to fill the gaps," Maric said. He added that he expected thosemeasures to be drafted by the summer and adopted by the government before the autumn session of parliament so that they could be implemented as of 1 January 2019.Asked about his participation in preparing the law on systemic companies, dubbedLex Agrokor, Maric said that he personally did not participate in writing the law and that that was evident from the (former deputy prime minister Martina Dalic's) correspondence. According to Maric, he was included in the initialphase of the correspondence but not in the later phase.Asked whether a settlement would be reached for the indebted Agrokor food and retail conglomerate, he said he could not comment because he wasn't involved in that process. He added that he did not know in whose interest it might be for the settlement process to fail, claiming that the protection of national interests and those of tax payers was in his focus.Maric said that preparations to refinance two state bonds that mature in July were going well, that they were following global trends and were continuingthe public debt management policy.Parliamentary majority rejects opposition's Agrokor motionsZAGREB, May 18 (Hina) - The parliamentary majority on Friday rejected a Social Democratic Party (SDP) motion to amend the Conflict of Interest Act so that it would also applyto extraordinary administrators in systemic companies, as well as a Bridge motion to allow the inquiry commission onthe ailing Agrokor conglomerate to resume its work.SDP MPs walked out of the sitting after the majority denied them the right to intervene by amendment so that the Conflict of Interest Act could also apply todeputy extraordinary administrators.Prior to that, Pedja Grbin of the SDP accused the ruling coalition of doing that because they did not want a discussion on conflict of interest and topics which made Prime Minister Andrej Plenkovic "sweat while answering questions from the press" on Thursday.Nikola Grmoja ofBridge asked that the Agrokor inquiry commission be allowed to resume its workso as to establish the whole truth about the creation and fall of the food and retail conglomerate, but the majority rejected the motion.Parliament also adopted the 2017 report on the work of the ombudswoman for disabled persons and the2016 and 2017 reports on the work of the children's ombudswoman.SDP motion to dissolve parliament put on agendaZAGREB, May 18 (Hina) - Parliament on Friday included a motion by the Social Democratic Party (SDP) for parliament to be dissolved. The SDP claims that,in the wake of former deputy prime minister Martina Dalic's resignation, circumstances have emerged for citizens to be allowed to go to a snap election and decide on a new parliament which will elect a new government.The incumbent government has been compromised with the Agrokor scandal and has lost all credibility and legitimacy to act as the executive authority, SDP said.The decision to dissolve parliament would come into effect on the day of itsadoption.Parliament added15 items tothe agenda, including a government-sponsored bill to amend the child's allowanceact so asto extend the list of eligible beneficiaries.Parliament rejected a motion by SDP and the Human Shield for a bill on the terminal for liquified natural gas to be put in regular procedure rather than on the fast track.Conflict of Interest Commission launches proceedings against Dalic over Hotmail scandalZAGREB, May 18 (Hina) - The Conflict of Interest Commission on Friday launched proceedings against former deputy prime minister and economy minister Martina Dalic in a case it opened last week following a complaint and leaks of her email correspondence on the ailing Agrokor conglomerate, dubbed the Hotmail scandal.The Commission concluded that it was contentious that an informal group led by Dalic had drawn up a law, dubbed Lex Agrokor, bypassing procedure.Dalic did not act credibly or transparently when she claimed that she had written the law, that everything had been done according to her directions and that she had nothing to do with attorney Boris Savoric, a member of the informal group, the Commission concluded, adding that Dalic had also disregardedcitizens' trust and the rightto be informed of the real state of affairs.The Commission will establish if there was an interest connection between herand the informal group.President says US trip transparentZAGREB, May 18(Hina) - Croatian President KolindaGrabar-Kitarovic on Friday commented on a decision of the Conflict of Interest Commission not to launchproceedings against her over a trip to the United States, stressing that theJanuary 2017 trip was transparent and that her office had forwarded all the documents that it was authorised to release.The Conflict of Interest Commission said at its session today that it did not receive all the necessary documents about the president's trip to the United States, but that it could not be concluded from media reportsthat the president had violated the principles ofpublic office."I don't see how I was non-transparent, given that (the trip)gave concrete results such as my bilateral meeting with Donald Trump," the president said when asked to comment on the Commission's decision.Croatia will prevent migrants entering from Bosnia and HerzegovinaZAGREB, May 18 (Hina) - Croatian President Kolinda Grabar-Kitarovic on Friday told the Bosnia-Herzegovina edition of the Vecernji List daily that Croatia would do everything to prevent the entry of migrants from Bosnia and Herzegovina and announced support to the Bosnian authorities in dealing with this problem."Croatia will do everything to protect its borderand prevent any attempts at crossing the border illegally and has all the necessary resources for that. We are prepared to assist Bosnia and Herzegovina in that regard," Grabar-Kitarovic said.She said that Croatia would deploy police officers through the EU border control agency Frontexto control the border at the Mali Zvornik crossing between Bosnia and Serbia.She added that the authorities in Zagreb were carefully monitoring the increased influx of migrants on the new route across Bosnia and Herzegovina and their attempts to get to EU countries through Croatia."Croatian police have reinforced all the necessary resources to control the state border, which is the EU's external border with Bosnia and Herzegovina, with additional people and technical resources being deployed," she said."The experience of managing the migrant wave in 2015 points to the conclusion that only with coordinated action of all the relevant state services on the routecan any response to this challenge be successful. We recently spoke about this at theBrdo-Brijuni Process Summit in Skopje,considering the significance of this issue for the stability of the entire Southeast Europe," the president said.The president's interview was published just whenthe migrant crisis in Bosnia and Herzegovina had turned into a political problem with unforeseeable consequences as various levels of government were arguing how to respond to the increased influx of refugees and who was responsible for their care.Security Minister Dragan Mektic and the chief of police of the Bosniak-Croat Federation entity,Dragan Lukac, warned that the decision to prevent columns of buses full of migrants travelling from Sarajevo to Mostar, which was most likely adopted by the policein Herzegovina-Neretva canton, was unprecedented and represented a threat to the constitutional-legal order of the country."That's the collapse of the constitutional-legal system. I have never seen anything like it," Mektic told the Faktor web portal.He called on the country's presidency to urgently respond and adopt a decision on measures that need to be taken in this situation.He claimed that authorities in Herzegovina-Neretva Canton don't have the authority to ban refugees from being accommodated in the Salakovac migrant centre which is managed by the state."This is a matter of the functioning of the constitutional-legal system and a matter for the Presidency to resolve and it is necessary to see if the constitutional-legal system will be respected in this country or not. That is not in my remit. That has nothing to do with security. That is a classical political issue and disrespect for the Constitution and institutions," Mektic said.It is not exactly known who ordered that buses with about 250 migrants be stopped, but media speculates that the decision was taken by the cantonalpolice chief, Ilija Lasic.After bickering between politicians, migrants arrive at refugee camp in MostarZAGREB, May 18 (Hina) - Migrants who had waited several hours at the administrative boundarybetween Sarajevo and Herzegovina-Neretva cantonsfinally arrived at a refugee camp in the southern city of Mostar on Friday afternoon after fierce arguments between central and local government officialsearlier in the day about who authorised the transfer ofthe refugees from a makeshift tent settlement in Sarajevo to the Salakovac camp in Mostar.The five-bus convoy, travelling under police escort,arrived at the Salakovac camp shortly after 3pm. The camp has become a temporary asylum centre for migrants who are now coming to Bosnia and Herzegovina andapplying for asylum en masse.The first serious attempt by authorities to control illegal migrationand accommodate refugees adequately turned into a major political crisis as officials at various government levels accused each other of a 'coup d'etat' and an attempt to draw the border of a "third entity."A group of about 250 migrants who had been living in a makeshift tent settlement in a downtown park inSarajevo were to be transferred to Salakovac on Friday under a state parliament decision.The buses, however, were stopped half way on the orders of Herzegovina-Neretva Canton authorities, which Security Minister Dragan Mektic described as a "coup d'etat'.The director of the Salakovac camp, Edin Denjo, explained that the migrants would be registered and after that would be assignedthe status of asylum seekers.Local media has reported that local residents near the camp mostlyapprove of migrants coming to the camp but some have also expressed fear.Deputy Prime MinisterVjekoslav Bevanda said that the government had not made any decision regarding the migrants being transferred to Salakovac and added that Bosniak and Serb government officials were deceiving the public.He denied claims by Prime Minister Denis Zvizdic and Security Minister Mektic that the decision to activate the Salakovac camp was adopted at the last cabinet meeting.Mektic said earlier that everything was agreed with the Mostar police andthen"without any due cause" a secret action was conducted by armed police from Herzegovina-NeretvaCanton who intercepted the bus convoy.He added that cantonal police threatened the official escort with weapons and added that the State Investigation and Protection Agency (SIPA) would react and has reported the incident to the State Prosecutor.The head of the Herzegovina-Neretva Canton government, Nevenko Herceg, said that authorities in Mostar had not been contacted or consulted about the possible transfer of any larger group of migrants to the Salakovac camp."This is a typical example of not respecting the constitutional structure of Bosnia and Herzegovina and an attempt to destabilise the canton," Herceg's office said in a press release.Several parties, particularly in the opposition, have reacted to the latest developments claiming that the Croat HDZ BiH party was in fact in control of officialinstitutions and this latest incident was evidence of the attempt to set up a third, Croat-majorityentity and that the spot where the bus convoy was stopped was in fact the boundary ofthe "third entity."Croatian parliament ratifies European partnership treaty with Bosnian governmentZAGREB, May 18 (Hina) - The Croatian parliament on Friday ratified the European partnership treatybetween the Croatian government and Bosnia and Herzegovina's Council of Ministers, under which the two parties reaffirmed their determination to promote the European partnership and strengthen cooperation in the process of Bosnia and Herzegovina's accession to the European Union.The act ratifying the treaty was passed unanimously by 79 votes.The treaty was signed in Sarajevo in July last year and has already been ratifiedby the Bosnia and Herzegovina parliament."It is in Croatia's interest to foster a high level of bilateral relations with Bosnia and Herzegovina with a view to strengthening its long-term stability and security, particularly through support for the Euro-Atlantic integration processes in the country," Zdravka Busic, State Secretary at the Ministry of Foreign and European Affairs, said while presenting the treaty in parliament.She said that this would also help in politically empowering the Croats in Bosnia and Herzegovina as one of the country's three constituent nations.15th anniversary since establishment of Croatian Association of Counties markedZAGREB, May 17 (Hina) - A ceremony was held in Parliament on Friday to mark 15 years since the establishment of the Croatian Association of Counties (HZZ).The event was attended, among others, by President Kolinda Grabar-Kitarovic, Parliament Speaker Gordan Jandrokovic, Public Administration Minister Lovro Kuscevic as representative of Prime Minister Andrej Plenkovic and several other cabinet ministers.Grabar-Kitarovic emphasised the role of counties in absorbing EU funding, saying that in this regard the counties in general performed better than the central government. That's why she called for the further empowerment of the counties by transferring the powers for absorbing EU funding from the Ministry of Regional Development and EU Funds to the counties, citing the Polish model.The president said that the government had made significant progress in tax policy and that additional steps should be taken. "We need to have confidence in the principle of subsidiarity," she said, adding that functional and financial decentralisation would reduce unnecessary administration and ensure speedier implementation of investment projects in local and regional government units and more dynamic development of enterprise."In order to achieve this, cooperation between counties and central government must never depend on current relations between political forces. More dialogue is needed. This government should be commended for establishing ongoing dialogue with the counties, as shown by government meetings being held in different counties," Grabar-Kitarovic said.She said that the counties rightfully expected comprehensive measures for demographic revitalisation from central government.Jandrokovic said that regional policy should be systematic and should reflect synergy between central and local government, adding that this also required a strong partnership at the national level. He stressed that Parliament's support for their work was unquestionable.Jandrokovic said that in meetings with local and regional government leaders he could see for himself that the process of decentralisation, especially of fiscal decentralisation, had ***produced*** good results."Last week I visited Garesnica, Daruvar and Grubisno Polje. Their budgets have increased significantly, which has resulted in investments in infrastructure and economic and demographic projects," he said, adding that this process should continue.Jandrokovic said that Croatia had 80 billion kuna (10.8 billion euros) at its disposal until 2020, of which 63 billion kuna (8.5 billion euros) for cohesion policy. "The latest data shows that all Croatian counties use European funds. Absorption of funding should be improved and accelerated, and county development agencieshave an important role in this," he said.Kuscevic said that one of the measures in this reform areawas to define a model for functional and fiscal decentralisation, the ultimate goal of which is to improve the functional division of powers and the efficiency of local and regional government units. He called on the HZZ to become actively involved in this process.Minister of Regional Development and EU Funds Gabrijela Zalac called on the counties to work together and ***plan*** investment projects together.The HZZ was established in 2003 with the aim of promoting the interests of local and regional government units.RBA: Croatian household loans reach HRK 117.3bnZAGREB, May 18(Hina) -Lending by banks operating in Croatia totalled HRK 119.8billion in March, which is one billion kuna more than in February, according to figures provided by Raiffeisenbank Austria (RBA).Lending in March rose by 2.1% on the year, which is the fastest growth since April 2012, indicating a gradual recovery of the loan activity, RBA analysts noted, citingCroatian National Bank (HNB) figures.At the end of March 2018, 50% of all loans were denominated in the national currency,the kuna. In March 2012, 24% of all loans were denominated in the kuna while 76 were denominated in foreign currency, RBA said in a report on Friday.Broken down by loan type, housing loans at the end of March 2018 accounted for 44% of all loans,up 1.6% on the year, reaching HRK 52.6billion.General-purpose loans at the end of March amounted to HRK 44.2 billion, which is 7% more than the year before, the RBA report says.Djuro Djakovic Special Vehicles inks HRK 33mn dealZAGREB, May 18(Hina) - The Djuro Djakovic Special Vehicles company has signed a contract with Gatx Rail Germany on the delivery of freight wagons, worth HRK 33.1 million, the Croatian company said in a statement on Friday.The wagons will be delivered to the German contractor in the third quarter of 2018.ZSE indices in green for five straight weeksZAGREB, May 18 (Hina) - The main Zagreb Stock Exchange (ZSE) indices increased on Friday, the Crobex by 0.51% to 1,855.19 points and the Crobex10 by 0.75% to 1,080.73 points, reaching their highest levels since early March and mid-February respectively.Turnover at the close of regular trading was HRK 5.2 million, about 600,000 lower than on Thursday.The only stock to cross the million kuna mark was that of the Podravka food company, turning over HRK 1.8 million. Its price remained stable at HRK 315 per share.(EUR 1 = HRK 7.376126)THIS BULLETIN INCLUDES ITEMS RELEASED BY 2030 HOURS FRIDAY. (Hina) vm Masthead Brief News Bulletin is published by the Croatian News Agency HINA Marulicev trg 1610 000 ZagrebCroatia web:[*www.hina.hr*](http://www.hina.hr) mail: [*hina@hina.hr*](mailto:hina@hina.hr) phone: (+385 1) 48 08 660; fax (+385 1) 48 08 822 Publisher: Branka Gabriela Valentic, DirectorEditor in Chief: Serdo Obratov Bulletin Editor: Marija Sestan

ZAGREB, May 18 (Hina) - Croatia on Friday took over the chairmanship of the Council of Europe, which will be an opportunity for the country to brand itself politically and culturally and prepare for the presidency of the European Union in the first half of 2020.

ZAGREB, May 18(Hina) - The Council of Europe (CoE) did not lose its importance, Danish Prime MinisterLars Lokke Rasmussen said inHelsingor on Friday, adding that he wanted the oldest European organisation to continue its development and remain strong and relevant in the future.

ZAGREB, May 18 (Hina) - Croatian Prime Minister Andrej Plenkovic and his Romanian counterpart Viorica Dancila agreed in Bucharest on Friday that the relations between the two countries, as seenin cooperation in European matters, inthe economy, defence and transport, were at their most dynamic.

ZAGREB, May 18 (Hina) - Croatia has excellent military products and an excellent promoter of those products, the Croatian army, Defence Minister Damir Krsticevic said in Bucharest on Friday where he was visiting a military fair.

ZAGREB, May 18 (Hina) - President Kolinda Grabar-Kitarovic said on Fridayshe had received a detailed report on the Hotmail scandal from the Security and Intelligence Agency (SOA) last night and was expected to discuss the matter with Prime Minister Andrej Plenkovic on Monday, when she will propose a meeting of the National Security Council.

ZAGREB, May 18 (Hina) - The extraordinary administrator of the Agrokor conglomerate, Fabris Perusko, said on Friday he did not expect any external process to endanger the reaching of a settlement byJuly 10, the deadline defined by law, adding that the first draft of the settlement agreement would be finished today and published next week.

ZAGREB, May 18 (Hina) - Finance Minister Zdravko Maric said on Friday that the Finance Ministry was aware of the potential negative effect of Agrokor, but that risks were much more pronounced elsewhere, for example inPetrokemija and Uljanik, adding that solutions were being soughtand the negative effects were being calculated in the budget while at the same time efforts were being made to protect public finances.

ZAGREB, May 18 (Hina) - Croatian President Kolinda Grabar-Kitarovic on Friday told the Bosnia-Herzegovina edition of the Vecernji List daily that Croatia would do everything to prevent the entry of migrants from Bosnia and Herzegovina and announced support to the Bosnian authorities in dealing with this problem.

ZAGREB, May 18 (Hina) - Migrants who had waited several hours at the administrative boundarybetween Sarajevo and Herzegovina-Neretva cantonsfinally arrived at a refugee camp in the southern city of Mostar on Friday afternoon after fierce arguments between central and local government officialsearlier in the day about who authorised the transfer ofthe refugees from a makeshift tent settlement in Sarajevo to the Salakovac camp in Mostar.

ZAGREB, May 18 (Hina) - The Croatian parliament on Friday ratified the European partnership treatybetween the Croatian government and Bosnia and Herzegovina's Council of Ministers, under which the two parties reaffirmed their determination to promote the European partnership and strengthen cooperation in the process of Bosnia and Herzegovina's accession to the European Union.

ZAGREB, May 17 (Hina) - A ceremony was held in Parliament on Friday to mark 15 years since the establishment of the Croatian Association of Counties (HZZ).

ZAGREB, May 18(Hina) -Lending by banks operating in Croatia totalled HRK 119.8billion in March, which is one billion kuna more than in February, according to figures provided by Raiffeisenbank Austria (RBA).

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Western Morning News

February 1, 2018 Thursday

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**Section:** BUSINESS:OTHER; Pg. 4-5

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**Byline:** Andrew Brewerton,; Sir Steve Smith; Anne Carlisle; Judith Petts CBE,; Dr Steve Simpson,; Adrian Vinken OBE,; Mark Osterfield,; Patrick Gale,; Sir Michael Morpurgo,; Will Coleman,; Rob Varley,; Leigh, Neil and David Chadwick,; Bruce Robertson,; Archie Bethel,; James Staughton,; Chris Loughlin,; Steve Hindley CBE,; Karime Hassan; Miles Carden,; Toby Parkins,; Rob Love,; Louise Pasterfield,; Will Jackson,; Ian McFadzen; Luke Lang and Darren Westlake,; Mark Sullivan,; Mary Quicke MBE,; Catherine Mead,; Guy Watson,; Jonathon Jones,; Simon Tonge,; Sir Tim Smit,; Nathan Outlaw,; Rick Stein CBE,; Kevin Bishop,; Nick Ames,; Mike Carr & Henk Wiekens,; Anthony Sheriff,; Michael Le Goff,; David Nairn,; Ben Bradshaw,; George Eustice,; Andrew Leadbetter,; Gary Streeter,; Sarah Wollaston,; Craig Overton,; Andrew Cotton,; Conrad Humphreys,; Jack Nowell,; Tom Daley,

**Body**

ACADEMIA & EDUCATION

Chief executive and principal of Plymouth College of Art

A champion of the value of the creative industries to the UK economy, Prof Brewerton has established links with China and presented a model of education pioneered in Plymouth to several countries.

The PCA has signed a co-operation agreement with Nanjing Normal University to showcase Britain's dominance in the creative sector, collectively worth £87.4 billion a year in gross value added.

The link comes amid growing international interest in the creative arts education model pioneered in Plymouth. The college - which is converting to full university status - sponsors Plymouth School of Creative Arts. As a free school, the Red House - so-called because of the colour of its Millbay building - specialises in a learning-through-making approach across all subjects.

College staff have given presentations on the Plymouth model by invitation at events in Italy, France and Germany and four in China.

Vice-Chancellor, University of Exeter

As one of the UK's longest-serving Vice-Chancellors, Sir Steve has led the University of Exeter from 34th in the national league tables to being firmly established in the top ten in the UK and recognised as one of the best teaching and research universities in the country.

The University has contributed more than £1 billion to the economy and created 11,000 jobs, according to its latest economic impact study.

Sir Steve is also chairman of the Universities UK policy group, which is negotiating the shape of relationships with European academics after Britain leaves the EU. He is concerned about the status of EU nationals working in Higher Education, including 579 in Exeter - 201 of which have applied for citizenship.

Sir Steve, an expert in international relations, says £1billion in EU research is also at stake.

Vice-Chancellor, Falmouth University

Prof Carlisle oversaw full university status in 2012 and its rise as one of the UK's leading arts universities.

The university now has nearly 4,500 students enrolled on more than 50 courses, from foundation level to PhD and contributes £60 million to Cornwall's economy. Prof Carlisle founded the groundbreaking Launchpad ***programme***, supporting graduates as they build high-growth tech companies to meet industry demand.

Launchpad won the Entrepreneurship Award at the Guardian Awards 2017.

Vice-Chancellor, University of Plymouth

Prof Petts graduated with a degree in geography in 1975 at the University of Exeter and went on to earn her PhD from Loughborough University.

She received a CBE in 2012 for services to scientific research.

Yet she spent much of her career in the commercial world, including international banking working for Barclays International.

In 1999, Prof Petts was appointed to the chair in environmental risk management at University of Birmingham and became head of the School of Geography, Earth and Environmental Sciences in 2001/2.

In 2007 she was appointed Pro-Vice-Chancellor, taking the research and knowledge transfer portfolio.

In 2010 Prof Petts moved to the University of Southampton to become the inaugural dean of the new Faculty of Social and Human Sciences and then in January 2014 was appointed Pro-Vice-Chancellor Research and Enterprise.

Prof Petts took up her appointment as Vice-Chancellor of the University of Plymouth in February 2016.

Associate Professor in Marine Biology & Global Change, University of Exeter

Millions of viewers saw the work of Exeter University marine scientists in the ground breaking Blue Planet II series last year.

Named the best series of 2017, the first episode was watched by 14.1 million people in its first week, becoming the third most watched show of the past five years.

University of Exeter researcher Dr Simpson acted as an academic adviser and featured scientist in the series.

He featured in the final episode, talking about singing fish and the intricacies of recording sounds in coral reefs.

It showed how noise from shipping, tourism and fossil fuel exploration is harming sea life.

The marine biologist and fish ecologist specialises in the behaviour of coral reef fishes, bioacoustics, effects of climate change on marine ecosystems, fisheries, conservation and management.

ARTS & CULTURE

Chief executive, Theatre Royal Plymouth

A champion of the arts and culture, Mr Vinken took the Theatre Royal Plymouth from financial crisis to the UK's leading regional theatre for production.

It has an international profile for making shows thanks to the TRP2, Theatre Royal's £8million Production and Education Centre on Plymouth's waterfront.

The Theatre Royal is set to construct Bianca, a nine-metre wide statue at the entrance of the theatre, as a statement of intent about Plymouth's cultural ambition.

Mr Vinken is also the chairman of the Mayflower 400 National Partnership and Plymouth Leadership team.

Executive director, Tate St Ives

Newly open after a £20 million expansion and two-year closure, Tate St Ives is a major pull for visitors and contributes an average £11 million a year to the Cornwall economy.

Mr Osterfield said that the extension, doubling the gallery space and ensuring year-round opening, recognises the cultural significance of the Tate St Ives to Cornwall.

He has been credited for understanding local concerns while steering through the extension project.

Author

Patrick Gale's two-part drama, Man in an Orange Shirt, was the centrepiece of the BBC's Gay Britannia season in 2017.

Inspired by his life on the Cornish coast in his work, Mr Gale is the author of *A Perfectly Good Man*, *The Whole Day Through*, the Richard and Judy bestseller *Notes From An Exhibition* and his latest, the Costa nominated *A Place Called Winter*.

Mr Gale is chairman of the North Cornwall Book Festival, patron of Penzance LitFest and a director of both Endelienta and the Charles Causley Trust.

Author

Knighted in the New Year Honours List, the celebrated author, poet and playwright is best known for children's novels including *War Horse*.

Inspired by the moorland surrounding his home in Iddisleigh, the tale of war horse Joey and farm hand Albert, has captured audiences worldwide becoming an international box office success on stage for the National Theatre and adapted for film by Spielberg in 2011.

More than 40 years ago, Sir Michael and his wife Clare, set up charity Farms for City Children at Nethercott.

More than 90,000 children have come to the three farms where the charity now runs, in Wales at Lower Treginnis Farm, in Gloucestershire at Wick Court, and where it all started in Devon.

Creator of the Man Engine

The man behind the largest mechanical puppet ever constructed in Britain is taking the spectacle on tour and spreading the message of our mining heritage.

Eighteen months ago, The Man Engine, a giant mechanical miner, steamed from the Tamar to the very tip of Cornwall to celebrate the tenth anniversary of the Cornish Mining World Heritage Site.

Now, Will Coleman and his team at Golden Tree Productions ***plan*** to take him across industrial heritage locations across Cornwall, Devon, Wales and England for 2018.

The 11.2metre high puppet was last year voted the UK's Best Arts Project by the National Lottery.

BUSINESS

Chief executive, Met Office

The Met Office is a major employer in Exeter and is credited as being the driving force of high growth tech and innovation in the region, contributing around £65 million annually to the Devon economy.

At the forefront of weather and climate science, technology and operations, the Met Office's £100 million supercomputer holds world class capabilities and acts as a catalyst for a wider science hub in the region.

Founders of Seasalt

The retail brand is growing rapidly but keeps its heart in Cornwall.

With its roots in 1980s Penzance, the firm now has 48 stores all over the country and is still growing.

The spirit of the company is in Cornwall's craft and creative heritage, designs inspired by the landscape in honour of the heritage of the county.

Textile designer Sophie Chadwick, wife of co-founder Neil, is the creative force behind the designs.

Employing 800 people, the company's exports account for 10% of the business, selling online to 56 countries.

Owner and chairman, Trago Mills

The Trago brand has been expanding with its £400million fourth store set to open in Merthyr Tydfil, Wales in Easter this year.

The Trago empire has long since been synonymous with the Westcountry with stores in Falmouth, Liskeard and Newton Abbot.

Bruce Robertson took over from his late father Mike, who died in 2001 and who founded Trago in the early 1960s.

A pioneer of the discount retailer sector, Trago continues to be a major regional player, employing more than 870 staff and coming in at number 18 on the list of top 150 employers in Devon and Cornwall.

Chief executive, Babcock

The man who headed the division of Babcock which controls its Plymouth operation became boss of the entire £4.5billion company as chief executive of Babcock International Group plc.

A familiar face in Plymouth, he had been chief executive of the Marine and Technology division, which includes Babcock's immense Devonport dockyard operation.

Archie Bethel has been an integral part of the firm's senior management team since joining Babcock in 2004. He has been credited with overseeing the successful development and growth of the marine and technology business in the UK and overseas.

Babcock had grown from a small cap business to a FTSE 100 company with a turnover of £4.5 billion in 2014/15.

It has delivered an increase of 1,200 per cent in total shareholder return over that period.

Mr Bethel was succeeded by John Howie, who had been Plymouth-based managing director of Naval Marine with responsibility for the management of Babcock's submarine, warship and naval base operations as the chief executive of the marine and technology division.

Chief executive, St Austell Brewery

The great-great grandson of the company founder, James Staughton continues to take the St Austell Brewery brand to a new and growing audience.

The family owned business, with more than 1,000 employees, has struck a deal with British Airways served Tribute on all BA long haul flights and European Club flights, reaching a potential audience of up to 27 million passengers world-wide.

It is a growth area for the company that is seeking out export opportunities to China.

The brewery acquired Bath Ales in June 2016 and has made a multi-million-pound investment to double the brewing capacity for Bath Ales and Beerd brands.

Proper Job is now the biggest selling bottle conditioned beer on the UK market with bottle sales up 66.2%.

Packaged sales of Korev Cornish lager rose equally dramatically by 66% through the popularity of new 330ml cans.

***Plans*** for the year ahead include the development of the Beerd retail concept and craft beers - serving craft beers and authentic pizza to a young, urban audience around Bristol, while the Graze Chop House is a contemporary, up-market casual retail dining concept aimed at urban centres in Bath and Bristol.

ECONOMY

Chief executive, Pennon Group

As a major advocate in the #BackTheSouthWest campaign, Chris Loughlin is committed to growth and prosperity for the region.

He is the head of Exeter-based Pennon Group, the region's biggest Plc, employing 4,987 staff.

Mr Loughlin is currently chairman of British Water, a director of Water UK and a trustee of the charity WaterAid.

An enthusiastic advocate of local business, Mr Loughlin is also vice chairman of the Cornwall Local Enterprise Partnership.

Chief executive Midas Group

Steve Hindley has more than 40 years of experience in the construction industry and heads Midas Group.

As chief executive and chairman, Mr Hindley has transformed Midas from a small regionally based contractor to a property services group operating throughout the UK and in all property sectors.

Mr Hindley is chairman of the Heart of the South West Local Enterprise Partnership, chairman of Constructing Excellence South West Leadership Council, chairman for the Devon Community Foundation and a former chairman of the CBI Construction Council and of the CBI South West Council.

Chief Executive & Growth Director, Exeter City Council

Named one of 2017 Faces of Growth by accounting and consultancy firm Grant Thornton, Mr Hassan *(pictured far left)* is credited for leading Exeter's high-growth strategy and dedication to attracting investment opportunities.

Mr Hassan and his team have directed several growth projects in recent years for the city, including Exeter Science Park, community homes in Cranbrook and the redevelopment of the Princesshay shopping centre.

Enterprise Zone Manager Aerohub at Cornwall Airport Newquay & Spaceport

Miles is part of the team putting Cornwall at the forefront of the space race.

The Newquay Aerohub/Goonhilly partnership is one of eight sites bidding to create the UK's first spaceport and tap into the £25 billion spaceflight launch market by 2020.

It has been in talks with a number of potential investors to develop the spaceport facilities at Newquay Airport.

Work on the Aerohub Business Park at Cornwall Airport Newquay started this year, and will be completed in early 2019.

Aerohub is currently home to 14 businesses employing more than 450 people at an average annual wage of £33,400 - almost twice the average wage in Cornwall.

Chairman Tech South West

The co-founder of Headforwards, Cornwall's biggest software company heads up Tech South West, an organisation that brings together the most innovative businesses across the region. An advocate for collaboration and supporting entrepreneurs, he is at the forefront of Cornwall's growing tech sector.

Headforwards, based in Penryn, is set to grow even bigger after it announced ambitious ***plans*** to recruit up to 2,000 people over the next five to 10 years.

And he says that being in beautiful Cornwall with its sandy surf breaks and broadband speeds are key to recruiting the next Headforwards techies.

INNOVATION, CREATIVE & DIGITAL

Chairman of Crowdfunder

A pioneer of social funding, Rob Love is at the helm of a business valued at £16.8 million. Last year, the reward-based crowdfunding platform based in Cornwall secured investment from business incubator and accelerator Broody, which has acquired a 5% stake.

The deal will see the two organisations working together as partners to cement Newquay-based Crowdfunder's position and give Broody's portfolio of start-ups access to the benefits of crowdfunding.

Crowdfunder has more than 600,000 members and has raised more than £45 million for crowdfunded projects across the UK since 2014.

It has the declared aim of becoming the biggest social funding platform in the world.

Founder of Sponge UK

The vision behind Sponge UK, the Plymouth digital learning company with major clients including GlaxoSmithKline, the NHS and the United Nations.

Mrs Pasterfield is at the helm of one of the largest, independent, female-owned elearning companies in Europe. Sponge has experienced significant growth in the past six years and is a *Sunday Times* Top 100 Best Small Companies to Work For.

Mrs Pasterfield is a women in STEM advocate and speaks regularly at regional, national and international events on the learning technologies industry, women in business and the digital economy.

Founder of Engineered Arts

Engineered Arts has helped put Cornwall on the map for innovations in robotic technology. Started in 2004, Engineered Arts has grown to become a leading manufacturer of humanoid robots with commissions for Kew Gardens, Eden Project and sales worldwide.

The company develops and sells an ever expanding range of humanoid and semi-humanoid robots featuring natural human-like movement and advanced social behaviours. It employs a team in Penryn that specialises in software development, mechanical engineering, 3D design and animation.

Engineered Arts' humanoid robots are used worldwide for social interaction, communication and entertainment at public exhibitions and attractions, as well as university research labs.

Chief executive. Plymouth Science Park

Ian McFadzen became chief executive of Plymouth Science Park in 2017, a move from the University of Plymouth where he was commercial director of the Marine Innovation Centre.

With more than 30 years of experience in the public and private sectors, Mr McFadzen brought to his new job expertise in translating research into commercially viable business opportunities, particularly in the fields of biomedicine and life sciences.

Mr McFadzen was the founding director of two biotechnology companies, including Plymouth's Biovault, the UK's largest accredited private sector human tissue bank.

He has worked with a range of science parks across the UK, including Plymouth, Cambridge, Bristol and Bath.

The former research biologist spent the past ten years at the university, and has worked on collaborative R&D ***programmes*** across Europe, North America and South East Asia.

Founders of Crowdcube

The fintech pioneers were both named in Debrett's Britain's 500 most influential people in 2016.

Based in Exeter, the business faciliates pooled investment from individuals to allow entrepreneurs to secure funding directly from the general public, bypassing business angels and banks.

The platform has seen £391,485,095 invested in pitches with 488,313 registered members.

FOOD

Chief executive of Provenance Brands

Provenance Brands is the company behind some of Cornwall's best known names including Warrens Bakery, Simply Cornish, Cornish Sea Salt, Cornish Seaweed and The Cornish Crisp Company.

Mark Sullivan is growing a portfolio of synergistic businesses, with a strong innovation and international outlook, around the theme of provenance.

Formerly a managing director of JP Morgan (London), where he focused on ***strategic*** advisory matters, he specialises in how food and drink ***producers*** can take their brand to an international market.

Managing director, Quicke's Traditional

Mary Quicke is at the helm of a £4million business making award winning cheeses.

Quicke's Cheese is the largest British naturally matured traditional cheddar maker and Mary is the fourteenth generation on the farm, running the business since 1987.

The cheese sells to key outlets in the UK, and over one third to export, mainly US and Australia.

Ms Quicke has launched the Academy of Cheese, is a Dairy Sector Board Member of AHDB and a judge at the World Cheese Awards, Bath & West Show, British Cheese Awards and the American Cheese Society Awards.

Managing director, Lynher Dairies

Catherine Mead heads up a team of 30 that make the celebrated Yarg cheese.

The latest cheese, Kern, has just been named the best cheese in the world, winning supreme champion at the World Cheese Awards.

The big name cheeses are made in a small dairy at Ponsanooth in Mid Cornwall but is sold all over the world.

Ms Mead has designed an apprenticeship in cheese-making with Duchy College, is a trustee of Cornwall Food Foundation, vice-chairman of the Specialist Cheese Makers Association and a former chairman of Cornwall Agri Food Council.

Founder, Riverford Organic Farms

The veg box pioneer has seen the expansion of Riverford from a small local enterprise to delivering around 47,000 boxes every week with veg grown at four regional farms and a number of independent organic farmers and growers.

Twice voted BBC Farmer of the Year and last year awarded Best Organic Farmer of the Year and Organic Market Innovator of the Year by the Soil Association, he lectures regularly on ethical business and highlights political issues relevant to food and farming. His leadership has been recognised with numerous awards including Observer Best Ethical Business.

Managing director of trading at Tregothnan

Jonathon Jones is the pioneer behind the UK's very first and only tea plantation.

Arriving as head gardener at the Cornish Estate in 1996, he used his expert camellia cultivating knowledge and experience travelling world tea plantations to set up the plantation. Now, Tregothnan tea is stocked by big name brands including Liberty, Waitrose and Fortnum and Mason.

An advocate of export opportunities for the region, Tregothnan tea is sold worldwide with key markets in the US, China, Japan, Korea and Taiwan.

HOSPITALITY & TOURISM

Executive director of Whitley Wildlife Trust

Simon Tonge leads the charitable organisation which owns Paignton and Newquay zoos, the Living Coasts exhibit in Torquay and three nature reserves in Devon.

The former Senior Curator at London Zoo and trainee accountant, is chairman of the European Association of Zoos and Aquariums (EAZA); a member of the Zoological Society of London's Zoos Advisory Committee; chairman of the Committee for Population Management of the World Association of Zoos and Aquaria (WAZA); and sits on the board of two conservation charities in southern Africa.

Funds generated by the attractions support conservation projects in the UK and overseas.

Co-founder of the Eden Project and Lost Gardens of Heligan

The man behind the Lost Gardens of Heligan and the Eden Project was last year's winner of the *Western Morning News* Lifetime Achievement Award.

Sir Tim has been praised for leadership that has helped transform the economy in not just Cornwall but the whole of the South West.

Together with John Nelson, he restored the Lost Gardens of Heligan before opening the award winning Eden Project near St Austell in Cornwall.

Since opening in 2001, it has attracted more than 18 million visitors and inspired an economic renaissance in Cornwall by contributing more than £1.7 billion to the local economy.

Sir Tim continues to spread Eden's message far and wide with ***plans*** for Cornwall to become a world leader in agronomy and horticulture.

Chef and restaurateur

Nathan Outlaw's flagship restaurant in Port Isaac has been named the UK's Best Restaurant in the Waitrose Good Food Guide 2018.

It has also reached the number four spot on the Harden's Best UK Restaurant list. It is the only Cornish restaurant to ever hold two Michelin stars and is known for showcasing the finest sustainable seafood caught off the Cornish coast.

Restaurateur and TV personality

Honoured with a CBE in the New Year Honours List, the chef, restaurateur, cookery book author and TV presenter kick-started Padstow in North Cornwall as a foodie destination.

Rick Stein has written more than 20 cookery books and made more than 25 cooking TV ***programmes***.

He owns 13 restaurants under his brand name including the Seafood Restaurant in Padstow which is his company's flagship restaurant.

He has cooked for the Queen, Prince Charles, Margaret Thatcher and former French president Jacques Chirac.

Chief executive, Dartmoor National Park

As chief executive for Dartmoor National Park Authority, Kevin Bishop has been head of one of the region's most important natural assets and major visitor attractions for ten years.

He is a member of the World Commission on Protected Areas and was a council member for the Countryside Council for Wales, on the Royal Society for the Protection of Birds Committee for Wales and has acted as an adviser to the Heritage Lottery Fund.

MANUFACTURING

Chief executive, Supacat SC Group

Under Nick Ames' leadership, the company behind military vehicle designers and manufacturer, Supacat and heavy engineering company Blackhill, has enjoyed huge expansion.

Orders from Australia, Norway and New Zealand for Supacat's special forces vehicles have boosted overseas earnings from £2.5 million to more than £32 million over the last three years.

Mr Ames has also overseen the Group's expansion outside the defence sector including major engineering contracts at Hinkley Point C.

Previously, Mr Ames worked at Serco Group as a divisional finance director and divisional managing director, responsible for clients such as the European Space Agency, European Southern Observatory and nuclear research centre CERN.

Joint Managing directors, Pendennis

Mike Carr and Henk Wiekens led the management buyout of Pendennis in 1993, creating a business that is a major player in the global superyacht industry and was named the fastest growing business in the region in the *Western Morning News'* Fast Growth 75.

Under their leadership, Pendennis now has the largest specialist superyacht facilities in the UK.

In 2015, Pendennis completed a £22 million redevelopment to expand and modernise its existing facilities.

It now has a 400 strong staff and an award-winning four-year apprenticeship scheme.

Chairman of Princess Yachts

Joining from McLaren in 2016, Sheriff has been at the helm of the luxury boat builder Princess Yachts as its order book hit a record £640 million.

The Plymouth firm, which employs 2,500 people and has an award winning apprenticeship scheme, is about to embark on a £100 million five-year investment ***programme***.

There are ***plans*** for a further six new Princess model launches before the end of 2018.

Chief executive, Plessey Semiconductors

Michael Le Goff leads one of the region's most important manufacturers, buoyed by £100million in investment since 2012.

The renowned physicist, engineer and former Canadian navy officer has been in charge at Plessey since 2009, when he founded the company with the acquisition of legacy assets.

Plessey employs 150 staff making sought-after products, mainly h-tech LEDs for lighting.

Last year, he became chairman of Plymouth Science Park.

Chief executive, Burts Chips

Demand for Burts Potato Chips Ltd is soaring so fast it has bought an existing company and its factory in Leicester to stay ahead. In September alone, it sold £3 million of products, up 45 per cent on sales for September 2016.

David Nairn has steered huge investment into the current plant in Plymouth to enable £50 million in sales. This increase in capacity will help satisfy demand from retailers across the UK, US, Canada, and Europe, the Middle East and Africa.

POLITICS

Labour MP for Exeter

The former radio reporter and vicar's son, who has represented Exeter since 1997, is a passionate supporter of the Open Britain campaign, which argues that the Westcountry's workers and businesses will be seriously worse off after Brexit. He believes "pulling out of the single market and the customs union in 2019 will drive our economy over a cliff edge, putting jobs and family finances at risk". Defying the Labour whip for the first time in his career over the Article 50 Bill to trigger the Brexit process, Ben intends to continue campaigning against a hard Brexit during 2018.

Conservative MP for Camborne and Redruth

Having worked on his family's fruit farm at Hayle before becoming an MP, George Eustice was well placed to take on the role of Parliamentary Under Secretary of State for Farming, Food and the Marine Environment. Although a strong advocate for the industry, he caused dismay among many Westcountry farmers for backing the Leave campaign. Countering his critics, he has vowed to be a "champion of farmers" after the UK leaves the EU in 2019, stating that he remains "absolutely confident" a post-EU ***agricultural*** policy would benefit ***agricultural*** businesses.

Conservative councillor for Wearside & Topsham on Devon County Council

Devon County Council's cabinet member for economy, growth and transportation, and former chairman of the Peninsula Rail Task Force for the South West, Andrew Leadbetter also sits on the Heart of the South West Local Enterprise Partnership and Local Transport Board.

After the rail line was washed away at Dawlish in 2014, he oversaw the *Closing The Gap* strategy aimed at making the region's main rail link resistant to weather challenges.

Closing The Gap recommends investment for the next 20 years to deliver £7.2 billion of regional gross value added (GVA) and £1.8 billion of transport benefits.

Conservative MP for South West Devon

A former Tiverton Grammar School boy, Gary Streeter's focus for the region's business community is in campaigning for the delivery of a modern communications infrastructure for the South West, both physical and virtual.

The roll-out of superfast broadband, improved on-board internet connectivity for train travellers, dualling of the A303 all the way to Honiton, and full dualling of the A30 through Cornwall are among his priorities. In 2019, he will pursue the case for funding a study into discreet electrification of certain routes.

Conservative MP for Totnes

As chair of the Health Select Committee in the House of Commons, the former GP has consistently challenged her government's proposals for drastic financial cuts and systemic changes to health and social care provision across Cornwall and Devon.

Defying the Tory whip by voting for Labour's amendment to halt the roll-out of Universal Credit, she remains a thorn in the side of Theresa May, accusing the Prime Minister of "scapegoating" family doctors. She has announced a Health Select Committee inquiry into Sustainability and Transformation Partnerships and Accountable Care Organisations early in 2018.

SPORT

Cricketer

Craig Overton, 23, is the older of Somerset fast-bowling twins. The Barnstaple-born sportsman won selection for England's 2017/18 tour of Australia after an impressive county season.

With his brother Jamie, Craig's career began at Instow CC, representing Devon in age-group cricket before graduating to Somerset and the England Under-19 set-up in early 2012. Craig played seven Championship matches that summer, winning a place at the Under-19 World Cup and then the Lions tour to Australia in early 2013.

Surfer

North Devon surfer Andrew Cotton is on the road to recovery after breaking his back during a spectacular wipe-out big wave surfing in Portugal.

The top level athlete, adventurer and guest speaker is one of the world's most respected big-wave surfers, travelling the globe surfing some of the biggest and heaviest waves on the planet such as Peahi in Hawaii, Mavericks in California and The Right in West Australia.

Yachtsman

South Hams-based Conrad Humphreys has been a professional yachtsman for more than 20 years and most recently came to prominence as the professional skipper onboard the tiny 23ft open boat, Bounty's End in the recreation of Captain Bligh's epic story of survival, Mutiny on the Bounty for Channel Four.

Conrad is a triple round-the-world yachtsman. He competed as the youngest entrant in the Whitbread Round the World Yacht Race (now Volvo Ocean Race) and became the fifth British yachtsman in history to complete the legendary VendÃ©e Globe, single-handed, non-stop around the world without assistance.

Rugby union player

The Newlyn-born 24-year-old is an established first-team player for the Exeter Chiefs, giving a try-scoring performance in the Premiership final as Chiefs claimed their maiden premiership title in 2017. Making his debut for England in the 2014 Six Nations Championship, he has scored 11 tries in 31 Tests.

Diver

The Plymouth-born diver started his path to stardom aged seven as a member of Plymouth Diving Club, where his talent was identified early, and has made an impact in national and international competitions from the age of nine. He represented Great Britain at the 2008 Summer Olympics where he was Britain's youngest competitor, age 14, and the youngest from any nation to participate in a final.

At the 2016 Olympic Games, Daley and Daniel Goodfellow won a bronze medal in the synchronised 10m platform. He also set an Olympic record score in the individual 10m platform, broken the following day by Chen Aisen. He married partner Dustin Lance Black at a lavish ceremony at Bovey Castle, Devon, in 2017.

**Graphic**

Sir Steve Smith, Vice-Chancellor at the University of Exeter, is fighting the case for research and funding post Brexit

Adrian Vinken wants to make a statement of Plymouth's cultural intent

Neil Chadwick, co-founder of Seasalt, is taking Cornish heritage and craftsmanship far and wide

Louise Pasterfield has built up a thriving business in Devon and is an advocate for women in STEM

Food pioneer Guy Watson has changed the way we think about organic

Mary Quicke is a passionate voice for ***produce*** with provenance and the value of the food and drink economy to the region

Chef Nathan Outlaw is winning accolades for food that puts the region's ***produce*** first

Cornishman Jack Nowell is a well-known face in rugby union and a key figure in the England squad

Sarah Wollaston MP has fought for health and social care in the region

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[***Rights, recognition and norms in the making of Latin American International Society: an historical materialist interpretation***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:67FK-JB31-F0C0-33FN-00000-00&context=1516831)

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**Body**

Introduction

The concept of ‘international society’ has been central to the English School (ES) of International Relations (IR). With specific reference to the regulative rules, norms and institutions that allow a group of interacting states to recognize each other as constituting a society of states, the ES tradition has long been interested in accounting for the sources of international order (Bull ; see also Linklater and Suganami , p. 54ff.). And yet, consequently, ES scholars have struggled to account for moments of disorder in the evolution of international society. As Adam Watson (, p. 315) observed, in the Westphalian state-system, ‘practice disregarded legitimacy, or found a way around it; and over a period the legitimacy adjusted to take account of the practice’. Building on this observation, Watson () later interrogated the various ways in which historical practice tends to ‘outrun’ ES theory. The problem, then, is the ES’s perception of how ‘codes of conduct’ (Navari , p. 40) become the absolute benchmark of order beyond which lies the incomprehensible desert of disorder. And yet, if (historical) practice always tends to outrun (ES) theory, then international society must always embody an inexorable mix of order/disorder (Bleiker ).

As a means of overcoming the ES’s stark separation between order and disorder, the article makes a stronger case for incorporating insights form Historical Materialism (HM) into the ES corpus. Given that ES theory has traditionally believed that ‘contestation equals disorder’ (Buzan , p. 52), HM seems well positioned to supplement the ES’s myopia with regard to disorder because of the principal focus given to the politically contested social relations between individuals and groups as the motor force of historical change. From this class-relational perspective, it becomes possible to observe how forms of order contain the seeds of disorder within their own constitutive social relations, while periodic bouts of disorder themselves contains the seeds of new (world) orders.

To substantiate this critical incorporation, the article will focus on the example of Latin America’s struggle for independence, its uneven integration into ‘modern’ international society, and the eventual consolidation into its own regional international society. Like much of the ES’s increasingly regional focus (see Buzan , pp. 57–59), scholars in this tradition have recently taken up the story of Latin America’s emergence that goes well beyond Adam Watson’s () early yet epigrammatic account. As Watson argued, it was the first extra-European region to join the ‘family’ of states comprising European international society, a natural development (according to Watson) given their European ‘stock’. More recently, Schulz () makes a compelling case for how the ‘standard of civilization’ (Gong ) was more than just a neat demarcation between the West and the ‘rest’, but a contested discourse facilitating a ‘heterarchical’ structure of international society. Between these two book-ends (Watson and Schulz) stand three notable ES treatments of Latin America from Christian Reus-Smit (), Mikulas Fabry (), and Arie Kacowicz (), who provide detailed examinations on the role of rights, recognition and norms (respectively) in the making of Latin America. And yet, as central as these three components are to the history of the region, each work contains a serious contradiction that cannot be overcome from within the ES framework itself, precisely because of the a priori determinations ascribed to the role of rights, recognition and norms. While these contradictions will be dealt with at greater length in the following section, they reflect the inherent debility of the ES, insofar as rights appear to be poor indicators of agents’ actions, recognition emerges from a ‘standard’ that is never met, while norms tend to follow the crystallization of practice, rather than precede or shape it. In other words, we find that yet again practice outruns the theory.

Thus, the central rationale for examining the Latin American case is to help contribute to ES’s current explanation of how and on what basis the expansion of international society into the (south) Western hemisphere actually took place, and in turn strengthen (rather than discard) our understanding of rights, recognition and norms in the making of Latin America. To accomplish this goal, the article offers a more grounded theory of sociality, which refers to the generative grammar of social relations that connects individuals, collectivities and states via socio-productive activities, institutional forms and symbolic interaction. Drawing upon a broadly historical materialist approach, with particular reference to Antonio Gramsci’s concepts of integral state, hegemony and passive revolution, the article will address the various puzzles left unanswered by Reus-Smit, Fabry and Kacowicz by supplementing their inter-subjective, ‘orderly’, readings with the underlying (and ultimately inseparable) dynamics of contestation and disorder that accompanied the three key moments of Latin America’s evolution: revolution (rights), integration (recognition) and sovereignty (norms).

However, the historical materialist approach to international society is not intended as a mere alternative to ES concepts, let alone a critical wrecking ball, but rather as a sympathetic ‘participant’ in the ES arena that seeks out a tentative re-articulation of the international society concept through a deeper analysis of sociality as the foundation of the international. As such, this contribution seeks to demarcate a larger space for class analysis within the ES conceptual terrain. In doing so, I aim to make more explicit Buzan’s (, p. 76) reference to the ways in which Marxian approaches take the concept of ‘world society’ as structured by the capitalist mode of production, which is inherently global in its sociality (market forces transecting political boundaries). This analytical move shares important similarities with Lees’ () recent contribution to this journal on the importance of extra-subjective systemic processes in the making of international society and world society. As he argues, examining the world-wide connections between individuals and groups provides a more elegant conceptualization to the ‘world society’ concept, which has been traditionally handled by the ES as analytically distinguished by the non-state realm, and thereby externally related to the international society of states.

However, somewhat differently from Lees, I approach the world society concept from the perspective of commodity relations, rather than the more nebulous concepts of ‘webs’ or ‘networks’. By focusing on this class-relational level of analysis, which congeals into a dominant mode of sociality (mode of production), we can pinpoint the more specific dynamics of socio-political struggle and contestation over the means of life (production), and the discursive and institutional frameworks that attempt to place order upon them. While the capitalist mode of production is defined as the dominance of economic exploitation (commodified exchange of labour-power for a money-wage), as a historically evolving form capitalism and its contested expansion involves a host of different class positions beyond the capital-labour binary. Thus, slaves, peasants, merchants and statesmen each played a significant part in the emergence of Latin America and its uneven integration into international society’s ‘modern’ form of global sociality. Such a multi-actor perspective on the formation of modern international society and the emergent structure of capitalist world society thus helps to break down rigid demarcations between international/world society, by illuminating the ways in which both classes and states become key actors in forging the uneven development of the capitalist state-system.

One consequence of this reading is to provide more purchase to Schulz’s indispensable yet somewhat vague analysis of civilizational boundaries in international society. Rather than solving the ambiguity of civilizational standards by invoking ‘racial prejudice’ (Schulz , p. 848), we can interpret Latin America’s quasi-membership as the product of its unequal integration into the ‘civilizational’ fabric of capitalist world society (Colás , pp. 120–127). Read in this way, we can see how civilizational/racial discourses are not a priori determinants, but rather deeply entwined with (geo)political practices, in which the imperialism of unequal treaties was inextricable from ‘the legitimating concept of civilization’ constituent of capitalist world society (Miéville , p. 246).

The article will proceed along three steps. Firstly, I will more fully demonstrate the arguments and ultimate limits of Reus-Smit, Fabry and Kacowicz’s analysis, based on their respective vantage points of rights, recognition and norms. The puzzles thrown up by each author ultimately derives from the inability of ES theory to account for how historical practice tended to outrun the codes of conduct laid down by a given set of rules or norms. Secondly, and as way of overcoming these puzzles, an historical materialist approach to sociality will be put forward that pays closer attention to the historically specific social relations under which various practices take shape. Form this angle, we can better articulate the contradictory relations between material contexts and ideational forms, and how these tensions generate the raw material for socio-historical change. Lastly, I offer a critical historical reconstruction of three key ‘moments’ in the story of Latin America’s contested assimilation into international society, namely revolution, integration and sovereignty, which correspond to the dynamics of class struggle and disorder accompanying the inter-subjective elements of rights, recognition, norms. This critical historical reading thus seeks to provide a more rounded account of how the ordering principles of discourse and inter-subjective norms shape, and are shaped by, the dynamics of disorder that continuously emerge from the mismatch between agents’ self-understanding and concrete historical contexts.

Mysterious origins of great transformations: Interrogating the English School account of Latin America’s emergence

Christian Reus-Smit’s () analysis of Latin America’s struggle for independence, and the role played by individual rights during this period, offers a welcome ES contribution to this significant moment in the expansion of international society. Reus-Smit seeks to understand why the American born creole elites eventually switched from promoting their ‘voice’ within the Iberian imperial regime to eventual ‘exit’ and independence from it. Yet Reus-Smit’s account is ultimately mortgaged by his one-sided perspective on individual rights. As he notes, the term ‘individual rights’ encompasses two relatively distinct meanings: special rights pertain to individuals engaged in ‘special transactions or because of special relationships in which they stand’ (Ibid., pp. 36–37); general rights refer to individuals ‘simply because they constitute a particular kind of moral being’ (Ibid., p. 37). However, it is this latter dimension that Reus-Smit considers relevant to the analysis of Latin America’s independence movements.

With the role and deep efficacy of special rights written out of the picture, there is much within the complex dynamics of independence struggles that cannot be sufficiently explained. Reus-Smit gives at least a nod towards this problem when discussing the protracted conflict over independence versus Royalist restoration: ‘in the grassland regions nomadic herdsman often looked to the Crown to defend their rights against wealthy landowners’ (ibid., p. 147). Yet this begs the question as to exactly what kind of rights the gauchos and llaneros of Iberian America were fighting for, and whether these struggles can best be conceptualized via general rights alone. In choosing to analyse individual rights from a universal perspective, as ‘general rights’ (ibid., p. 114), Reus-Smit’s methodological choice necessarily evacuates more localized variations that articulate and inform the larger whole (cf. Guerra ).

From a macro-level perspective (from rights-bearing individuals to rights-bearing states), Mikulas Fabry () examines the contested nature of sovereignty and recognition. The overarching question guiding his enquiry is one that even today has not found an adequate answer: ‘Who qualifies as a sovereign, independent state?’ (ibid., p. 4). Fabry distinguishes between the British/US approaches to Latin American independence in contrast to the states of the Holy Alliance (Russia, Austria and Prussia), who remained wedded to the norms of absolutist rule and dynastic-imperial prerogatives. The basis of British and US approaches to sovereign recognition was that of de facto independence. Though political autonomy was dependent on external sovereignty, this right to independence was itself predicated on the conditions of internal sovereignty, as grounded in two basic attributes of state-hood: ‘The formation of a stable, effective state entity in which the population habitually obeyed the new rulers’ (ibid., p. 56). However, the dual character of this ‘Jeffersonian’ criteria of de facto independence (state capacity/popular allegiance) was found virtually nowhere in the emergence of Latin American independence, at least during most of the Nineteenth century (see Duncan Baretta and Markoff ; López-Alves ; Centeno ; Knöbl ). This then creates particular problems in establishing the true motivation behind sovereign recognition.

By far the most extensive English School account of Latin America’s regional history is Arie Kacowicz’s detailed empirical study of the region’s formative institutional and legal frameworks, which aims to assess ‘the origins and impact of norms of peace in the Latin American context, as one of the alternative explanations for the relative lack of international wars in South America after 1885’ (Kacowicz , p. 3). At the level of impact, Kacowicz’s empirical studies demonstrate a wide variety of combinations between successes and failures in dispute settlement, yet this variation puts into question the real impact of norms, at least in the manner suggested by the author (positive international law/institutional norms). This indeterminate set of results reflects the contradictory ways in which he depicts the causal power of norms—at different places of the book referring to them as either independent or dependent variables (ibid., pp. 8, 181 and 168, 184). However, Kacowicz goes on to note that because ‘it is not clear what…[the]…relative impact [of norms] is and under what conditions they do impact’, norms ‘should be studied alongside other economic, political, and international factors, usually collapsed under the rubric of “interests”’ (ibid., pp. 7–8). By acknowledging the virtual inextricability between morality and interests, in which the distinction is more ‘analytical rather than substantial’ (ibid., p. 8), Kacowicz inadvertently explains the overall findings of his study. Thus, in relation to his ‘six alternative explanations’ (other than normative determinants) to Latin America’s foreign policy outcomes, he finds that the salient explanations are ‘geopolitical considerations and cost–benefit analysis in terms of potential economic cooperation’, which obtain relevance in 7/11 cases and 10/11 cases, respectively (ibid., p. 171). As we shall see further below, this geopolitical/economic approach to the Latin American international society helps to explain why norms, such as non-***intervention*** and uti possidetis, only appear as regular (and regulating) characteristics of Latin America by the end of the nineteenth century, and not before.

This brief review of ES approaches to the nature and origins the Latin American international society thus demonstrates the problems encountered by too narrow a focus on normative, inter-subjective factors. Though Reus-Smit’s study is unique in focusing on the more agential aspects of international society, his a priori choice of general rights as the ‘universal glue’ of independence struggles minimizes the history of conflict both between and within certain groups, the frequency with which different groups changed sides during the conflict, and the ways in which these conflicts become instantiated through special rights. Fabry, on the other hand, falls into the same trap as Reus-Smit in the analysis of sovereignty, by substituting the concrete political structures of post-independence Latin America with the mere ‘act’ of (sovereign) recognition. Finally, Kacowicz’s uneasy balancing act between moral norms and material interests reflects the same ambiguity between idealism and materialism found in the wider ES corpus, which stems ultimately from a reified view of both sides of the equation. Each of these studies therefore end up glossing over the actual practices of social agents under specific historical conditions in order to demonstrate the supposed primacy of inter-subjective processes.

And yet, there is no doubt that Latin America was significantly shaped by rights, recognition and norms. The questions that remain are as follows: what, and for whom, were these rights meant to represent? What was the socio-political basis of sovereign recognition (if not positive international law)? And why did the norms that animated Latin America’s foreign relations from the nineteenth century (non-***intervention***, conflict resolution, uti possidetis) only become fully operative in the form of a ‘long peace’ in the twentieth century? Providing sufficient answers to these questions—which fundamentally pertain to the nature and origin of Latin American international society—can be achieved only be reintroducing social questions into larger discursive-geopolitical processes.

Bringing ‘society’ back into the construction of international society: an historical materialist approach

In asking the question ‘what is international society?’, Wight claimed that Grotius had ‘settled this question on the verbal level, by propounding the doctrine of sociability’ (Wight , p. 38). According to this interpretation, Grotius had superseded the Hobbesian naturalization between state of nature and the state of war; instead, ‘The law of nature commands sociable behaviour; state of nature, therefore is a condition of sociability, if not society’ (ibid., p. 25). By the turn of the ‘modern’ era, as Hedley Bull suggests, the world in which Grotius formulated his understanding of international society was best characterized not by conflict, ‘but trade—or, more generally, economic and social intercourse between one country and another’ (Bull , p. 25; cf. Mayall , p. 75). Hence, the Grotian rationality of early modern international society shifted towards a new form of sociality that increasingly hinged upon the economic health of the nation, and ‘rational’ exchange between nations.

Yet the question of the origins of this new type of sociality, how it consolidated, and by whom never enters the ES frame. Whether in Bull’s schematic portrait (, pp. 26–38), Watson’s fuller exposition (Watson 2010, pp. 169–251), or in Reus-Smit’s detailed account (Reus-Smit , Chap. 5–6), the ES’s approach to the formation of ‘modern’ international society centres the ideas and norms of sovereign elites as the determinant elements, rather than asking how these ideas became constituted in the first place. In this way, ‘international society is understood as the backdrop against which political relations can evolve, rather than as an outcome of prior political relations or decisions’ (Bartelson , p. 679; see also Weber ; Owens , p. 82). Or, as Williams puts it, because the society component of international society denotes stasis rather than dynamism, ‘society as a concept loses explanatory power’ (Williams , p. 28).

How, then, should we reappropriate the dynamic element of ‘society’ in our analysis of international society? One possible strategy is suggested by Buzan, who notes that, ‘The literature about society is almost totally based on the idea that however they might be structured, societies are composed of individual human beings’ (Buzan , p. 110). While individuals were not always neglected by early ES scholars (Ibid., pp. 32–42), most ES accounts take individuals as counter-posed to states, and thereby relegated to the realm of ‘world society’. Indeed, somewhat problematically, anything that is not a state, be it individuals or non-state groups, becomes analytically separated from the state realm of international society (e.g. Buzan ).

While I cannot adequately review the various ES treatments of the world society concept, two examples from the role of non-state actors in the abolition of the slave trade serve to illustrate some of the limits of current approaches. From a more traditional perspective, Clark () has argued that civil society groups espousing ‘cosmopolitan’ norms (as a precursor to universal human rights) significantly shaped the choice of states to abolish the international slave trade, and thus creating new frameworks of international legitimacy. Pella (), in contrast, distinguishes between groups of non-state actors that, on one hand, promote cosmopolitan discourses (Quakers and other anti-slavery intellectuals) and those who clearly do not (slavers and slave merchants). Pella thus distinguishes between the ideological effects of both moral/ethical value-rationality and economic/exploitative instrumental-rationality, and their differential impacts on international society’s position on slavery and abolition (Pella , pp. 75–76). Yet while Pella’s model provides a welcome complication to our understanding of non-state actors, he nevertheless carries forward the inherent limit of Clark’s approach, in so far as both authors consider ideological constellations of non-state actors as the key variable in a given historical outcome. What is unconsidered by both Clark and Pella in their account of slavery’s abolition is the concrete societal dynamics and conflicts that actually gave the discourse of abolition relative traction. In other words, the differential success of abolitionist movements becomes unintelligible without revealing the intersecting lines of struggle among the Chartist movement in England and its convergent discourse of ‘wage slavery’ (as a consequence of capitalism’s expansion), as well as how other subaltern revolts (among both slaves and workers) heavily shaped the preferences of European policy-makers on the matter of abolition (Blackburn , p. 536). It was therefore the complex struggle between a variety of actors, levels and processes that both made and un-made the Atlantic system of slavery.

As an alternative approach to analysing the international society/world society dimensions, I largely concur with Bain’s contention that ‘world society might be best conceived as naming the totality of human community and the society of states, the vocabularies of both being ever-present in international life’, which must be understood ‘by examining the character and relation of its parts’ (Bain , p. 575, emphasis added). The upshot is that the rigid separation between states and non-state actors (as with Pella and Clark) should be abandoned in favour of examining the worlding processes at play in modern international society, and the character of its constitutive social relations. Thus, the emergent dynamics connecting individuals, classes and states during the epoch of modernity were characterized by the expansion of commodity relations, and the attendant international hegemonies (firstly with Britain and later the US) that underwrote their further development (cf. Rosenberg ; Jung ).

Marxian approaches to IR are thus ideally placed to think through the social forces at the helm of capitalism’s global expansion and its role in the concurrent expansion of international society (e.g. Rosenberg ; Colás ). Robert Cox’s () early theorization of the dialectical relationship between material capabilities, ideas and institutions, seems to carry great affinity to the ES’s research project (certainly with respect to the latter two elements). Yet rather than assuming an a priori determining role for any given element, each must be seen in a dynamic relationship with the others, whose ‘lines of force… [are] always an historical question to be answered by a study of a particular case’ (Cox , p. 136). However, rather than being a mere method of pure historicism, Cox’s approach to these ‘historical structures’ can be theoretically articulated via three inter-related processes: the organization of production comprised by socio-economic classes (social forces); processes of state formation that are heavily shaped by the patterns socio-economic production (forms of state); and specific combinations of forces that ‘successively define the problematic of war and peace for the ensemble of states’ (world orders) (Ibid., pp. 137–138). While Cox’s method offers a potentially valuable ‘critical theory route’ to understanding order, disorder and historical change (Bieler and Morton ), I highlight three core concepts from the work of Antonio Gramsci (‘integral state’, ‘hegemonic apparatus’ and ‘passive revolution’) that help to reveal the historically specific forces at work in the making of both ‘modern’ European international society and the Latin American society of states.

Gramsci’s notion of the integral state was based on the example of the national-popular revolution in France, in which Jacobin elites were able to summon the swell of popular resentment against the old feudal classes and thereby forge an entirely new society and state. Thus, the Jacobins made the bourgeoisie not only the dominant class, but also ‘the leading class, hegemony, that is, they gave the State a permanent basis’ in and through civil society (Gramsci; cited in Thomas , p. 202). The key to forging an integral state was in the construction of dominant ideologies and socio-political institutions that penetrated the very fabric of society, and thus consolidating the ‘order’ of a dominant class.

As the Jacobin example reveals, the success of a leading class is determined by the degree to which it can forge a hegemonic apparatus. This apparatus forms the real foundation for the integral state, ‘as the capacity, or incapacity, to act of one class in relation to another, but also as the ability of a class’s initiatives in political society to relate adequately to its “social basis” in civil society’ (Thomas , p. 226). While hegemony is always constituted by a residual element of coercion, in the form of state-sanctioned force, the decisive element amounts to an institutional infrastructure permeating the terrain of civil society—‘from newspapers to educational organisations to political parties’ (Ibid.). The key to understanding how this apparatus endures is through its adequacy relative to a given set of socio-political realities and relations. The concept of hegemony thus applies as much to domestic societies as it does to international societies, in terms of how the system of states comes to forge relatively ordered relations on the basis of a leading (hegemonic) state, whose political, economic and ideological constellations become the most adequate form of institutionalized social cohesion for each actor in the system (Arrighi , chap 1; cf. Gramsci , p. 350). In this way, the foundation of hegemony provides space not merely for an integral state, but for an integral society of states that (temporarily) coalesce around a set of shared ideas and institutions that fits the material framework of domestic/international relations (cf. Watson , p. 13).

Because ‘modern’ international society was infused from the start by the world-wide spread of commodity relations, the construction of a given world (hegemonic) order could not indefinitely contain the destabilizing effects of capitalist world society, which was permeated by ‘fissures, contradictions and reinforcements’ and the ‘ever-ongoing formation and re-formation of subjective identities’ (Therborn , p. 102). Hegemony’s unstable foundation under capitalist world society, whether understood within national or international contexts, is thus inherently predicated on the dynamism of material development (technological, scientific, economic) and the concomitant terrain of possibilities open (or closed) to contending classes at different times. As Wallerstein put it, ‘the problem with hegemony… is that it is passing’ (Wallerstein , p. 38).

It is precisely this relative closure to the English and French paths of revolution and state-building that characterized the long nineteenth century as a key ‘moment’ in the consolidation of international society. As Gramsci argued, the history of European state formation during this period amounted to a serialized process of passive revolution, where successive ‘revolutions from above’ instigate ‘molecular changes which in fact progressively modify the pre-existing composition of forces’, but without fundamentally altering the nature of the state nor the liquidation of the old ruling classes (Gramsci , pp. 109, 115). Subsequent to the early revolutionary waves in England and France, where we find large insurrectionary movements against the feudal remnants of society leading eventually to a radical transformation of state and society (Anievas ), political transformations across the European continent entered into ‘a [historical] period in search of [superior] forms, a period of struggle for forms because the content has already been established by the English and French revolutions and by the Napoleonic Wars’ (Gramsci , p. 381). This ‘content’ was thus inexorably spreading beyond English and French frontiers, in the shape of increasingly transnational market forces and the new domestic class compositions forged by them, particularly the expansion of working classes concentrated within urban enclaves (Davidson , pp. 318–319; cf. Gramsci , p. 116).

In the face of such pressures, the rising bourgeoisie was unable to lead the process of national transformation, given their insignificant numbers and truncated capacity to formulate hegemonic projects in the face of a relatively entrenched agrarian nobility and restless working class. Thus, it was the emergent state institutions themselves that would lead the process of passive revolution in partnership with both old and new elite classes, or ‘revolution-restoration’, through ‘successive small waves of reform rather than by revolutionary explosions like the original French one’ (Gramsci , p. 115), thereby constructing the integral state through protracted, piecemeal adjustments to the emergent world society of capital.

These three concepts—integral state, hegemony, and passive revolution—are therefore key coordinates in the explanation of international society’s modern(ising) form of sociality, encapsulated by the increasing dominance of capitalist relations of production mediated internationally by money and commodity exchange. More importantly still, they confer a more agential, class-based analysis that tracks the changing configurations of socio-political conflict as important drivers in the rise of integral states, the possibility of constructing hegemonic projects, and the explosive international milieu that resulted in a wave of passive revolutions. Yet these concepts are also crucial explanatory vectors of the (geo)political forces animating Latin America’s emergence and integration into international society.

As the Argentine Marxist José Aricó has argued, Latin America’s relative absence in the writings of Marx and Engels are not necessarily due to a ‘Eurocentric’ bias, but rather because the struggles for independence and subsequent pattern of state-formation ‘escaped comprehension’. Thus:

The status of the continent’s nation-states, neither central nor peripheral; the fact that they had come about by virtue of a process of ‘passive revolution’, to define it in Gramscian terms; the essentially statist character of their formation as nations; and the rapid destruction or isolation of those processes coloured by strong mass mobilization—these were all factors that contributed to pushing Latin America away from the classic dichotomy between Europe and Asia, such as has characterized the European intellectual outlook ever since the Enlightenment (Aricó , p. 67).

As Aricó notes, it would be Gramsci’s conceptual innovations that provided the most traction in explaining the character and evolution of Latin America’s emergence. In one sense, the new Latin American states appeared to be the most ‘passive’ examples of state-building and national unification. For unlike the European counterpart—in which the construction of nationalist discourses and hegemonic projects frontloaded the process of state-formation as a defensive response to the British hegemon’s liberal cosmopolitanism (Mayall , p. 79ff; cf. Davidson )—Latin American independence leaders could not find fertile ground for the implantation of a ‘national’ consciousness. Thus, ‘[t]he struggle against the urban elites and renewed domination, as expressed in the numerous rebellions of the peasantry and indigenous and black people, was not inspired by some “national idea”, but rather by a violent rejection of oppression, itself identified with the Jacobin form of the independence movement in the cities’ (Aricó , p. 44). As a result, ‘the whole process seemed to have been turned on its head, such that the “nation” was not the fulfillment in state-form of an “unredeemed” nationality, but rather the construction of an unprecedented reality’ (ibid.). This reality came together as a tense and unstable mix of weak states and ‘narrow oligarchies’ on one hand, and the ever-tighter integration into international society’s emergent dynamic of capitalist imperialism on the other (ibid., p. 45).

In summarizing the above section, an historical materialist account of ‘modern’ international society can be grasped through a more concrete analysis of social struggles over the contested development of capitalist sociality. Thus, while the sociality of capital ‘should be understood as a historical regime imposing rules of behavior [exploitation/innovation/profitability] on… separate firms (rules which are enforced in competition) and on society at large’ (van der Pijl , p. 28), we can similarly see capitalist world society as imparting rules of behaviour on individual states and on international society at large. Gramsci’s key formulations, particularly that of integral state, hegemony and passive revolution, critically articulate the process of international society’s evolution in terms of delineating the uneven rhythms of state-formation, from the original bourgeois revolutions to the passive revolutions spreading throughout the continent. And it is precisely this series of concepts that offers critical purchase on the actual practices that formed Latin American international society.

The struggle for Latin American international society: revolution, integration, and sovereignty

In order to properly situate the role of rights, recognition and norms in the history of Latin America, we will examine these three conditioning factors in turn, each of which correspond chronologically to three major phases (revolution, integration, sovereignty) in the making of the Latin American society of states and their incorporation into modern international society.

Revolution: the contradictory fusion of general and special rights

In terms of why Spanish-American elites eventually chose independence, I agree with Reus-Smit that there was no necessary development from ‘rights’ to ‘revolution’, or from ‘voice’ to ‘exit’; many Spanish Americans were, for a time, seeking to articulate their rights within the confines of Spain’s absolutist empire (Reus-Smit , p. 114). Yet the trajectory of these rights struggles need to be understood as competing rights claims that were embedded in historical practices stemming from deeper traditions of class and political division. In a crucial respect, the very nature of Spain’s absolutist imperial economy tended to undermine its own foundation by frustrating the commercial ambitions of Iberian traders, merchants and shopkeepers. As Jeremy Adelman observes:

What is remarkable is just how much creoles were willing to question the norms of empire and improvise new systems of rulership long before it was clear that rule from Lisbon or Madrid was a lost cause. In other words, it is difficult to account for the disruption in the colonies after 1807 without some understanding of the ways in which colonists were grappling with enormous uncertainty (Adelman , p. 144).

Although creoles were previously content to remain within the imperial space—even during moments of geopolitical crisis that wracked Spain throughout the late eighteenth century—the structural contradiction inherent in a closed free-trade system ultimately created new social conditions for the emergence of new norms and ideas (Marichal , p. 191ff; Tavarez ). As the strains of this medieval political economy bore down upon Iberian elites, they attempted to heap this pressure onto the shoulders of lower classes, the outcome of which was the inevitable heightening of societal tensions. When it became glaringly obvious that the only path to survival lay in the middle road between imperial fealty and a proto-national popular ***programme***, creole elites of various backgrounds banded together through an uneasy (and unstable) alliance that converged on the lowest common denominator: maintaining their privileged societal position via independence in order to stave off the near universal danger of subaltern revolt (Alba ; Smith , chap. 9).

Yet even this common elite strategy was by no means universally pursued all across the Spanish Americas. Thus, while Reus-Smit considers the ‘universality’ of revolution across the Iberian empire as the most ‘striking feature’ (Reus-Smit , p. 114), the enormous variability between colonial spaces in their struggle to cope with events that largely eluded their control makes any notion of ‘universality’ somewhat superficial. Each cry for independence was itself made up of a specific cluster of rights discourses and institutional resolutions that ultimately reflected the specific features of each socio-political struggle. If the switch from voice to exit was highly contingent, then surely the transition from exit to a successful defeat of counter-revolutionary forces is equally contingent. To fully capture the significance of this contingency, a comparative analysis will be made of the underlying conditions that gave specificity to each of these struggles throughout the continent.

By and large, the entire Iberian colonial space can be divided into two large segments: the older and more politically central viceroyalties of New Spain and Peru, and the younger, more peripheral viceroyalties of New Grenada and Río de la Plata. What primarily distinguishes these two sets of territories is the scale of investment (in both money and manpower) found in the former two, whereas the latter peripheral spaces, though achieving their own expanding significance at the end of the eighteenth century, remained secondary concerns unless threatened by a geopolitical rival.

In both peripheral viceroyalties, the decisive element was the force of llaneros in New Granada and the gauchos in Río de la Plata—nomadic horsemen controlling vast territories beyond the reach of urban elite power, and commanding the loyalty of a huge number of subaltern groups (Duncan Baretta and Markoff ). The erratic nature of their loyalties also displayed a common pattern of agency that speaks to the politico-territorial nature of their existence. Yet in New Granada, llanero forces sided first with the royalists against Simón Bolívar and his republican forces, while in La Plata the opposite occurred. What accounts for this difference? While we should not try to shove this divergent outcome into too strict a model, it is possible to contextualize the conditions that gave rise to these divergent outcomes.

For New Granada (and Venezuela in particular), the type of crops grown, coupled with the increase in European labourers seeking to benefit from such production, led to a massive influx of African slaves, bestowing Venezuela with the highest concentration of slaves in the Iberian empire (Newson , p. 155; Blackburn , p. 340). Venezuela’s unique mix of imperial periphery and expansive ***agriculture*** created an independent-minded class of landowners to proclaim one of the first calls to independence in the entire region. Yet this experiment in republican autonomy, established in 1811, was built on shaky foundations. The ultimate problem resided in the fundamental contradiction between general rights and special rights, or how to ‘reconcile the sacred right of all men to liberty with the equally sacred right to private property’ (Lombardi , p. 658), especially when such property was in the form of human bodies. Thus, for the llaneros of the Venezuelan plains, there existed an obvious struggle over the control and loyalty of those subaltern actors that constituted the foundation of each group’s power. The underlying clash of property forms sought by each side therefore led to inevitable tensions that thwarted Bolívar’s efforts for years (Adelman , p. 264; Blackburn , p. 343). It was during this time that royalist forces found their victories through exploiting the groundswell of popular discontent over the exploitation of the land-owning (republican) class (Echeverri ; Safford ). Nevertheless, through sheer perseverance, Bolívar continued to pursue his dream of an independent ‘Gran Colombia’ (as the eventual, though ill-fated, federation would later be called). By skilfully uniting the powerful llanero chiefs against the rebellious plainsman, General Manuel Piar, as well as exploiting llanero discontent over the resurgence of royalist control, Bolívar had finally mustered the requisite forces and momentum to liberate the entire territory of Venezuela, Colombia and Ecuador under his federated system in 1821, a victory that was aided in no small part by King Ferdinand’s acquiescence to Spanish liberal reformers the year before, thereby abandoning the remaining royalist forces to their fate (Lombardi , pp. 150–151; McFarlane , p. 312ff).

Río de la Plata, on the other hand, was not such a major ***producer*** of staple crops as was New Granada, but almost ‘a pure entrepôt’ (Lynch , p. 1), and thus entailed far fewer quarrels over the social control of the mass of direct ***producers***. The struggle was rather a direct one between the gaucho bosses and the surrounding indigenous communities themselves over who would occupy and control the fertile wheat plains (Johnson and Socolow , p. 71; Djenderedjian , p. 653). The royalist stronghold in the Banda Oriental (what later became Uruguay) threatened to block the burgeoning mass of cattle products from the peripheral plains, and thus pushed the merchants of Buenos Aires and the gaucho forces around José Gervasio Artigas into a tactical alliance against the royalist stronghold; that is, until the ultimate question of sovereignty was finally raised. Indeed, early victories against the Banda Oriental quickly stalled on the road to sovereign independence for the United Provinces under a centralized form of government. The continuing power of the Peruvian viceregal space, entrenched all along the silver routes bordering La Plata’s military movements, and the continual defiance of the federalist gaucho forces under Artigas in the west, thwarted both these aims until well into the nineteenth century (Rock ).

With New Spain and Peru, in contrast, the path to independence was even less secure, with considerable administrative and military resources at the disposal of colonial elites. Yet while the vast indigenous populations brought the specter of disorder to the forefront of consideration, these too differed in extent and impact. In New Spain, the relatively disorganized insurgent forces at the command of the populist priest Miguel Hidalgo scored many victories, but could not attain their goal of dislodging the hold of the old elite. Facilitating the insurgents was the long-term ecological crises afflicting the people of the Bajío region, in the form of drought, scarcity and, ultimately, social conflict between the peasantry and the hacendado class, which led to short-term increases in the price of land and food by the end of the eighteenth century (Brading ; Hamnett , p. 34; Endfield ). These factors came together in a vicious circle that ultimately created a reverse trend in the land/labour ratio, greatly favouring the socio-economic power of the hacendado and mining classes at the expense of their labourers (Gledhill ). Little wonder then that Hidalgo had ‘succeeded in uniting both creoles and Indians, rancheros and mine-workers in a common front against the colonial State’ (Brading , p. 200).

And yet, the political geography of New Spain was not permissive of a genuinely nationalist struggle, but rather the aggregation of many localized struggles, in which the violence exacted on the colonial elite reflected both the intensity of the grievances involved as well as the unorganized nature of the uprising itself (Anna , p. 19). Indeed, the combination of intensified demand for productive land and the burden of fiscal pressures often created tensions between villages. While the central Bajío region and the surrounding mining towns formed a major part of the subaltern revolts, large numbers of villages on the hinterlands maintained very different (often more secure) social relations to both the hacendados and the market itself, which resulted in many Indian and peasant groups openly siding with the royalist cause (Kinsbrunner , p. 67). The stalemate helped facilitate the maneuvering of Agustín de Iturbide, who had crafted a ***plan*** of reconciliation that merely secured the status quo ante within a new discourse of an independent Mexican empire (Nicholson , p. 254).

Peruvian elites were also fearful of the power of indigenous political organization, and quite happy for royalist forces to crush each insurgency as it arose. Like New Spain, the relative dominance of silver production tended to dispose local elites towards the interests of the imperial state—one of the only entities capable of investing the necessary capital into such enterprises (Brading and Cross ). The southern regions posed the greatest threat to colonial authority by virtue of their large and concentrated indigenous communities. And yet, these communities were surprisingly docile during the crucial period of counter-revolution (1808–1814), providing many of the troops necessary to wage war against the rebellious province of Buenos Aires. While this may seem somewhat paradoxical, particularly given the deepening of Indian exploitation from the tail-end of the eighteenth century, such relative passivity is most likely due to the memory of the brutal suppression of the Túpac Amaru rebellion (1780–1782), as well as the conspicuously enlarged military presence in the city of Cuzco and the smaller towns of Sicuani and Puno, all of which ‘combined to make collective violent protest not so much impractical as suicidal’ (Cahill and O’Phelan Godoy , p. 130).

Yet just as the territory of Chile had come under royal control once again in 1814, the southern territories of Peru rose up against loyalist forces, beginning in Cuzco and spreading throughout key ***strategic*** towns all along the precious silver routes (ibid., p. 271). It was here that the constitutional gamble undertaken by the Peninsualres had backfired, as a broad coalition of creole leaders and a mass of indigenous insurgents led an insurrection against the audencia of Cuzco due to the failure to fully implement the Cádiz Constitution of 1812 (Fisher , p. 110). However, this was hardly a case of creole vanguardism backed by a subservient indigenous army; these subaltern forces not only engaged in a series of autonomous offensives, but also ‘held their own firm ideas concerning the common weal, social justice, and even the “natural” order of things’ (Cahill and O’Phelan Godoy , p. 139). Nevertheless, the large royalist armies, comprising mostly of indigenous recruits, routed the insurgency and put an end to the chain of rebellions by 1815. By this time the restoration of Ferdinand to the Spanish throne, and his subsequent withdrawal of the Constitution of Cádiz, was perhaps the final nail in the coffin for the Peruvian stronghold. While the cautious limeño elites had vacillated over supporting the southern rebellions, it was now Lima itself that became the centre of struggle between both sides of the independence conflict, coming finally to a decisive end in December 1824.

What, then, was the constitutive role of rights claims in the struggle for independence? As the analysis above demonstrates, there is no straightforward answer to this question, precisely because the varying dynamics of class struggle and social conflict burst the boundaries of general rights representing individuals as ‘moral beings’. More specifically, while the question of political representation as it was played out in the Spanish Cortes provided a crucial litmus test for the potential for cooperation between Peninsular and creole elites on the question of general rights, the balance of class forces in the colonial territories, which time and again would determine the success of either side, turned on more specific considerations of special rights (property regimes and varying spatial distributions of political power), and the manner in which these fragmented rights claims were consonant, or conflictive, with the claims of others. In many ways, these independence struggles mirrored the American War of Independence some decades earlier, in that they each instigated a political revolution that allowed the structure of socio-political institutions and the predominant relations of production to continue as before, only this time without interference from the Spanish crown (cf. Davidson , p. 68). In other words, struggles for independence became the first concatenation of a drawn-out process of passive revolution, in which ‘***interventions*** from above of the enlightened monarchy type, and national wars’ came to predominate (Gramsci , p. 116).

Integration: the ambiguous standard of recognition

As with the complex contours of struggle throughout the Iberian space, the subsequent practice of sovereign recognition is not as clear-cut as it first seems. For why exactly did the South American region pass into the spatial system of sovereign-equality (via recognition) when the international criteria of this socio-political form were effectively absent throughout much of Latin America’s nineteenth century? This was a central paradox at least recognized by Fabry, yet left unanswered (Fabry , pp. 220–221). However, it is possible to link the Lockean heartland’s recognition of decidedly non-Jeffersonian forms of political independence with its specifically liberal discourse. As outlined in the previous section, the Atlanticist space had taken a decisive shift in its patterns of social relations to the extent that it was more conducive to their domestic politico-economic structures (and far more consonant with the dominant ideological tropes of the Atlantic liberalism) to have a world of open and independent spatial entities that could become receptacles to the burgeoning world of transnational capital (Paquette ). Yet this openness to the forces of a nascent capitalist ‘world society’ in no way necessitated the existence of stable or ‘legitimate’ Jeffersonian states; what was needed was merely the existence of open doors to Atlantic capital, not necessarily closed frontiers in a geopolitical sense (Colás ).

It was, after all, absolutist Spain that appealed to the Atlantic heartland’s own Jeffersonian criteria in order to counter any justifications for sovereign recognition (Fabry , p. 61). Yet it was not the criteria of de facto statehood that influenced the decision for recognition, despite its continual reassertion on behalf of US and British officials. Rather, the logic of recognition derived from wider geopolitical rivalries born from competing socio-political regimes. In contrast to Britain, the specific historical conditions under which the US emerged as an independent state heavily shaped its internal political debate, particularly between Henry Clay, who favoured outright support for the independence struggles, and John Quincy Adams, who preferred a more cautious, neutral position, until at least Jeffersonian criteria of statehood could be established. In 1822, by the time the prospect of Spain’s re-conquest of the region was all but ruled out, President Monroe finally offered formal sovereign recognition of the territories of Mexico, Colombia, Chile, Guatemala and Buenos Aires, while Secretary of States Adams laid out, yet again, the standards by which the US would extend its welcome of Latin America into the ‘civilized and Christian nations’ of the world, centred on both the right and the fact of sovereign independence (ibid., p. 110).

Britain’s approach to the issue was nominally congruent to that of the US, yet formulated under different historical and geopolitical conditions. It formally adhered to its commitments as a member of the Concert of Europe, seeking to secure recognition between Spain and the newly independent territories. Yet in absence of Spain’s acquiescence, Britain had few options left that could have eased her flow of commerce to the Western hemisphere. The inherent contradiction between the European (absolutist) geopolitical context and the global extent of Britain’s capitalist empire led quite naturally to a Janus-faced position. Writing in 1818, John Quincy Adams noted the peculiar position taken by Britain, whose cabinet ‘devised a middle term, a compromise between legitimacy and [commercial] traffic… She admits all the pretension of [absolutist] legitimacy until they come in contact with her own interests, and then she becomes the patroness of liberal principle and colonial emancipation’ (cited in Maxwell , p. 89).

The de facto principle, then, was not so much geared towards the conscious establishment of sovereign-equality as a major institution of international society (though that was frequently the logical consequence); rather, recognition was primarily geared towards establishing a new form of sociality within international society, wherein capital flows (rather than direct imperium) would become the new organizing principle of a geopolitically hierarchical world society ‘suitable to the nature of… commerce’ (Hume; cited in van der Pijl , pp. 11–12). The political consequence of Latin America’s independence, and the socio-economic integration of these new republics into the wider structures of Europe’s (increasingly) commercialized international society, would come in the form of a hollowed out ‘state’: over-reliant on customs taxes, ceding power in the interior to the landed oligarchy, and the continued accumulation of external debt serviced by the Atlantic powers (particularly Britain) (Prados de la Escosura ). And while these domestic and international pressures would significantly thwart the process of state formation for many decades, they would eventually crystallize into a more consolidated material grounding for the construction of national sovereignty, and the attendant international norms that emerged from the peculiarity of Latin American international society’s ‘zone of peace’.

Sovereignty: Latin American peace and the spectre of norms

This gap between the form of liberal discourse and the politco-territorial nature of ‘illiberal’ regimes to which such discourse gave support brings into relief Kacowicz’s theory of norms and their differential impact, as well as the solution to his paradox of the Latin American ‘zone of peace’ that emerged during the twentieth century. For the dominant Atlantic space comprising Britain and the US, the reality of nineteenth century Latin America tended to ‘outrun’ the rhetoric of liberal diplomacy (Jeffersonian standards of recognition) yet without undermining the foundational logic of capitalist geopolitics. For the nascent Latin American states that finally consolidated in the late nineteenth century, we find the same pattern, in that the reality of the region tended to overtake the prevalence of treaties, legal codes and norms. Instead, recourse to geo-economic calculations (rather than abstract norms) was the surest way in which this regional system might maintain itself within new international and domestic contexts, characterized by a huge expansion in trade and commerce, new capital investments from Europe (particularly in the form of railway construction), and the concomitant transition towards more capitalistic patterns of development, which led to great expansions in wage-labour, urbanization, and, ultimately, state capacity (Hamilton ; Bulmer-Thomas ).

These transformative dynamics had thus changed the rules of the game; by helping to finally consolidate the sovereign state in Latin America by the late nineteenth century, they simultaneously switched the main vectors of social conflict. While the state had begun to win its place in society, through greater social and institutional reach (Oszlak ), and thereby actually fulfilling the very Jeffersonian criteria it had supposedly achieved almost a century earlier, it had also exposed itself to the full panoply of societal contradictions of which it was now the formal custodian. As noted above, the Iberian colonial spaces, from which Latin American state-makers were attempting to forge sovereign nations, were characterized by an explosive mix of differing identities, interests and class struggles over who would represent ‘the nation’, and how they would do so (Radcliffe and Westwood ).

This latter process thus took on the characteristic forms of passive revolution: ‘The reordering of states to fit the needs of the new export economies seems to have been guided less by tradition and more by social relations that had sandwiched new, socially ambitious groups into an “aristocracy” that welcomed their avarice while it sniffed at their pedigrees’ (Peloso and Tenenbaum , p. 7). Yet within this protracted process of passive revolution, the establishment of a truly integral state, capable of crafting institutions that might fully engender a hegemonic project integrating the lower classes, was elusive. As Miguel Centeno argues, this switch in the vector of conflict resulted from the fact that ‘each nation’s military remained too busy killing its own peasants to bother with someone else’s’ (Centeno , p. 91). Relatedly, these class struggles were ‘both a cause and an indication of the relative inability of these states to fight one another… [T]he search for an internal threat had something to do with the military’s need to define a mission it could handle’ (ibid., p. 92). Rather than being merely the wanton destruction of society, these intense clashes between the elite fractions and a predominantly rural population were the key mechanism in forging the social basis of capitalist sociality, by separating peasants from their means of production and transforming them into a new army of wage-labourers integrated into the (internationally mediated) world society of commodity relations (Iñigo Carrera ).

This, simply put, is the fundamental cipher in explaining the emergence of Latin America’s zone of peace during the twentieth century. And yet, there is no ‘paradox’ as Kacowicz characterizes it (Kacowicz , p. 48), insofar as the specific class struggles constitutive of Latin America’s new-fangled sovereign states heavily shaped the general pattern of the region’s international relations, and the form of its ‘peaceful’ international society, in the twentieth century. In essence, Latin American international society was peaceful because domestic society was not.

Conclusion

Long before Watson’s acknowledgement of the English School’s mismatch between theory and practice, Martin Wight had pointed to this very problem in his seminal chapter, ‘Why is there no international theory?’ For Wight, the resistance of international politics to proper theorization arose out of the dissonance between the political theory of ‘the good life’, as ‘the realm of normal relationships and calculable results’ on one hand, and the realities of geopolitical ***interventions***, pillage, war and revolution, on the other. These latter dynamics are ‘the stuff of international theory, and it is constantly bursting the bounds of the language in which we try to handle it’ (Wight , p. 33; see also Costa-Buranelli ). And yet, Wight may have been far too generous in his account of how much ‘order’ actually takes place within domestic societies. While social relationships certainly take on a form of order, their substantial content, in the shape of contradictory social relations of domination and subordination, continually bursts the bounds of our understanding of how good ‘the good life’ really is (Bleiker , p. 187).

In order to move past the ES’s continued foundering on the gap between theory and (historical) practice, or the relationship between order and disorder, I proposed the incorporation of insights from historical materialism, as both a method of deeper historicization and a social theory that articulates the material and discursive relations between individuals that make up states and international societies. To substantiate this incorporative move, I offered a more grounded historical sociological reading of Latin America’s independence struggle against absolutist imperial rule, its subsequent integration into modern international society and the eventual crystallization of a regional international society among Latin American states. Read through a Gramscian lens, it becomes possible to articulate the real role and efficacy of rights, recognition and norms in the making of Latin America through the broader processes of socio-political struggle, state-building and the formation of (inherently temporary and unstable) world orders. What I hope to have shown through this historical reconstruction is how the historically specific determinations of rights, recognition and norms—as concepts that undergird order and stability—cannot be fully grasped in their significance and operation without recourse to the dynamics of disorder and instability inherent in the moments of revolution, integration and sovereignty.

Seen from this angle, general rights provided an overarching normative context for independence, yet the fate of independence movements pivoted on the degree to which their political projects coincided (or clashed) with the various forms of special rights practiced by subaltern groups. Recognition, on the other hand, was no straightforward mechanism in the expansion of international society. Rather, it became a geopolitical strategy for further integrating the ex-Iberian space into the burgeoning world society of market relations superintended by Pax Britanica (and latterly, Pax Americana). Finally, the various norms and codes of conduct that make up Latin America as a regional society of states cannot be assumed from the moment of independence, but as sociologically derived from the consolidation of sovereign states throughout the region at the end of the nineteenth century. Indeed, because the process of state-building in the region remained so protracted and passive, the elusive search for domestic stability provided the raw material for an international zone of peace.

What should be taken away from this critical reading of the ES is not simply the discarding or undermining of its concepts as such, but rather expanding the theoretical and historical leverage these concepts may have through closer examination of social relations of power and contestation. Integrating insights from HM may well facilitate further comparative ES analyses of other regional international societies. Both HM and the ES seem uniquely equipped to undertake such an expansive research agenda (Buzan , p. 186), given their eminently adaptable conceptual approaches. To borrow a phrase form Gramsci, both ES and HM possess ‘universal concepts with geographical seats’ (Hesketh ), meaning that certain concepts carry a general universality, but must be understood through historically and geographically specific contexts of study. Put differently, the deep historicization of ES theory permits the excavation of quite general properties of international life; for the ES, it is the ‘balance of power’ or ‘great power management’ (to name just two) that always accompany a given international society. Yet these general features assume the form of a ‘social contract’, not a mechanistic property, and must therefore be re-examined in the specific context of the contract’s authors (Buzan , p. 29; cf. Navari , pp. 9–10). And as Costa-Buranelli points out, such contracts acquire ‘specific meaning (understanding) because the context (social structure) creates and requires the conditions for that specific use (practice)’ (, emphasis in original).

And yet, we are never told what the social sources of these structures and practices really are. It is at this point that HM may step into help fill the gaps left by ES theory, in terms of integrating the general properties of social life; ‘use-value’, ‘labour’, ‘production’, etc. (Fracchia ), and how these dynamic properties ***produce*** historically specific relations of power that generate change and transformation among a multiplicity of domestic and international societies (Rosenberg ). In sum, by injecting a healthy dose of disorder into ES theory, the ‘international society’ and ‘world society’ concepts do not lose their utility or significance, but become more grounded theoretically and increasingly flexible empirically. In the process, we might finally allow practice to inform ES theory, instead of constantly outrunning it.

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[Authenticity/ الصحة ***as a criterion variable for Islam and Roman Catholic theology of the workplace analysis***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5YJX-P231-DY4C-F11C-00000-00&context=1516831)

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**ABSTRACT**

Purpose

Authenticity/ الصحة (as-sehah) serves as a criterion or predictor variable for the purpose of a comparative theological investigation of employment relations parameters in light of social teachings from Sunni Islam and Roman Catholicism. Authenticity finds initial, shared significance in both religious traditions because of its critically important role in judgments concerning the legitimacy of source documents. It also stands in both traditions as an inspirational goal for human life.

Design/methodology/approach

Particular issues of theological method for cross-cultural analysis are addressed by the use of insight-based critical realism as a transcultural foundation. Workplace parameters, the minimal enabling conditions for the possibility of authentic employment relations, are then identified and compared. The authors explore shared expectations for authenticity enabling conditions in terms of the direct and indirect employer: those national laws, systems and traditions that condition the functional range of authenticity that can be actualized within national or other work settings as experienced in the direct employment contract.

Findings

The study found remarkable consistency in the minimal conditions identified by Roman Catholic and Sunni Islam social teachings for the prospects of authenticity in employment relations. These conditions addressed seven parameters: work and the concept of labor; private property; the nature of the employment contract; unions and collective bargaining; the treatment of wages; the relationship between managerial prerogative and employee participation; and the crucial role of the state as indirect employer.

Practical implications

Specific minimal or threshold conditions of employment are described to ensure the prospect for authenticity in modern employment relations according to religious traditions. These include just cause employment conditions, unions and collective bargaining support, some form of management consultation/Shura, a living wage and a consultative exercise of managerial prerogative.

Social implications

The study offers prescriptive and analytical aid to ensure assessment of circumstances fostering authenticity in employment relations.

Originality/value

The method and findings are a first effort to clarify thought and aid mutual understanding for inter-faith employment circumstances based on Roman Catholic and Sunni Islam social teachings through a transcultural foundation in cognitional operations. The criterion variable specification of authenticity conditions offers a fully developed basis to support further empirical research in management spirituality, corporate social responsibility and enterprise sustainability.

**I. Introduction**

Islamic economics and management literature evidence a common critique of secular policies and management practices (Diwany, 2003; Iqbal, 2000; Jabnoun, 2005; Mannan, 1989; Mawdudi, 2013; Siddiqi, 1996)[[[47]](#footnote-48)1]. A similar critique of secularization or pluralism from the Christian perspective is not hard to find (Berger, 1999, 1970; Lonergan, 1998). To date, there is scant evidence of an informed, collaborative critique based on a shared basis of the human good of order (Hughes, 2007; Volf, 2001). Yet, there is the fundamental and dramatically compelling societal fact; *the vast majority of faithful in both traditions work as a key facet of their lives, often together in the same workplace and this on a daily basis in nations throughout the world.*

This societal fact is what we too critically examine through a comparative theology of the workplace. Our paper is not an examination of juridical Christian and Islamic legalities or Roman Catholic canon law. Instead, we will consider the following:

[…] the institutional and institutionalized features that variously enable or constrain managerial prerogative and employee participation within worksite, firm, organization, sector, region, or national political economy in light of religious doctrine (Tackney, 2012, pp. 107-134).

The study builds upon industrial relations and its definition of the dependent variable: the “working rules” (or “web of rules”) governing employment relation (Commons, 1899, pp. 1-15; Commons, 1968; Williamson, 1996).

In this study, we have three goals related to research method support of studies dealing with management, spirituality and religion:

* Overall, we wish to offer a basis for common cause by looking into the empirical parameters of shared workplace concerns.

1. Second, we will ensure this step is methodologically sound through the epistemological identification of correlative cognitional operations in English and Arabic.
2. Third, the deployment of authenticity as a *criterion variable* will complete our transcultural foundation, opening the way toward a common cause empirical specification of the minimal employment conditions for authenticity in modern, pluralistic society.

**1. Background to the study: the importance of work in Roman Catholic and Sunni Islam**

A study of workplace parameters is a second-order analysis; work is the primary concept. The spiritual dimensions of work have been long recognized and even celebrated by both traditions (Peregoy, 2016). For Roman Catholics, work is, “as a human issue […] at the very centre of the ‘social question’ to which, for almost a hundred years, since the publication of […] Encyclical (*Rerum Novarum*), the Church’s teaching and the many undertakings connected with her apostolic mission have been especially directed” (John Paul, 1981, p. 2). Work is a “fundamental dimension of man’s existence on earth” (John Paul, 1981, p. 4). It has objective and subjective dimensions. Work has historical dimensions, which incorporate technology, manufacturing, distribution, along with our evolving understanding of markets, particularly the labor market, economics, their social or institutional impact and regulation. Key features of Roman Catholic social teaching for theology of the workplace analysis are given in Table I and will be referenced as the comparative assessment with Sunni Islam proceeds (Tackney, 2012, pp. 107-134)[[[48]](#footnote-49)2].

Work is no less important in Sunni Islam. Elsaman noted the connection of work and faith is so central that the dignity of work is noted in over 50 verses of the *Qur’an* (Elsaman, 2011, p. 64). Kahlid ur Rehman wrote, “the dignity of labor has been recognized at every step. It will be more appropriate to state, that those that deny dignity to the labor are not concerned with Islam” (Rehman, 2010, Kindle locator (KL) 127). Rehman continued, “Not only did almost all the Holy prophets (S.A.S). hold laboring professions, but told their followers to not despise any profession” (Rehman, 2010, KL 216). As Ali wrote:

From the beginning, Islam has viewed commercial activities not only as a divine calling but also a necessary aspect of human life, a source of social gratification and psychological pleasure (Ali and Al-Owaihan, 2008, pp. 5-19).

The economic success of early Muslims was an essential feature of the faith’s survival and later growth. Ali continued:

The Quran instructs Muslims to persistently work whenever and wherever it is available: ‘disperse throughout the land and seek the bounty of God’ (*Qur’an*: 62:10) and ‘God hath permitted trade and forbidden usury’ (Quran 2:275) (Ali and Al-Owaihan, 2008).

Work is even a form of worship, given a proper intention (Elsaman, 2011, p. 64); most countries of Islam “ensure the dignity of work as recognized by Shari’a in their constitutions” (Elsaman, 2011, p. 77).

Authenticity in employment relations offers the criterion variable of common cause for the employment parameters we will later specify. A 2014 workplace theology comparison of Roman Catholic and Religious Society of Friends (Quakers) social teaching traditions first presented authenticity as a criterion or predictive variable for assessing the working rules given in employment relations (Tackney, 2014). Authenticity in Western philosophy, theology and management scholarship was reviewed, then defined and operationalized as:

[…] a quality of being human to be sought, nurtured, and sustained through attentiveness, intelligence, reasonableness, and responsibility in decision-making. This may be empirically assessed at individual and societal levels. When cultural patterns of authenticity obtain, these manifest a good of order in society (Tackney, 2014, p. 22).

Specification of a suitable Arabic term for authenticity is complex. Documentary validity is addressed by توثيق (*tawtheeq*) and موثوق (*mawthooq*); the prior is for the process of verification, the latter for that which is authenticated. معتمد (*mu’tamad*) concerns a reliable document or source. For the minimal conditions of employment relations consistent with Islam social teachings, we have provisionally settled on authenticity as expressed by الصحة (*as-sehah*).

To enact a comparative empirical religious study of authenticity, we take up Bernard J.F. Lonergan’s conception of theology as mediating “between a cultural matrix and the significance and role of a religion in that matrix” (Lonergan, 1990, p. 11). In *Method in Theology*, culture is the “set of meanings and values that informs a way of life” (p. 301). In contrast to a classicist conception of culture as something permanent, universal and normative, this approach is wholly empirical. The particular sets of meanings and values that constitute culture may remain unchanged for long periods; they may be subject to rapid transformations. As Lonergan noted in the opening pages of his text, when the classicist notion of culture prevails, then theology “discourses on its nature” (p. 11). In contrast, for the empirical culture of our present days, “theology is known to be an ongoing process, and then one writes on its method” (Lonergan, 1990).

Lonergan’s *Method in Theology* was written by a Roman Catholic theologian, although the author plainly anticipated the text would have utility “for members of other communions” (Lonergan, 1990, p. 7). Powell, for example, used Lonergan’s insight-based critical realism in a study of Christian-Muslim dialogue (Powell, 2004, pp. 1-30). His focus was human rights:

If Christians and Muslims can engage in the four operations of Lonergan’s transcendental method → be attentive (awareness), be intelligent (thinking), be reasonable (judgment, and be responsible (acting together) → it is possible that the collective experience of gaining insight could become a foundation for real solidarity even if there is never agreement on articles of faith (Powell, 2004, pp. 1-30).

Powell tried to anchor the transcultural basis in cognitional horizons; we will rather look to the commonality of cognitional operations[[[49]](#footnote-50)3]. We will take the suggestion of Volf, in a 2011 interview:

To have a robust conversation between Muslims and Christians about what provides for good living, a life that’s an alternative to hedonism, is what’s required of us at this moment (Volf, 2001; Galli, 2011, p. 3).

We hope to show the potential role for a theology of the workplace in Christian → Muslim dialogue as a complement to management studies and management spirituality research (Giacalone and Jurkiewicz, 2003) and contribute to authentic and responsible leadership, by calling into question prevailing, if unnoticed, ideological presumptions of culturally-bound research (Waldman and Balvan, 2014, pp. 224-234). A theology of the workplace ensures voice to religion and legal studies regarding normative questions for policy, with a view to increasing mutually beneficial relations between employers and employed. We turn to the methods section for enactment of this research agenda.

**2. Method**

**2.1 Transcultural foundations of insight-based critical realism: cognitional operations**

Lonergan’s *Method in Theology* brought empirical method to a theological field long preoccupied with classicist concerns. He wrote that a contemporary method for theology “would conceive those tasks in the context of modern science, modern scholarship, modern philosophy, of historicity, collective practicality and coresponsibility” (Lonergan, 1990, p. 11). To this end, both Roman Catholic and Sunni Islam faith traditions recognize a similar set of basic, human cognitional operations. These are “seeing, hearing, touching, smelling, tasting, inquiring, imagining, understanding, conceiving, formulating, reflecting, marshalling and weighing the evidence, judging, deliberating, evaluating, deciding, speaking, writing” (Lonergan, 1990, p. 6). In Lonergan’s explication of human understanding in *Insight*, we see an unfolding of the unrestricted desire to know, which marks the human species, evident in and exemplified by these operations. As Lonergan wrote:

What is transcultural is the reality to which such formulation refers, and that reality is transcultural because it is not the product of any culture but rather the principle that begets and develops cultures that flourish, as it also is the principle that is violated when cultures crumble and decay (Lonergan, 1990, p. 283).

These:

[…] theological categories will be transcultural only in so far as they refer to that inner core. In their actual formulation they will be historically conditioned and subject to correction, modification, complementation (Lonergan, 1990, p. 284)[[[50]](#footnote-51)4].

Development of this foundation obliges an extended epistemological treatment of terms in the Methods section. The data objects to be compared derive from social teachings in two distinctly different religions, cultures and language traditions. Simply put, positivism alone will not ensure validity or reliability. In theology, knowing is more than merely sensing data, just as religious conviction is more than mere submission. Insight-based critical realism enables this transcultural bridge. Lonergan noted:

Only the critical realist can acknowledge the facts of human knowing and pronounce the world mediated by meaning to be the real world; and he can do so only inasmuch as he shows that the process of experiencing, understanding, and judging is a process of self-transcendence (Lonergan, 1990, p. 239).

**2.2 The epistemological perspective from Islam**

Islam is a monotheistic religion in the tradition of Abraham, with key teachings contained in the Quran, a text dictated as revelation received by the Prophet Mohammed. In addition, narrations (*ahadith*) about the Prophet’s sayings, actions or silent approval were composed by his early companions[[[51]](#footnote-52)5]. Together, these texts present guidance for living to followers of Islam, termed the *Sunnah*, that represent the second source of instruction (*Asl)* after the *Qur’an*. They also constitute the sources that the Muslim scholar will go to find theological solutions to contemporary issues. The agreed upon sources are as follows: the *Qur’an*, *Sunnah*, *Ijmâ’* (a consensus of previous scholars on a particular matter) and *Qiyas* (the process of mirroring modern day problems by the earlier day solutions and deriving a verdict in order to come at a solution). From this corpus, the legal principles of Islam, *shariah*, are derived. Unlike Christianity, Islam, as a faith tradition, was involved in matters of civil governance from its very founding; *shariah* speaks to a proper social order[[[52]](#footnote-53)6].

Verification of the authenticity of stories about the Prophet in respect of the *ahadith* has been an important aspect of Islamic studies. This reflects early Islamic concern with one aspect of authenticity, similar to Christian community canonical disputes regarding authenticity of gospels and epistles in the *New Testament.* Authenticity, as an issue, did not arise *per se* in respect to the *Qur’an*, as it was protected by God directly as a source of guidance for every time, place and being. However, many stories emerged about the Prophet. Diwany wrote, “Thereafter arose a strict scientific method, under which ahadith were scrutinized for authenticity” (Diwany, 2003, p. 125).

Distinct from a secular or Western positivistic approach to studies of science and society, an Islamic epistemology starts with the absolute nature of divine knowledge and wisdom, along with the significance and utility of revelation. The divine revelation is the primary and ultimate source of knowledge and the ultimate reference for Islamic law (Diwany, 2003; Groff and Leaman, 2007, pp. 179-187)[[[53]](#footnote-54)7]. While an Islamic epistemology follows from faith, it is not at variance with basic principles of empiricism.

Human effort to grasp elements of this knowledge (*al-wahy*) is possible due to our created human nature (*fitrah*) and the fact of revelation from Allah, as this has been made evident through the prophets, including Jesus Christ, and culminating in the life and teachings of the Prophet Mohammed (570-632 CE). From the revelation and the signs (*ayat*) given in the *Qur’an*, we learn of the importance of the mind as a key facet of human nature:

It is He who brought you forth from the wombs of your mother You did not know a thing, and He gave you hearing, sight, and mind in order that you may give thanks (Q:16:78) (Khalil, 1991, p. 13)[[[54]](#footnote-55)8].

In reference to this verse, Ahmad observed:

[…] in Islam great emphasis is laid on empirical investigation and observation and it is in this sense that Allama Mohammad Iqbal rightly asserts that Islamic civilization represents the advent of the inductive intellect (Ahmad, 2017, p. 6)[[[55]](#footnote-56)9].

All that is, is a unity of creation by Allah, reflecting the oneness of God (tawhid), and yet “everything is separate and different from Him as a Creator” (Azram, 2011, pp. 179-187). Given the primacy of revelation manifest in history and its unity, there should be no fundamental contradiction between proper human efforts to understand the world through science:

We had seen above that when the Source of Science and Qur’an are the same, they cannot logically contradict each other. The same is veracious for Revelation and Reason. Revelation is by Allah (SWT) and reason, just like causality, is created by Allah (swt) to act as a stimulant for man (Azram, 2011, p. 185).

Various authors write that all of creation is itself testimony to the Oneness of Allah (*tawhid*) as creation necessitates a Creator, not only from a linguistic argument but primarily from the abundant miracles that await discovery and recognition → even in the microcosm of a single cell. This proximity to the Creator coexists with the fact that nothing can be compared to Him; He is the All-Hearer, the All-Seer (*Qur’an* 42:11).

Another tenant of Islam concerns the role of humanity as “vice regent” of Allah. There is *shariah* law to guide human activities, which has two aspects. One concerns devotional activities (*ibadat*); the other, of interest for workplace studies, concerns civil or commercial activities (*muamalat*). There are permitted (*Halal*) and forbidden (*Haram*) practices (Mawdudi, 2013). Explicit prohibitions under *shariah/muamalat* are often consistent with prohibitions found in a pluralist society → murder and adultery are clear instances (Diwany, 2003). There are also particular Islamic prohibitions: against usury. Islamic economists seek to develop alternative financing consistent with Islamic principles (Diwany, 2003)[[[56]](#footnote-57)10].

Yet, as Khalil wrote, “It is a fact that the Qur’an was not revealed as a science book or any other kind of textbook of knowledge” (Khalil, 1991, 13, p. 2). This careful restraint about the discourse of the *Qur’an* recurs in research. Ahmad wrote, “About the character of the Quran one thing is abundantly clear. It neither is nor purports to be a book of philosophy or metaphysics. It calls itself “guidance for mankind” (hudan-lil-nas) and demands that people live by its commands” (Ahmad, 2017, p. 1)[[[57]](#footnote-58)11]. Ahmad observes a unity of knowing and valuing in Islam. “Knowledge, according to the Quranic doctrine”, he writes, “is both a gift of Divine revelation as well as a creative element or aspect of the human spirit” (Khalil, 1991, p. 5)[[[58]](#footnote-59)12].

Muslims observe the essential the teachings of the *Qur’an* and *Sunnah* as these have been unanimously agreed upon (*ijmâ′)* (Al-Oadah). Knowledge of prior scholarship is, thus, paramount for the believer. Authenticity in textual interpretation depends upon the original Arabic[[[59]](#footnote-60)13]. Education is consequently very important because the training of the human mind enables believers to live in the world and access its history (Islam Today, 2014). If there is a scholarly disagreement regarding civil life, “the student’s task is to investigate their opinions in order to select which understanding is most correct, appropriate and suitable” (Al-Oadah, 2014). Al-Oadah continues:

It is certainly possible for us to derive new insights from the Qur’an. Today’s students of Islam can find in a verse of the Qur’ân or in a hadîth of the Prophet (peace be upon him) some benefit or understanding that no one has ever set down in writing beforehand. Our different and changing perspectives do indeed provide us with different insights (Al-Oadah, 2014).

Still, Al-Oadah cautions the believer:

However, it is inconceivable that the essential meaning of the text has eluded the Companions, the Successors, and the entire Muslim nation throughout all the long centuries of its existence, only for its true meaning to be uncovered for the first time by someone living today. A clear distinction must be made between the possibility of deriving new benefits from a text and the notion of coming up with a whole new interpretation for it (Al-Oadah, 2014).

Clearly, there is a respect for learning and for the acquisition of knowledge. But what about the learner in this process? How should one seek knowledge within the context of Islam, particularly about appropriate management and employment relations? Islam offers etiquette for learning. As presented in the *Islam Today* website:

lbn Qayyim Al-Jawziyyah said: There are six stages to knowledge:

Firstly: Asking questions in a good manner.

Secondly: Remaining quiet and listening attentively.

Thirdly: Understanding well.

Fourthly: Memorising.

Fifthly Teaching.

Sixthly- and it is its fruit: Acting upon the knowledge and keeping to its limits” (Islam Today, 2014)[[[60]](#footnote-61)14].

In Islam, “Economic man is replaced here, as in other religious world views, by an altogether less materialistic kind of individual” (Diwany, 2003, p. 128). To guide daily life, *shariah* “comprises rules that are explicit in the Qur’an and Sunnah, as well as rules that are derived there from by means of ijma and qiyas” (Diwany, 2003, p. 126). *Ijma* refers to a consensus among Islamic scholars, while *qiyas* refers to “deduction by analogy with existing principles” (Diwany, 2003, p. 125). Overall, there is a remarkable range of freedom under *shariah*. Absent explicit Islamic norms, the faithful enjoy freedom of action in the social sphere.

This review in Methods was to make note of the long established Islamic embrace of empirical inquiry, scientific method and respect for scholarship. From this, we may identify the prospects of a common foundation across faith traditions in cognitional operations by noting parallels between basic Islamic epistemology and insight-based critical realism in Western thought.

**2.3 Transcultural foundations: the common cause of Fitrah and obediential potency**

The Western social scientist proceeds in a manner characterized as a range from positivism to phenomenology, or critical realism (Bhaskar, 2008; Archer *et al.*, 1998; Collier, 1994). Lonergan’s insight-based critical realism explicates levels of self-appropriation and “conversion” inescapably involved in issues of human authenticity, adding depth to the scholarly endeavor (Doran, 2011; King, 2011).

Following Lonergan, research findings are arrived at from judgments that result from direct or reflective insight, with the researcher cognizant of what knowing is (cognitional theory), why this is indeed knowing (epistemology), and all this derived from some anticipatory orientation toward knowledge of that which is or can be known (metaphysics), intending judgments that are grounded in values. Lonergan’s analysis of cognitional structure provides a robust foundation for empirically based, comparative theological investigation, as Doran noted:

The common ground on which people can meet in our time is twofold. There is a common structure of consciousness shared across cultures, a structure of operations through which we come to know and through which we proceed from knowledge to action. That common structure Lonergan expresses in a shorthand vocabulary as consisting of the four levels of experience, understanding, judgment, and decision (Doran, 2006).

For each cognitional operation, there is guiding precept. For experience, be attentive. For understanding, be intelligent. For judgment, be reasonable. And for decisions, be responsible. This interiority analysis extends far beyond the UK school of critical realists (Bhaskar, 2008; Archer *et al.*, 1998; Collier, 1994). Definite consequences follow that are important for a theological investigation of workplace parameters governing employment:[[[61]](#footnote-62)15]

* First, the process of self-appropriation obliges greater attention to the potential role of insight and the mitigating influences of oversight or bias (individual, collective or cultural) in research.

1. Second, insight-based critical realism permits theorizing and hypothesis testing of the foundations asserted in cognitional structure across cultural divides of language. In the current project, we will explore in the Data section *the functional hypothesis that the cognitional operations appropriate to insight, as mapped by Lonergan, enable derivation of a cross-cultural collaborative approach to authenticity for assessing employment relations, specifically including the appropriate exercise of managerial prerogative along with the rights and responsibilities of employees*.
2. Third, the process of self-appropriation engages the researcher her/himself in reflection about one’s fundamental orientation to the world, whether of an intellectual, moral or religious natures. Acknowledging higher-order intelligibility leads to an epistemological theorem; “knowledge in the proper sense is knowledge of reality or, more fully, that knowledge is intrinsically objective, that objectivity is the intrinsic relation of knowing to being, and that being and reality are identical” (Lonergan, 1988, pp. 205-221).
3. Fourth, this theorem enables consideration of obediental potency as an element of human behavior, no less “given” than our capacity for free will. This concept may significantly correlate to that of *fitrah* in Islam.

Formalized by Thomas Aquinas, obediential potency has entered contemporary theological reflection through the work of scholars including Bernard J.F. Lonergan, Karl Rahner and Robert Doran (Lonergan, 1990, 1992; Doran, 1990; Egan, 2005, pp. 13-28). Rahner characterized the term “as the human person’s natural ability to receive God’s self-offer,” according to Egan (2005, pp. 13-28).

This line of reasoning allows us to consider the significance of obediential potency for human behaviors and their empirical assessment at an individual or societal level; “a theology of the workplace may become a useful tool in assessing relations of obediential potency in the concrete, historical institutional arrangements found in culture and history” (Tackney, 2012, pp. 107-134). Thus, a responsible individual, group or society routinely engages in deliberations for action grounded in judgment following on direct or indirect insight, cognizant of what knowing is (cognitional theory), why this is knowing (epistemology), with an awareness of that which is to be known (ontology/metaphysics) (Lonergan, 1990, 2005). When conducted appropriately, this exercise of obediential potency results in positive contributions to the good of order.

From a Christian perspective, as Rahner presented in his controversial construct of the “anonymous Christian,” it is possible to conceive of such individuals who may act in accord with a divine ***plan*** without necessarily naming → or “confessing” → their explicit role in this participation (Marmion and Hines, 2005). Robert Schreiter, a Roman Catholic theologian, captured the utility of the anonymous Christian construct in reference to cross-cultural, interfaith discourse. He wrote:

How does one, from within the circle of faith, help lay down rules for dialogue with other people of good will on the question of their relation to God? In other words, it is not only a matter of allowing our meanings to be translated into their realities, but also a translation in the other direction as well (Schreiter, 1978, pp. 29-52)[[[62]](#footnote-63)16].

While constructs such as free will and obediential potency are primarily conceived as matters for the individual, the human “good of order” is the collective, concrete and historical manifestation of individual behaviors at a macro-level (Lonergan, 1990, see Chapter 2, “The Human Good”). In turn, given these constructs, the patterns of culture and human development, as well as decay, can be empirically observed and assessed as a function of emergent probability. While a simple statistical term, it offers a useful empirical basis for faith-based reflection on human history. It:

[…] results from the combination of the conditioned series of schemes with their respective probabilities of emergence and survival. While by itself it is extremely jejune, it possesses rather remarkable potentialities of explanation (Lonergan, 1992, p. 144).

The last methods step in our exploration of foundational cognitional operations and historical expression concerns the common ground of human aspiration for the good, even and particularly for the good of order in society. Correlatives can be observed in Islam:

Although certainty remains the ideal standard of knowledge, conjecture that inclines toward probability is nevertheless accepted as a basis of judgment in practical human affairs (*mu’amalta*), such as in court decisions that are often based on *zann*, for want of certainty, in order to facilitate resolution of disputes among people (Kamali, 2003, pp. 115-134)[[[63]](#footnote-64)17].

Correlative to obediential potency in Roman Catholic Christian theology, Islam recognizes *fitrah*:

There is not a newborn child who is not born in a state of *fitrah*. His parents then make him a Jew, a Christian, or a Magian, just as an animal is born intact. Do you observe any among them that are maimed at birth?

This quote from Yasien Mohamed, “is the central hadith on *fitrah* ”(Mohamed, 1995, pp. 1-18). Mohamed continued, “*Fitrah* may be described as a God → given innate state or inclination to believe in God and worship Him. It can also be translated as “original purity” or “primordial faith” → an ontological state that disposes the individual to the good and the lawful” (Mohamed 1995, p. 2). In addition, *fitrah*:

* “Relates to the individual’s innate reality […]

1. “Has a bearing on one’s beliefs, values, and attitudes to life, worldview, and interaction with the surrounding environment […] and
2. “Cannot be viewed in isolation from one’s mind, conduct, and institutions in the phenomenal world” (Mohamed, 1995).

In an interesting parallel to the “anonymous Christian”’ Mohamed wrote:

According to the *hadith*, one is born in a state of *fitrah*, of primordial faith → and hence as a Muslim → and is then made to adhere to another religion by his/her parents through the process of socialization (Mohamed, 1995).

From such a vantage point, following Schreiter, we can frame the common task of workplace analysis, in an effort to identify → from two religious perspectives → those qualities of employment that enhance the prospects for authentic work relations in the modern world.

For any effort to establish sustainable, socially responsible employment relations, spirituality and religious perspectives will invariably come into play. We have established a transcultural methods basis in cognitional operations for comparative discourse of agreement and divergence between Roman Catholic and Sunni religious traditions. While differences obviously hold over a broad range of issues that essentially define core religious beliefs, the common bonds of human nature and the potential for living in accord with God’s will have emerged to center stage in this methods exploration.

Before turning to the data section, we need to explain where it comes from and how the analysis proceeds. For Roman Catholic social teachings, a thorough review of papal encyclicals and other significant teaching texts has identified key features of the employment relationship (Tackney, 2012, pp. 107-134; Tackney, 2014). In addition to conditions of employment and the role of direct and indirect employers, the role of the worker and expected participation in managerial prerogative were also noted, along with teachings on managerial prerogative. Data has been updated as indicated in light of contributions from Pope Francis.

As noted, Islamic scholarship is rich in topics related to economics, the issue of interest and management. There are fewer English language sources dealing with industrial or labor relations. The available sources were reviewed for key principles, with positive correlations to Roman Catholic workplace principles reported in Data to be taken up in the Discussion section. Many texts in English do touch upon different aspects of employment, so these were also part of the qualitative data search for principles to be inferred.

**3. Data**

Here, we report data on workplace parameters from each religious tradition. There are seven key parameters: work and the concept of labor, role of private property, nature of the employment contract and collective bargaining, treatment of wages, relationship between managerial prerogative and employee participation[[[64]](#footnote-65)18] and role of the state.

**3.1 Sunni Islam: workplace parameters for authenticity in employment relations**

**3.1.1 Work and the concept of labor.**

The dignity of human labor is recognized in the very foundational texts of Islam, with the words of Allah given in the *Qur’an*, as Elsaman wrote:

Whoever works righteousness, man or woman, and has Faith, verily, to him will We give a life. That is good and pure, and We will bestow on such their reward according to the best of their actions (Elsaman, 2011, p. 64, p.75)[[[65]](#footnote-66)19].

In Islam, work itself can be an act of worship when engaged with right intention. Elsaman specifies:

[…] the *Qur’an* appreciates time and asks people to make use of it working once they are done with their prayers: ‘And when the Prayer is finished, then may ye disperse through the land, and seek of the Bounty of Allah: and remember Allah frequently that ye may prosper’ (Elsaman, 2011, p. 76)[[[66]](#footnote-67)20].

From the very beginning, work and market economics were crucial for the survival and later flourishing of Islamic society and culture. In 622 CE, the Prophet and his Companions emigrated from Mecca to Yethreb (contemporary Medina) to “build a viable community. In this city-state, Mohammed assumed religious and political responsibilities along with the role of social arbitrator and, initially, the regulator of the market” (Ali and Al-Owaihan, 2008, pp. 5-19). Work or human labor has held a particularly important role in Islam. It is “situated in the core of the faith and is considered as an integral part of life” (Ali and Al-Owaihan, 2008, p. 7). Despite this importance, Ahmad wrote, “Islamic provisions regarding labor and employment relations rarely emerge in the labor codes of Muslim countries” (Ahmad, 2011, 589-620, p. 589). The reason, he reports, has to do with post-colonized effects of labor code transplant or carry-over from colonial European nations. Accordingly, for the data of this section, we will note principles as given in religious tradition sources or more recent Islamic labor codes presented in international organization documents. Islamic scholars of labor or management studies make clear neither the *Qur’an* nor *Sunnah* are labor codes, following Ahmad, “rather these are believed to be the codes of life” (Ahmad, 2011). And in that spirit, we seek to explicate data that speaks to the different dimensions of an Islamic theology of the workplace.

**3.1.2 Private property in economic life.**

The right to own property is recognized in Islam, but it is not absolute; “for the Quran categorically states that absolute ownership belongs to Allah alone. The state can intervene if the individual misuses his ownership of property and causes harm to society” (Mannan, 1989, p. 41). Mannan identifies eight rules for proper ownership of property:

* non-use of property is inappropriate;

1. appropriate tax on property needs to be paid (*Zakat);*
2. beneficial use of property is expected;
3. along with its use to avoid the harm of others;
4. property acquisition should be conducted by legal (*Halal*) means;
5. a proper balance should be struck between over and underuse;
6. property utilization should be for appropriate personal benefit, while “economic affairs to the neglect of the larger interest of the community are not permissible” (Mannan 1989, p. 42); and
7. appropriate inheritance measures are followed.

From these rules, a set of Islamic economic principles developed over time. Mawdudi summarized their distinguishing feature as:

[…] the guiding principle that all means of production and earning wealth are unlawful where one person’s gain is another’s loss, and that every economic activity is lawful which permits the equitable distribution of dividends among the persons concerned (Mawdudi, 2013, p. 61).

He identified three salient objectives in Islamic economics that impact the status of labor and nature of work: personal freedom, harmony in moral and material progress and the promotion of cooperation, harmony and justice. Personal freedom is an objective because of the individual’s accountability “before the Lord for the deeds in his personal capacity” (Mawdudi, 2013, p. 88). Mawdudi wrote:

[…] human freedom is of prime importance to Islam, which builds the entire edifice of the community’s growth and development on the cornerstone of this freedom. To deprive a person of this right and impose public ownership on all the resources of the land would naturally mean denying him his personal freedom, because under this kind of dispensation every individual automatically becomes a servant of the state machinery that controls its economics resources through its administration (Mawdudi, 2013, p. 91).

**3.1.3 The nature of the employment contract and collective bargaining.**

Business ethics in Islam are governed by four general doctrines: *Ibadah, Taehid, Maslaha and Adalh* (Elsaman, 2011, p. 64). The first links all individual activities to one’s religious beliefs, where → with right intention → *halal* acts themselves constitute a form of worship. *Tawhid* concerns the intrinsic oneness and unity of life. *Maslaha* takes up the method of discernment of novel issues, as mentioned. Here, “the rules governing business relationship and business activities shall consider the public good and support the social welfare of society” (Elsaman, 2011, p. 74). Finally, societal concerns are elaborated in *Adalah*, which obliges Muslims to help supply the needs of all society, especially those unable to provide for themselves.

In Islam, the employment contract is an agreement between brothers in which the employer has a degree of authority. Ahmad wrote, “Typical employment contracts between and employer and an individual employee are not on equal footing, because the employer has greater bargaining power” (Ahmad, 2011, pp. 589-620). A contract may be verbal or written; the latter is preferred. In all cases, the contract should manifest justice for the signatories; coercion in contractual relations is not permitted. This principle was expressly stated by the Prophet, as Elsman reported:

Your employees are your brothers upon whom Allah has given you authority, so if a Muslim has another person under his control, he/she should feed them with the like of what one eats and clothes them with the like of what one wears and you should not overburden them with what they cannot bear and if you do so, help them in their jobs (Elsaman, 2011, p. 64, p. 77)[[[67]](#footnote-68)21].

Collective bargaining and unionization are not directly treated in Islamic source documents. Unions and their bargaining roles are social consequences of industrialization. Still, Islamic scholars have found ample sanction for labor unions, collective bargaining and various industrial actions in the *Sunnah*. Community gathering for worship, affirmation of freedom of association, favorable treatment of guilds, aid to others for doing good and avoiding evil, encouragements to unity and collaborative efforts against the oppressor are sufficiently recurring themes in Islam doctrinal literature that most scholars of Islam who write on the topic affirm unions and collective bargaining as consistent with basic tenants of contemporary Islam (Jabnoun, 2005; Ahmad, 2011, pp. 589-620). For example, Ahmad (2011) wrote the Quran obliges the role of a guardian in instances of a weaker party to contract “if one of the parties to the contract is in a greater position due to economic, physical or intellectual advantage (02:82)” (Ahmad, 2011, p. 606). In modern times, the union can similarly protect individual worker rights and negotiate with the comparatively stronger employer on a more equal footing.

**3.1.4 The treatment of wages.**

Compensation to an employee for her or his labor power is a right consistent with the brotherhood basis of an employment contract. Wages are not a gift to the employee. Wage rates should be agreed in advance, consistent with informed assent of both parties. A wage should reflect the rate for a specific type of work that is generally accepted → hence, a going rate. But these wages should be sufficient for life’s necessities, not simply a minimum, but a “just or ‘living’ wage” (Ahmad, 2011, pp. 589-620). The *Qur’an* notes that the head of family ought to earn enough to support the worker, but also partner and dependents (02:233). Ahmad’s study of *ahadith* leads to this observation, “Islam requires the employers to provide the workers with housing, medical facilities, job education or training, transportation, and meals” (Ahmad, 2011, p. 598). The particular approach taken to the determination of a fair or just wage rate is expected to be set in light of extant conditions at the time (Siddiqi, 1996).

Prompt payment of wages is stressed. Texts routinely cite one statement attributed to the Prophet himself; “Give the worker his wages before his sweat dries”[[[68]](#footnote-69)22]. Furthermore, full payment is to be given, regardless of the status of the recipient. The Prophet made this clear in reference to the prospect of differential payments to men or women; “Never will I suffer to be lost the work of any of you, be he male or female” (03:195). Non-discrimination, not only in regard to wages, is stressed in the last sermon given by the Prophet:

No Arab has superiority over any non-Arab and no non-Arab has any superiority over an Arab; no dark person has superiority over a white person and no white person has any superiority over a dark person. The criterion of honor in the sight of Allah is righteousness and honest living[[[69]](#footnote-70)23].

**3.1.5 The consultative nature of managerial prerogative and employee participation: Shura.**

Employer authority occurs within the broader human context of a brotherly contractual relation. We have seen that a living wage is expected under *Sharia*, with the contract enacted transparently, aided by a guardian or labor union to ensure lack of coercion. Contract and collective bargaining terms generally concern wages and working conditions for Islam, no less than secular society.

Yet, Islam expects consultation as well as profit sharing in the employer’s exercise of managerial prerogative. Consultation, termed *shura*, is “a policy and not an option” (Ahmed, 2010, p. 606) to be conducted by representatives of workers. Put simply, the *Qur’an* “does not speak favorably of those persons who ‘impose their own views on others (28:23)’” (Ahmed, 2010, p. 606). Safi writes of Islamic leadership principles and cites the text *al Isharah fi Tudbir al ‘Imarah*, written by Muhammad ibn al Hasan al Uradi (d. 489 A.H). on the four motivations for thorough consultation. These are:

* inadequate knowledge on the part of the one having to make the decision;

1. fear of error in assessing the situation, despite adequate knowledge;
2. concern for emotional influence, despite confidence in the first two points; and
3. involvement of the consulted; “his involvement in decision would encourage him to render his utmost effort and support, because the decision reflects his choice” (Safi, 2009, p. 73)[[[70]](#footnote-71)24].

The goal is enhanced cooperation between employer and the employed, for the mutual commitment to enterprise success that obtains. As Ahmad wrote, “these verses and Ahadith require employers to not only consult but also codetermine workplace issues with unions” (Safi, 2009, p. 607). Given consultation and co-determination, the employed and their unions are expected to work with proper respect and commitment once decisions are taken.

The second feature concerns sharing of profits. The principle, *mudarabat*, “provides rights to the worker to also share the profit of the business, through labor he essentially becomes a shareholder” (Rehman, 2010, KL: 394). Ahmad cites the *ahadith* source of Majma Uz Zawaid for the Prophet: “Pay the workers part of the food grains ***produced*** through their efforts; labor as the servant of God cannot be deprived of the ***produce***” (Rehman, 2010, p. 607)[[[71]](#footnote-72)25].

**3.1.6 The role of the state in Islamic economics.**

The state is expected to ensure the potential for authenticity in the workplace through legal enactment. Ahmad finds the concept of profit-sharing within the enterprise particularly related to the more general societal obligation for Muslims to offer a proportion of their income for the sake of the poor (Ahmad, 2011, pp. 589-620). This concept, *zakat*, is one of the five key pillars of the faith[[[72]](#footnote-73)26]. Through the recycling of earnings under *zakat*, a social security redistributive effect is anticipated throughout the larger society, a concept that would become particularly effective in light of the living wage employers are expected to provide to the employed, supportive of family no less than the salaried worker.

While payment of *Zakat* is obligatory for Muslims, and Muslims only, historically, the redistributive policies were not restricted to Muslims. Ahmad reports that both first and second caliphates enacted policy that included non-Muslims (Ahmad, 2011). The living wage and taxation effects contribute to enhanced monetary circulation in society. Rehman writes, “in Islam, capital is not left idle, but is in constant motion” (Rehman, 2010, KL: 396). Rehman continued the following:

In *mudarbat* neither worker nor investor loses while the other gains, on the contrary both become equal partners. Society as a whole gains from the joint effort of the both worker and investor (Rehman, 2010, KL: 408).

Proposals for an integrated Islamic management model do exist. Jabnoun offers a systematic and ***strategic*** “Islamic Management Model” centered upon Islam values of “*Tawheed* and Freedom from Tyranny” (Jabnoun, 2005, p. 315). Key elements include human resource management (HRM), systems and structures, leadership, ***strategic*** ***planning*** and decision-making. Each category has elements from contemporary management studies and compatible features of Islam, whose workplace parameters have been outlined.

International accords in Islam and national policy reflect many of the points explored. Article 13 of the Cairo Declaratio o Huma Rights i Islam (1990) states:

Work is a right guaranteed by the State and the Society for each person with capability to work. Everyone shall be free to choose the work that suits him best and which serves his interests as well as those of the society. The employee shall have the right to enjoy safety and security as well as all other social guarantees. He may not be assigned work beyond his capacity nor shall he be subjected to compulsion or exploited or harmed in any way. He shall be entitled-without any discrimination between males and females - to fair wages for his work without delay, as well as to the holiday allowances and promotions which he deserves. On his part, he shall be required to be dedicated and meticulous in his work. Should workers and employers disagree on any matter, the State shall intervene to settle the dispute and have the grievances redressed, the rights confirmed and justice enforced without bias (World Conference on Human Rights August 5, 1990).

In 2004, the League of Arab States issued an “Arab Charter on Human Rights (2004).” It was offered “In furtherance of the eternal principles of fraternity, equality and tolerance among human beings consecrated by the noble Islamic religion and the other divinely-revealed religions” (League of Arab States May 22, 2004). Basic rights regarding work are in Article 34, with prohibitions against any form of discrimination. The right to work is characterized as a “natural right”. The living wage, along with treatment of hours and working conditions, are dealt with in these terms:

Every worker has the right to the enjoyment of just and favourable conditions of work which ensure appropriate remuneration to meet his essential needs and those of his family and regulate working hours, rest and holidays with pay, as well as the rules for the preservation of occupational health and safety and the protection of women, children and disabled persons in the place of work (League of Arab States May 22, 2004).

Article 35 takes up worker rights to unionization and strikes within the limits of public order and legal structures. Notably, neither of these recent documents speaks to the Islamic workplace principles of consultation or profit-sharing we have noted.

Overall, “Islamic economics”, which Kuran categorized as emergent in academic research since the late 1940s, has three features, most of which we have already noted. First, “individuals are guided in their economic decisions by a set of behavior norms, ostensibly derived from the Qur’an and the Sunna” (Kuran, 1986, pp. 135-164). In addition, there is *zakat* and the prohibition against interest. The bases of the behavioral norms are given in Islam personal principles: “The primary role of the norms is to make the individual member of Islamic society, *homoislamicus*, just, socially responsible, and altruistic” (Kuran, 1986, p. 136). Kuran identified norms of production and consumption. Of the former, freedom of production for profit is, as noted, fully sanctioned insofar as harm to others is avoided and moderation is observed. In consequence, “he must pay ‘fair’ wages, charge ‘reasonable’ prices, and be content with ‘normal’ profits” (Kuran, 1986). In terms of consumption, immoral or illegitimate activities are to be avoided, moderation to be observed and voluntary donations for the less fortunate are to be expected.

**3.2 Roman Catholicism: workplace parameters for authenticity in employment relations**

Key workplace parameters of Roman Catholic social teaching on employment relations have been investigated previously and reported, as shown in Table I.

**3.2.1 Work and the concept of labor.**

The treatment of work and labor in Roman Catholic social teaching begins with the May 15, 1891, encyclical of Pope Leo XIII, “On Capital and Labor” (*Rerum Novarum*). At the time, Leo observed the impact of the industrial revolution on modern society; “…by degrees, it has come to pass that working men have been surrendered, isolated and helpless, to the hardheartedness of employers and the greed of unchecked competition” (Leo, 1891, p. 2). After noting the continued practice of “rapacious usury” despite Church condemnation, he continued:

To this must be added that the hiring of labor and the conduct of trade are concentrated in the hands of comparatively few; so that a small number of very rich men have been able to lay upon the teeming masses of the laboring poor a yoke little better than that of slavery itself (Leo, 1891, p. 3).

Labor, however, is an intrinsic part of the human condition. This propensity for labor even pre-dates what the Church sees as the source of original sin. Leo wrote:

As regards bodily labor, even had man never fallen from the state of innocence, he would not have remained wholly idle; but that which would then have been his free choice and his delight became afterwards compulsory, and the painful expiation for his disobedience (Leo, 1891, p. 17).

Despite societal ills, the relation between capital and labor ought not to be perceived as inherently conflictual. Instead, “…in a State it is ordained by nature that these two classes should dwell in harmony and agreement, so as to maintain the balance of the body politic” (Leo, 1891, p. 19). In contrast to, and critique of, the emerging concentration of capital wealth, Leo observed, “…it may truly be said that it is only by the labor of working men that States grow rich” (Leo, 1891, p. 34).

As evidenced in Table I, the priority of labor in modern, industrial society recurs throughout more than 100 years of social teaching. This formulation achieved singular clarity in the 1981 encyclical of Pope John Paul II, who wrote that work “is a fundamental dimension of man’s existence on earth” (John Paul, 1981, p. 4). He continued, writing of the “Conviction of *the priority of human labor over* what in the course of time we have grown accustomed to calling capital” (John Paul, 1981, p. 13, italics in original text). Work is the key to the social question, a point in *Laborem exercens*, “And if the solution-or rather the gradual solution-of the social question, which keeps coming up and becomes ever more complex, must be sought in the direction of “making life more human”, then the key, namely human work, acquires fundamental and decisive importance” (John Paul, 1981, p. 3).

**3.2.2 Private property in economic life.**

Private property was sanctioned in first social encyclical of Pope Leo XIII. As in Islam, this is not an absolute right, rather one of stewardship for the common good. As Pope Leo wrote in 1891, “The fact that God has given the earth for the use and enjoyment of the whole human race can in no way be a bar to the owning of private property” (Leo, 1891, p. 8). Again, by 1981, Pope John Paul II crafted this position anew, against the collectivism of Marxism and the “***programme*** of *capitalism* practiced by liberalism and by the political systems inspired by it” (John Paul, 1981, p. 14); the church:

[…] has always understood this right within the broader context of the right common to all to use the goods of the whole of creation: *the right to private property is subordinated to the right to common use*, to the fact that goods are meant for everyone (John Paul, 1981, p. 14, italics in original).

Ownership “has never been understood in a way that could constitute grounds for social conflict in labor” (John Paul, 1981). Furthermore, understanding of, and sensitivity to, the subjective dimension to work obliges its incorporation into the “dynamic *structure of the whole economic process*” (John Paul, 1981, italics in original). John Paul II continued:

From this point of view the position of “rigid” capitalism continues to remain unacceptable, namely, the position that defends the exclusive right to private ownership of the means of production as an untouchable ‘dogma’ of economic life. The principle of respect for work demands that this right should undergo a constructive revision, both in theory and practice (John Paul, 1981).

**3.2.3 The nature of the employment contract and collective bargaining.**

Consistent with the first social encyclical’s critique of inordinate power held by capital, Roman Catholic social teaching has steadily recognized the unequal nature of the employment contract and has been fully supportive of the right of workers to organize in unions for the sake of collective bargaining over wages and working conditions. This theme recurs throughout the history of encyclical teaching on the social question since 1891.

But the analysis offered from encyclical sources also goes far beyond the sanction of labor unions alone, very much like Islam. From the 1931 text by Pope Pius XI, *Quadragesima Anno*, the Church has also called for creation of institutions “that embrace either workers alone or workers and employers together” (Pius, 1931, p. 29). This call recurred in John XXIII’s 1961 *Mater et Magistra*; “employees are justified in wishing to participate in the activity of the industrial concern for which they work” (John, 1961, p. 91). In *Gaudium et Spes, 1965*, Paul VI advanced this reasoning, “The active sharing of all in the administration and profits of these enterprises in ways to be properly determined is to be promoted” (Paul, 1965, p. 68). This promotion includes “Worker participation in determining economic and social conditions, in person or through elected delegates” (Paul, 1965).

**3.2.4 The treatment of wages.**

A living, not a minimum, wage is the minimal standard for compensation in light of Church teaching. This is due to the nature of the employment contract, which has personal and necessary dimensions. It is *personal* insofar as “the force which acts is bound up with the personality and is the exclusive property of him who acts” (Leo, 1891, p. 44). The *necessary* dimension of human labor extends social teaching concerns beyond the mere payment of a minimum wage. Wages are to be sufficient for living, including the support of family. And the remote goal concerns expansion of ownership; “The law, therefore, should favor ownership, and its policy should be to induce as many as possible of the people to become owners” (Leo, 1891, p. 46). By *Mater et Magistra*, John XXII observed that compensation considerations are not strictly a market function, but are to be established in light of justice and equity (John, 1961, see p. 18).

**3.2.5 The consultative nature of managerial prerogative and employee participation.**

As the encyclical history advanced, the participatory role of the employee or worker in all aspects of the managerial prerogative has been ever more substantively advocated. This position developed from basic Christian notions about work, its subjective and objective aspects, and has been elaborated as a substantive critique of three dominant ideological positions in modern history: communism, socialism and liberalism or pure-market capitalism.

In *Laborem exercens*, we find the prospect of a righteous labor system, whose fundamental orientation was described above, to be one shaped by:

[…] the principles of the substantial and real priority of labor, of the subjectivity of human labor and its effective participation in the whole production process, independently of the nature of the services provided by the worker (John Paul, 1981, p. 13).

The fully expected and normative role of employee participation in managerial prerogative is reinforced in the 2005 *Compendium of the Social Doctrine of the Church.* In this text, the authoring Pontifical Commission wrote:

*The relationship between labour and capital also finds expression when workers participate in ownership, management, and profits*. This is an all-too-often overlooked requirement and it should be given greater consideration (Pontifical Council for Justice and Peace, 2004).

**3.2.6 The role of the state in Roman Catholic social teachings: the indirect employer.**

In *Laborem Exercens*, John Paul II noted steps being taken to redress notions of private property. These included “proposals for *joint ownership of the means of work*, sharing by the workers in management and/or profits of businesses, so/called shareholding by labour, etc. (p. 14). These were to address not only issues of historical disputes or manual labor, but “the many forms of intellectual work, including white-collar work and management” (Pontifical Council for Justice and Peace, 2004). His concern included “the so-called Third World and the various new independent countries that have arisen, especially in Africa but elsewhere as well, in place of the colonial territories of the past” (Pontifical Council for Justice and Peace, 2004). Benedict XVI following took a position in his 2009 text, *Caritas in Veritate*, based upon a sober recognition of the status quo in global economics and business. Recalling the work of John Paul II, he observed “*investment always has moral as well as economic significance*” (Benedict, 2009, p. 40, Italics in original text). Implicit in critique of the heretofore mediating role of the state to determine the legal status of the enterprise, he wrote:

Today’s international economic scene, marked by grave deviations and failures, requires a *profoundly new way of understanding business enterprise*. Old models are disappearing, but promising new ones are taking shape on the horizon. Without doubt, one of the greatest risks for businesses is that they are almost exclusively answerable to their investors, thereby limiting their social value.

Most recently, Pope Francis wrote the 2013 exhortation, *Evangelii Gaudium*, summarizing the Roman Catholic social teaching corpus against pure free-market advocates. He observed, “We can no longer trust in the unseen forces and the invisible hand of the market” (Francis 2013, p. 204). Among other concerns, “Debt and the accumulation of interest also make it difficult for countries to realize the potential of their own economies and keep citizens from enjoying their real purchasing power” (p. 281). Overall, marks of authentic progress reside in manifestations of justice amidst patterns of economic growth. This:

[…] requires decisions, ***programmes***, mechanisms and processes specifically geared to a better distribution of income, the creation of sources of employment and an integral promotion of the poor which goes beyond a simple welfare mentality (Francis, 2013).

**4. Discussion**

As the Data section steadily reveals, there is a remarkable consonance between Roman Catholicism and Sunni Islam with respect to specific factors considered minimal conditions for authenticity in employment relations. Both traditions also share similar concerns over secular culture, along with considerable agreement about suggested remediation.

Consider the authenticity categories as modeled in Figure 1. There is the nature of the employment contract. This exchange of labor power for compensation, involving as it does the consciousness of two persons, is fundamentally different from the product market contractual relation of buying and selling goods. This special characteristic, in light of social teachings, obliges consideration of certain facts and social policy remediation. There is the recognition of a fundamental inequality in power relations between employer and employed. As Islam makes clear, coercion in contract details should be avoided, with the weaker party having recourse to advisors if necessary. Contracts should be based upon detailed and reciprocally clear agreement in regard to wages and working conditions, without discrimination.

Compensation for work should be prompt and at a rate suitable for living, not strictly minimum wage. Both traditions consider this living wage to be one that can support not only the worker but also immediate dependents. This approach to compensation derives from religious principles, not a strict economic analysis of profit maximization. Indeed, *both traditions find such analyses morally deficient*. Thus, one consequence of a living wage → reduced enterprise profit level → is a societal matter: the indirect employer need to ensure uniform compliance. Ironically, the religious inspired social teachings assert such measures enhance employee commitment, corporate social responsibility and the stability of the social ecology of the enterprise.

Steps to remediate contractual inequalities in the labor market include legal protect against arbitrary dismissal by employers; “just cause” dismissal protections replace “at will” employment circumstances where the employer can dismiss for a good, bad or no reason. Of the two traditions, it would appear that the Islamic approach to contractual relations is explicitly more kinship in tone due to the fraternal perspective in which employers are expected to treat their employees.

As a further corrective to the fundamental inequality of the individual employment contract, labor unions and formal levels of employee participation in managerial prerogative are clearly affirmed to be minimal conditions for the possibility of authentic employment relations in modern society. These positions spring from specific religious conceptions regarding human nature in which the subjective component of work can be said to incline towards the prospect for participation in the ultimate disposition of one’s labor power, on the one side, as well as a proportional sharing in the risk/reward elements associated with profit, reflecting the objective dimension of entrepreneurial risk/reward participation.

Appropriate forms of employee participation in light of Roman Catholic social teaching are varied, although representatives from among the employed appear normatively appropriate for *shura* forms of consultation in Islam. Clearly, informal approaches to ensure adequate consultation can obtain in small enterprises. For larger firms, something approaching the works council of the European Union or Japan’s collective bargaining-based management councils is indicated.

Insofar as these religious traditions assert concern for ultimate human values, the particular categories we have distilled from the respective social teachings serve as contributors to the criterion variable of authenticity. These represent benchmarks to be evaluated in light of evidence given in history, and manifest in different cultures and national settings. Through this study, the human resource analysis of intrinsic corporate social responsibility should the strengthened. In addition, we can postulate that the improved social ecology of an enterprise should work to enhance ecological sustainability, thanks to the broader consultation.

Common elements of religious social teaching that help constitute minimal conditions for authenticity in workplace relations do appear to be broadly validated through the study. From individual to societal levels of existence, the transcendental precepts indicated by Lonergan’s insight-based critical realism enabled study of history in cross-cultural settings: be attentive, intelligent, reasonable and responsible. Our findings offer a basis for shared social advocacy, particularly given the common construct of obediential potency/fitrah. Dissemination of findings among religious scholars should further refinement of research method. An important step will be discovery and integration of complementary foundational scholarship in cognitional structure from Islamic tradition. We have only begun to offer guidance in English for an understanding of workplace parameters according to Islam.

**Table I.**  Roman Catholic social teachings

| **Document** | **Year** | **Author** | **Nature of contract** | **Just cause** | **Approach to employee participation** | **Particular calls** |
| --- | --- | --- | --- | --- | --- | --- |
| *Rerum Novarum* (*RN)* | 1891 | Leo XIII | Living wage, able to support family (p. 45) | Natural law basis (p. 19) | State needs to enact boards or societies to ensure labor contracts do not compel extreme work conditions |  |
| *Quadragesimo Anno (QA)* | 1931 | Pius XI | Capital has accrued too much to itself |  | First explicit reference to creation of institutions ?that embrace either workers alone or workers and employers together? (p. 29). Partnership-contract, Sharers in ownership or management (p. 65) |  |
| *Mater et Magistra (MM)* | 1961 | John XXIII | Compensation not strictly a market function, to be determined by laws of justice and equity (p. 18) |  | Sharing Ownership (P. 75, 77); ?[?]employees are justified in wishing to participate in the activity of the industrial concern for which they work? (p. 91) | - Reduce CST principles into practice (p. 25). - Sharing Ownership (p. 75, 77).A6 |
| *Gaudium et Spes(GS)* | 1965 | Paul VI | The active sharing of all in the administration and profits of these enterprises in ways to be properly determined is to be promoted (p. 68) |  | Worker participation in determining economic and social conditions, in person or through elected delegates (p. 68) |  |
| Laborem exercens (LN) | 1981 | John Paul II | Conviction of *the priority of human labour over* what in the course of time we have grown accustomed to calling *capital?* (p. 12) | ?Thus, *the principle of the priority of labour* over capital is a postulate of the order of social morality? (p. 15) | Role of direct and indirect employers distinguished. ?Respect for the objective rights of the worker ? every kind of worker: manual or intellectual, industrial or ***agricultural***, etc. ? that must constitute the adequate and fundamental criterion for shaping the whole economy? (p. 17) | Ethically correct labor policy. Authentic human and social ecology of work (p. 38) |
| Compendium of the Social Doctrine of the Church | 2004 | Pontifical Council for Justice and Peace | A just wage is more than the simple wage agreement between employer and employee (p. 302) | Natural justice precedes and is above the freedom of the contract (p. 302) | ?*The relationship between labour and capital also finds expression when workers participation in ownership, management and profits*. This is an all-too-often overlooked requirement and it should be given greater consideration? (p. 281). ?On the basis of his work each person is fully entitled to consider himself a part-owner of the great workbench where his working with everyone else? (cf. LN, p. 616) | Greater consideration for workers to participate in ownership, management and profits (p. 281). ?The new ways that work is organized, where knowledge is of greater account than the mere ownership of the means of production, concretely shows that work, because of its subjective character, entails the right to participate? (p. 281) |
| *Caritas in Veritate* (CV) | 2009 | Benedict XVI | Principle of subsidiarity: ?a form of assistance to the human person via the autonomy of intermediate bodies? (p. 57) |  | [?] business management cannot concern itself only with the interests of the proprietors, but must also assume responsibility for all the other stakeholders who contribute to the life of the business: the workers, the clients, the suppliers of various elements of production, the community of reference? (p. 40) | ?Profoundly new way of understanding business enterprise? (p. 40) |
| Evangelii Gaudium | 2013 | Francis | ?We can no longer trust in the unseen forces and the invisible hand of the market? (p. 204) | Trickle-down economics are contrary to the facts (p. 54) | ?[?] the earnings of a minority are growing exponentially [?] This imbalance is the result of ideologies which defend the absolute autonomy of the marketplace and financial speculation. Consequently, they reject the right of states, charged with vigilance for the common good, to exercise any form of control. A new tyranny is thus born, invisible and often virtual, which unilaterally and relentlessly imposes its own laws and rules. Debt and the accumulation of interest also make it difficult for countries to realize the potential of their own economies and keep citizens from enjoying their real purchasing power (p. 281) | Learn from the Compendium of the Social Doctrine of the Church |

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[***Council of the European Union:REPORT FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT, THE COUNCIL AND THE EUROPEAN ECONOMIC AND SOCIAL COMMITTEE ON THE OPERATION OF DIRECTIVE (EU) 2015/1535 FROM 2014 TO 2015 ST 5107 2018 INIT***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5RDT-67T1-JDG9-Y14W-00000-00&context=1516831)

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5107/18 AW/gb DGG 3A EN Council of the European Union Brussels, 8 January 2018 (OR. en) 5107/18 ECO 1 INST 5 MI 7 COVER NOTE From: Secretary-General of the European Commission, signed by Mr Jordi AYET PUIGARNAU, Director date of receipt: 20 December 2017 To: Mr Jeppe TRANHOLM-MIKKELSEN, Secretary-General of the Council of the European Union No. Cion doc.: COM(2017) 788 final Subject: REPORT FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT, THE COUNCIL AND THE EUROPEAN ECONOMIC AND SOCIAL COMMITTEE ON THE OPERATION OF DIRECTIVE (EU) 2015/1535 FROM 2014 TO 2015 Delegations will find attached document COM(2017) 788 final. Encl.: COM(2017) 788 final EN EN EUROPEAN COMMISSION Brussels, 19.12.2017 COM(2017) 788 final REPORT FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT, THE COUNCIL AND THE EUROPEAN ECONOMIC AND SOCIAL COMMITTEE ON THE OPERATION OF DIRECTIVE (EU) 2015/1535 FROM 2014 TO 2015 {SWD(2017) 465 final} 1 Table of Contents INTRODUCTION ...................................................................................................................... 3 1. Developments 2014-2015 ................................................................................................... 5 1.1 Use of the notification procedure within the context of 'Better regulation' and to improve competitiveness ......................................................................................................... 5 1.2 Use of the notification procedure to boost mutual recognition ................................... 5 1.3 Improvements to the notification procedure ................................................................ 5 1.4 Jurisprudence on the Single Market Transparency Directive ..................................... 6 2. Application of the notification procedure ........................................................................... 7 2.1 Effectiveness: general overview .................................................................................. 7 2.2 Use of the urgency procedure .................................................................................... 17 2.3 Notification of 'fiscal or financial incentive measures' ............................................ 18 2.4 Follow-up to Commission reactions .......................................................................... 18 2.5 Follow-up to the notification procedure .................................................................... 18 2.6 Structured exchanges with the Member States .......................................................... 19 2.7 Requests for access to documents issued under the Single Market Transparency Directive ............................................................................................................................... 20 2.8 Transparency ............................................................................................................. 20 3. Conclusion ........................................................................................................................ 21 2 EXECUTIVE SUMMARY This report analyses the application of one of the cornerstones of the internal market from 2014 to 2015: the notification procedure laid down by Directive (EU) 2015/15351 (hereinafter referred to as the 'Single Market Transparency Directive'). The report highlights the important contribution of the notification procedure to the functioning of the Single Market and to the implementation of the Better Regulation policy2. Directive (EU) 2015/1535 was adopted on 9 September 2015 and repealed and replaced Directive 98/34/EC. Since Directive 98/34/EC had been substantially amended several times (notably to include Information Society services and to remove technical standards from its scope), a decision was taken to codify it in the interest of clarity.

The notification to the Commission of national technical regulations prior to their adoption has continued to be an effective instrument of prevention of barriers to trade and of cooperation between the Commission and the Member States and among the Member States themselves. The notification procedure has been an important tool for guiding national regulatory activity including in certain emerging sectors and improving the quality of national technical regulations - in terms of transparency, legibility and effectiveness - in non-harmonised or partly harmonised areas. The greater clarity in the legal framework of the Member States can help economic operators to adapt to the new rules and thus reduce the cost of accessing the regulations and apply them correctly. This is possible also thanks to the fact that technical regulations notified to the Commission are translated into 23 official languages of the EU3. 1 Directive (EU) 2015/1535 of the European Parliament and of the Council of 9 September 2015 laying down a procedure for the provision of information in the field of technical regulations and of rules on Information Society services (codification; OJ L 241, 17.9.2015, p. 1–15). 2 Action ***plan*** for improving the regulatory environment, COM(2002) 278 final. See also Better Regulation for Growth and Jobs in the European Union, COM(2005) 97 final; Implementing the Community Lisbon ***programme***: A strategy for the simplification of the regulatory environment, COM(2005) 535 final; A ***strategic*** view of Better Regulation in the European Union, COM(2006) 689; Second ***strategic*** review of Better Regulation in the European Union, COM(2008) 32, Third ***strategic*** review of Better Regulation in the European Union, COM(2009) 15 Smart Regulation in the European Union; COM(2010)543 and COM(2016) 615 final, Better Regulation: Delivering better results for a stronger Union. 3 Irish translation is not available. 3 INTRODUCTION The notification procedure for national technical regulations allows the Commission and the Member States of the EU to examine before adoption the technical regulations Member States intend to introduce for products (industrial, ***agricultural*** and fishery) and for Information Society services (see Annex 1 of the Commission Staff Working Document accompanying this Report). It applies in a simplified manner to the European Free Trade Association (EFTA) Member States which are signatories to the Agreement on the European Economic Area (EEA) and to Switzerland and Turkey (see Annex 3). The main purpose of the notification procedure is to prevent the creation of new barriers to the internal market before they have been put in place and have ***produced*** any negative effects. The internal market is one of the Commission's 10 priorities and the Commission considers a better functioning Single Market as an engine for building a stronger EU economy and 'Europe’s best asset in times of increasing globalisation'.4 For this reason, together with the Member States the Commission endeavours to unlock the full potential of the Single Market 'so that citizens, business and public authorities can access goods and services for the best quality, price or service'.5 As stated in the Single Market Strategy, '[T]he Single Market is arguably among European Union’s greatest achievements'6 and the Commission considers it a priority to remove remaining regulatory and non-regulatory barriers to the Single Market for goods and services. The European Commission has decided to give the Single Market a new boost with a number of ambitious and pragmatic actions in key areas for the EU internal market such as circular economy, collaborative economy, the Digital Single Market, the Capital Market Union and taxation. In its Communication 'Upgrading the Single Market: more opportunities for people and business'7 the Commission has stressed that '[g]oods generate around 75 % of intra-EU trade [and that in] 2014, trade in goods between EU Member States was valued at EUR 2 900 billion', thus highlighting the important role played by trade in goods in the general context of trade in the Single Market (intra-EU trade in goods represented 20.6% of EU GDP in 2015). The need to strengthen the free movement of goods and to provide businesses a more predictable regulatory framework is reiterated in the Commission staff working document accompanying this Communication. The Single Market Transparency Directive contributes directly or indirectly to several follow-up initiatives of the Single Market Strategy. Given the centrality of the Single Market Transparency Directive in the proper functioning of the Single Market for goods and for Information Society services, this report is adopted together with the 'Goods Package'. The aim of the package is to boost the Single Market and exploit its full potential by reinforcing trust in the Single Market for the benefit of all, citizens and business. Specifically, initiatives will be presented to make mutual recognition function better and to enhance the enforcement of common EU product safety rules. The Single Market Transparency Directive is the most open and transparent instrument of the Single Market. It is a unique system which prevents the emergence of new barriers to the 4 [*https://ec.europa.eu/priorities/sites/beta-political/files/juncker-political-guidelines-speech\_en\_0.pdf*](https://ec.europa.eu/priorities/sites/beta-political/files/juncker-political-guidelines-speech_en_0.pdf) 5 See President Juncker's Political Guidelines, A New Start for Europe: My Agenda for Jobs, Growth, Fairness and Democratic Change. Political Guidelines for the next European Commission,   [*https://ec.europa.eu/priorities/internal-market\_en*](https://ec.europa.eu/priorities/internal-market_en). 6 A Single Market Strategy for Europe - Analysis and Evidence Accompanying the document Upgrading the Single Market: more opportunities for people and business, SWD/2015/0202 final. 7 See Communication of the Commission to the European Parliament, to the Council, to the European Social and Economic Committee and to the Committee of the Regions - Upgrading the Single Market: more opportunities for people and business, COM(2015) 550 final. 4 Single Market by putting the focus on transparency, dialogue, prevention and better regulation. Not only it provides that Member States participate on an equal footing with the Commission in this procedure, but it also enables stakeholders themselves to have access to all national technical regulations under preparation, which are translated in 23 official languages of the EU. Economic operators can therefore anticipate the creation of obstacles to trade and, by taking an active role in the notification process, can concretely prevent unnecessary and costly administrative burdens from affecting their business. The Single Market Transparency Directive also plays an important role in the compliance dialogue meetings with Member States8, which are part of the culture of compliance and smart enforcement work strand of the Single Market Strategy9. The Commission sees these meetings as an opportunity for a dialogue to improve transposition, implementation and application of EU law. The dialogues are also an occasion to discuss together with Member States how to proactively address the challenges of EU law enforcement. In this context, the dialogue under the Single Market Transparency Directive, combined with other indicators, enables the Commission to better identify the problematic sectors and structural problems in the Member States. Taking into account the role of the Single Market Transparency Directive in preventing the creation of barriers on the single market of goods, in the framework of the Services Package the Commission recently presented a legislative proposal for a self standing notification instrument in the area of services. This aims to modernise the existing notification procedure under the Services Directive10 and will allow for more upstream verification of the justification and proportionality of new national regulations potentially restricting the free movement of services as well as addressing compliance through the dialogue with the Member States before the proposed legislation has been adopted11. Given its wide scope, which covers all products, industrial, ***agricultural*** and fishery, and Information Society services, the Single Market Transparency Directive also helps in promoting the free movement of goods and services in emerging sectors of the digital economy and for preventing the creation of barriers to trade in the EU Digital Single Market. The Single Market Transparency Directive notification procedure helps to create a stronger and more connected Digital Single Market. With respect to the collaborative economy, the Single Market Transparency Directive seeks to prevent the adoption by Member States of unjustified and disproportionate market access requirements.12 8 Compliance dialogue are structured / ***strategic*** meetings with Member States organised on a regular basis to take stock of the state of the Single Market integration in that Member State, in particular the state of play of transposition and ongoing infringement proceedings. 9 See paragraph 'Ensure a culture of compliance and smart enforcement to help deliver a true Single Market' of the Single Market Strategy,   [*http://ec.europa.eu/growth/single-market/strategy\_en*](http://ec.europa.eu/growth/single-market/strategy_en). 10 Directive 2006/123/EC of the European Parliament and of the Council of 12 December 2006 on services in the internal market, OJ L 376, 27.12.2006, p. 36–68 11 See Proposal for a directive on the enforcement of the Directive 2006/123/EC on services in the internal market, laying down a notification procedure for authorisation schemes and requirements related to services, COM(2016) 821. 12 See Communication of the Commission to the European Parliament, to the Council, to the European Social and Economic Committee and to the Committee of the Regions - A European agenda for the collaborative economy, COM(2016) 356 final. 5 1. DEVELOPMENTS 2014-2015 1.1 Use of the notification procedure within the context of 'Better regulation' and to improve competitiveness Already in its 2002 Communication 'Better regulation for growth and jobs in the EU'13 the Commission highlighted that the preventive control mechanism established by the Single Market Transparency Directive contributes to improving the quality of national regulations on products and Information Society services. The cooperation between the Commission and the Member States within the context of the notification procedure aims to ensure a clearer regulatory framework for economic operators. In the framework of the Commission’s action ***plan*** to simplify and improve the regulatory environment14, Member States have been invited to submit impact studies (or their conclusions) together with notified drafts technical regulations under the Single Market Transparency Directive, where such studies have been carried out internally. By carrying out these impact studies, Member States are encouraged to reflect in advance on the most appropriate instrument to be used, and the Commission can better check the necessity and proportionality of the measures proposed. In the reporting period, Member States submitted impact studies in relation to 356 notifications (almost 25% of the total of notifications). This represents a slight increase compared to the previous two years, when Member States submitted 314 impact studies out of 1439 notifications (approximately 22% of the total of notifications). 1.2 Use of the notification procedure to boost mutual recognition The Single Market Transparency Directive contributes to better mutual recognition. The evaluation of national regulations, before their adoption, in the light of Articles 34-36 TFEU and of the mutual recognition principle and the recommendations of the Commission to insert a single market clause clause in notified draft national rules, where necessary, helps in reducing the risk of these rules raising regulatory barriers to trade. This preventive mechanism could be complemented by a corrective mechanism, in case authorities, when taking decisions based on national rules in individual cases, misapply the principle of mutual recognition. For this reason, the report is adopted together with the “Goods package”, which contains a Single Market Strategy follow-up initiative to give a major boost to mutual recognition in the area of goods. It aims to introduce the use by economic operators of a voluntary mutual recognition declaration and to facilitate the smooth implementation of the mutual recognition principle. This should ensure that national regulations do not create unjustified barriers to trade through their full life cycle. 1.3 Improvements to the notification procedure One of the objectives of the Single Market Transparency Directive is to inform economic operators, including small and medium-sized enterprises (SMEs), in advance of ***planned*** technical regulation in the Member States, to allow them to make their voices heard and to adapt early their activities to future technical regulations.15 The high number of contributions on notifications sent by stakeholders shows that this right of scrutiny is used extensively and helps the Commission and national authorities to detect barriers to trade. In an ever-evolving effort towards transparency and efficiency, in 2015 the Commission worked on a new functionality on the Technical Regulation Information System (TRIS) 13 See supra, footnote 2. 14 See supra, footnote 2. 15 See whereas clause number 7 of the Single Market Transparency Directive. 6 website. 16 This new functionality was put in place in June 2016 and allows any person to use the TRIS website to submit contributions on any notification during the standstill period provided for under Article 6 of the Single Market Transparency Directive. Contributors have the possibility to make their contribution confidential and available only to the Commission services. The new 'Contributions' tool also provides a way to quickly and easily gain access to contributions from other stakeholders provided they have not been marked as confidential, giving more visibility to contributions also outside the Commission. All contributions submitted through this new mechanism will be immediately forwarded to the Commission's competent services, representing an increase in the efficiency of the contribution process. In the meantime, contributors receive an automatic acknowledgement of receipt through the Contribution Acceptance receipt sent by email. 1.4 Jurisprudence on the Single Market Transparency Directive In the reference period the Court of Justice of the European Union (CJEU) issued two main rulings referring to the Single Market Transparency Directive and its obligations which help to clarify some aspects of the Directive and to better define some of its requirements. In case C-307/13 (Ivansson and Others),17 the Court stated that, if a change to the timetable for the implementation of a national measure is made and if this is significant in nature, the draft technical regulation is subject to the obligation of communication to the Commission, as laid down in the third subparagraph of Article 5(1) of the Single Market Transparency Directive ('Member States shall communicate the draft technical regulation again to the Commission […] if they make changes to the draft that have the effect of significantly altering its scope, shortening the timetable originally envisaged for implementation, adding specifications or requirements, or making the latter more restrictive'). The Court added that a failure to observe such an obligation constitutes a procedural defect in the adoption of the technical regulation concerned, and renders this technical regulation inapplicable and therefore unenforceable against individuals. In case C-98/14 (Berlington Hungary and Others)18 the Court ruled that a tax legislation such as that at issue which is not accompanied by any technical specification or any other requirement with which it is purportedly intended to ensure compliance, cannot be described as a 'de facto technical regulation' (Article 1(f) of the Single Market Transparency Directive) and that the concept of 'de facto technical regulations' refers, not to the tax measures themselves, but to the technical specifications or other requirements linked to them. The Court also stated that the provisions of national legislation that prohibit the operation of slot machines outside casinos constitute 'technical regulations' within the meaning of Article 1(f) of the Single Market Transparency Directive, the drafts of which must be communicated in accordance with the first subparagraph of Article 5(1) of the Single Market Transparency Directive. The Court held that 'a national measure which restricts the organisation of certain games of chance to casinos only constitutes a ‘technical regulation’, within the meaning of 16   [*http://ec.europa.eu/growth/tools-databases/tris/en/*](http://ec.europa.eu/growth/tools-databases/tris/en/). 17 The case was brought to the Court in the context of a request for a preliminary ruling concerning the interpretation of the third subparagraph of Article 8(1) of then Directive 98/34/EC, (OJ 1998 L 204, p. 37) on the obligation to communicate to the Commission any changes to the drafts previously notified to the Commission under the above-mentioned Directive, that have the effect of significantly altering the scope of, shortening the timetable originally envisaged for implementation, adding specifications or requirements, or making the latter more restrictive. 18 The case was brought to the Court in the context of a request for a preliminary ruling concerning, amongst others, the interpretation Articles 1, 8 and 9 of then Directive 98/34/EC. The case concerned regulation in the areas of slot machines. 7 Article [1(f) of the Single Market Transparency Directive], in so far as it can significantly influence the nature or the marketing of the products used in that context'. The Court also held that Articles 5 and 6 of the Single Market Transparency Directive, which illustrate the procedural steps of the notification procedure, 'are not intended to confer rights on individuals, in such a way that their infringement by a Member State gives rise to a right of individuals to obtain from that Member State compensation for the damage suffered as a result of that infringement on the basis of EU law'. These judgements provided better clarity on the interpretation of Articles 1, 5 and 6 of the Single Market Transparency Directive and notably on the notification of changes to previously notified laws, the concept of technical regulation and the fact that procedural breaches do not give rise to compensation claims. This will help Member States and the Commission in better applying the Single Market Transparency Directive. 2. APPLICATION OF THE NOTIFICATION PROCEDURE 1.5 Effectiveness: general overview ► Volume of notifications and sectors involved From 2014 to 2015, the Commission received 1382 notifications (655 in 2014, 727 in 2015)19. This represents a small decrease with respect to the previous two years (1484 notifications). Marked differences in the number of notifications among Member States have been noticed, with some Member States carrying out on average more than 50 notifications per year and others notifying less than 10 notifications per year. If this gap can be partly explained with a different setting of the State organisation (e.g presence of regional/local authorities with regulatory powers), lack of awarness or with a higher/lower degree of regulatory activity, this wide discrepancy raises doubts about the full compliance with the notification obligations by some Member States. This can also be explained by the fact that some national regulatory authorities do not take into account the Single Market Transparency Directive notification process, and notably the required stand-still of three months, when ***planning*** their regulatory decision making process. 19 These figures do not include notifications from EFTA countries which are signatories of the EEA Agreement (Norway, Lichtenstein and Iceland), Turkey and Switzerland. In the reporting period 85 notifications were carried out by these countries (44 by EFTA/EEA countries, 22 by Turkey and 19 by Switzerland). Please see Annex 3 for more information about these notifications. 8 Member States20142015Austria3843Belgium2020Bulgaria613Croatia104Cyprus143Czech Republic2637Denmark2939Estonia1817Finland3437France4969Germany5061Greece78Hungary2422Ireland62Italy2920Latvia1521Lithuania48Luxembourg21Malta51Netherlands5944Poland2536Portugal722Romania2417Slovakia2335Slovenia86Spain2130Sweden3832United Kingdom6479Total655727 A correlation between the size of the Member States and the number of notifications can be observed, with the biggest Member States notifying, in general, more than the medium and small ones. This can be partly explained with a higher number of regional and local authorities which have an obligation to notify their draft technical regulations. However, this is not always the case: for instance, in some cases medium-sized Member States notified more than some bigger Member States. As in the previous reporting period, the construction sector saw the highest number of notifications over the reporting period. Many measures related to energy efficiency of buildings and concrete structures, road pavements and constituent materials, and fire safety of buildings. Like in the previous reporting period, this sector was again followed by notifications in the area of ***agricultural*** products, fishery and aquaculture products and other foodstuffs. In this category, several measures concerned food hygiene, the composition and labelling of foodstuffs and beverages, food packaging, minimum price for alcoholic beverages, composition and marketing of alcoholic and non-alcoholic beverages, quality and origin marks. 9 Numerous notifications were also made in the telecommunications sector (radio equipment and telecommunications terminal equipment, radio interfaces, hardware and software for the collection, management and use of data gathered by electronic mechanisms installed on board vehicles (black box)). A number of notifications concerned gambling products and services. Finally, a number of notifications related to the environment sector (mainly packaging and packaging waste, recyclable products, processing of biodegradable waste) (see Annex 2.3). ► Issues addressed by the Commission in its reactions In the non-harmonised areas which, in absence of secondary legislation, are subject to compliance with Articles 34 to 36 (free movement of goods) and 49 and 56 (right of establishment and freedom to provide services) TFEU, the Commission’s reactions were intended to draw Member States’ attention to potential obstacles to trade after assessing the necessity and the proportionality of the measure in line with the case-law of the Court of Justice. Thus the Commission aimed to ensure compliance with these principles and in addition continued to invite Member States to insert mutual recognition clauses into each draft technical regulation falling outside the harmonised area. When national measures partially fall under harmonised areas, the reactions were intended to ensure that national measures were compatible with EU secondary legislation. • In 2014-2015 Member States notified 303 (151 in 2014 and 152 in 2015) draft technical regulations in the field of construction. These drafts concerned all types of construction products, inter alia, bridge structures and concrete road structures, pitched roof coverings for buildings, fire-fighting and rescue equipment, thermal insulation, synthetic fill materials, concrete structures, electrical installations on and in concrete structures, metallic materials in contact with drinking water. In particular, the Commission examined draft technical regulations setting additional technical requirements or tests for construction products impeding the free movement of products labelled with the CE mark. The notified drafts were examined principally under Regulation (EU) No 305/2011 laying down harmonised conditions for the marketing of construction products and repealing Council Directive 89/106/EEC20. The Commission examined draft legislation prohibiting the installation of fossil oil furnaces and natural gas furnaces in new buildings except when oil and gas furnaces use only renewable energy. The notified draft was examined under Directive 2009/142/EC on gas appliances (GAD)21 and Directive 92/42/EEC on efficiency requirements for new hot-water boilers fired with liquid or gaseous fuels22. Technical regulations relating to energy efficiency of buildings were assessed under Directive 2012/27/EU on energy efficiency23, Directive 2010/31/EU on the energy 20 Regulation (EU) No 305/2011 of the European Parliament and of the Council of 9 March 2011 laying down harmonised conditions for the marketing of construction products and repealing Council Directive 89/106/EEC, OJ L 88, 4.4.2011, p. 5–43. 21 Directive 2009/142/EC of the European Parliament and of the Council of 30 November 2009 relating to appliances burning gaseous fuels, OJ L 330, 16.12.2009, p. 10–27. 22 Council Directive 92/42/EEC of 21 May 1992 on efficiency requirements for new hot-water boilers fired with liquid or gaseous fuels, OJ L 167, 22.6.1992, p. 17–28. 23 Directive 2012/27/EU of the European Parliament and of the Council of 25 October 2012 on energy efficiency, amending Directives 2009/125/EC and 2010/30/EU and repealing Directives 2004/8/EC and 2006/32/EC, OJ L 315, 14.11.2012, p. 1–56. 10 performance of buildings 24 and Directive 2009/125/EC establishing a framework for the setting of ecodesign requirements for energy-related products25. The Commission also examinded draft legislation concerning requirements for motorway communications equipment. The notified draft was examined under Directive 1999/5/EC26, Directive 2006/95/EC27 and Directive 2004/108/EC28. • In the ***agricultural***, fishery and foodstuff sectors, from 2014 to 2015 Member States notified 266 (133 in 2014 and 133 in 2015) draft technical regulations. These drafts concerned, inter alia, materials coming into contact with foodstuffs, energy drinks, trans fats in food products, wine and spirits, quality marks for foodstuffs, the well-being of animals and the marketing of fur products. Certain Member States notified draft regulations setting up marks linking the quality of a product with its origin. These notifications have been examined under the Treaty provisions on the free movement of goods and Regulation (EU) No 1151/2012 of the European Parliament and the Council on quality schemes for ***agricultural*** products and foodstuffs.29 During the relevant period, the Commission examined many notifications concerning the hygiene of foodstuffs and issued detailed opinions and comments concerning their compliance with Regulation (EC) No 852/2004 on the hygiene of foodstuffs30, Regulation (EC) No 853/2004 laying down specific hygiene rules for food of animal origin31 and Regulation (EC) No 854/2004 laying down specific rules for the organisation of official controls on products of animal origin intended for human consumption32. Other notifications concerned the labelling of foodstuff and the Commission assessed their compatibility with Regulation (EU) No 1169/2011 on the provision of food information to consumers,33 in particular with the provisions on nutritional declarations, or other sector-specific provisions on consumer information.34 24 Directive 2010/31/EU of the European Parliament and of the Council of 19 May 2010 on the energy performance of buildings, OJ L 153, 18.6.2010, p. 13–35. 25 Directive 2009/125/EC of the European Parliament and of the Council of 21 October 2009 establishing a framework for the setting of ecodesign requirements for energy-related products, OJ L 285, 31.10.2009, p. 10–35. 26 Directive 1999/5/EC of the European Parliament and of the Council of 9 March 1999 on radio equipment and telecommunications terminal equipment and the mutual recognition of their conformity, OJ L 91of 7.4.1999, p. 10–28. 27 Directive 2006/95/EC of the European Parliament and of The Council of 12 December 2006 on the harmonisation of the laws of Member States relating to electrical equipment designed for use within certain voltage limits, OJ L 374 of 27.12.2006, , p. 10–19 28 Directive 2004/108/EC of the European Parliament and of the Council of 15 December 2004 on the approximation of the laws of the Member States relating to electromagnetic compatibility, OJ L 390 of 31.12.2004, p. 24–37. 29 Regulation (EU) No 1151/2012 of t

he European Parliament and the Council on quality schemes for ***agricultural*** products and foodstuffs, OJ L 343, 14.12.2012, p. 1–29. 30 Regulation (EC) No 852/2004 of the European Parliament and of the Council of 29 April 2004 on the hygiene of foodstuffs, OJ L 139, 30.4.2004, p. 1–54. 31 Regulation (EC) No 853/2004 of the European Parliament and of the Council of 29 April 2004 laying down specific hygiene rules for food of animal origin, OJ L 139, 30.4.2004, p. 55–205. 32 Regulation (EC) No 854/2004 of the European Parliament and of the Council of 29 April 2004 laying down specific rules for the organisation of official controls on products of animal origin intended for human consumption, OJ L 139, 30.4.2004, p. 206–320. 33 Regulation (EU) No 1169/2011 of the European Parliament and of the Council of 25 October 2011 on the provision of food information to consumers, amending Regulations (EC) No 1924/2006 and (EC) No 1925/2006 of the European Parliament and of the Council, and repealing Commission Directive 11 • In the Information Society services sector there were 69 (25 in 2014 and 44 in 2015) notifications. Numerous notifications were in the area of gambling, while others concerned, inter alia, copyright in the digital environment, on demand audio-visual media services, electronic commerce, electronic signature and other trust services. • In the metrology sector there were 67 notifications (37 in 2014 and 30 in 2015). These drafts concerned various types of measuring devices such as gas, electricity and heat meters, taximeters or prism refractometers and provided for specific requirements which these instruments have to fulfil. The notifications on gas, electricity and heat meters and taximeters were mainly analysed under Directive 2004/22/EC on measuring instruments35. The novelty consisted of projects of new smart metering systems, also falling under Directive 2004/22/EC, which are quite complex due to the needs of the combination of engineering with IT and communication, data privacy and security aspects. • In the chemicals sector the Commission received 69 (33 in 2014 and 36 in 2015) notifications. The bulk of the notifications concerned biocidal products, fertilisers, plant protection products and products falling under the scope of REACH and were mainly examined under Regulation (EC) No 1907/2006 concerning the Registration, Evaluation, Authorisation and Restriction of Chemicals ('REACH')36, the Biocidal Products Regulation37 and Regulation (EC) No 1107/2009 concerning the placing of plant protection products on the market38. • In the environmental sector the Commission examined 86 (42 in 2014 and 44 in 2015) draft regulations. Some notified drafts concerned packaging waste and raised both problems of compatibility with the EU harmonised legislation, particularly Directive 94/62/EC on packaging and packaging waste39 (for example with regard to the requirements for banning lightweight plastic carrier bags), and with Articles 34-36 TFEU, for the non-harmonised aspects (for instance with regard 87/250/EEC, Council Directive 90/496/EEC, Commission Directive 1999/10/EC, Directive 2000/13/EC of the European Parliament and of the Council, Commission Directives 2002/67/EC and 2008/5/EC and Commission Regulation (EC) No 608/2004, OJ L 304, 22.11.2011, p. 18–63. 34 Regulation (EU) No 1379/2013 of the European Parliament and of the Council of 11 December 2013 on the common organisation of the markets in fishery and aquaculture products, amending Council Regulations (EC) No 1184/2006 and (EC) No 1224/2009 and repealing Council Regulation (EC) No 104/2000, OJ L 354, 28.12.2013, p. 1–21. 35 Directive 2004/22/EC of the European Parliament and of the Council of 31 March 2004 on measuring instruments, OJ L 135, 30.4.2004, p. 1–80. 36 Regulation (EC) No 1907/2006 of the European Parliament and of the Council of 18 December 2006 concerning the Registration, Evaluation, Authorisation and Restriction of Chemicals, establishing a European Chemicals Agency, amending Directive 1999/45/EC and repealing Council Regulation (EEC) No 793/93 and Commission Regulation (EC) No 1488/94 as well as Council Directive 76/769/EEC and Commission Directives 91/155/EEC, 93/67/EEC, 93/105/EC and 2000/21/EC, OJ L 396, 30.12.2006, p. 1–849. 37 Regulation (EU) No 528/2012 of the European Parliament and of the Council of 22 May 2012 concerning the making available on the market and use of biocidal products, OJ L 167, 27.6.2012, p. 1–123. 38 Regulation (EC) No 1107/2009 of the European Parliament and of the Council of 21 October 2009 concerning the placing of plant protection products on the market and repealing Council Directives 79/117/EEC and 91/414/EEC, GU L 309 del 24.11.2009, p. 1–50. 39 European Parliament and Council Directive 94/62/EC of 20 December 1994 on packaging and packaging waste, OJ L 365, 31.12.1994, p. 10–23. 12 to the mutual recognition clause or the use of national standards for disposable plastic bags or disposable plastic cups, glasses and plates). The notification procedure has also allowed the Commission to intervene in sectors where harmonisation was envisaged or under way at European Union level and thus has prevented Member States from introducing divergent national measures. Pursuant to Articles 6(3) and 6(4) of the Single Market Transparency Directive, the Commission has requested the notifying Member State to postpone the adoption of notified draft legislation for twelve months from the date of notification in the fields of: electronic signatures, electronic archiving, electronic recorded delivery, electronic time-stamping and certification services (notification 2013/584/B and 2013/585/B) and requirements for milk and milk products, ice creams and edible fats and oils (notification 2015/169/CZ). Thus, the Single Market Transparency Directive helps to avoid the fragmentation of the Single Market in areas where harmonisation is envisaged or under way and aims to give greater certainty and stability in the legal framework to the economic operators. ► Positive examples, showcasing the impact of the Single Market Transparency Directive • In 2014 the Commission issued a detailed opinion on an Italian notification concerning a regional logo which linked the origin of a wide range of products with their quality. The Commission argued that this measure would have been contrary to Article 34 TFEU as it could have encouraged consumers to buy national products to the detriment of imported ones. Following a dialogue, the Italian authorities removed the barrier by eliminating the reference to the origin of the products covered by the notified draft. • In 2014 Hungary notified a draft measure setting inspections to ensure that operators have paid VAT on wine products without geographical indication marketed in Hungary. These inspections were subject to the payment of a fee. The Commission issued a detailed opinion arguing that the payment of a VAT inspection fee was contrary to Regulation (EU) No 1308/2013 establishing a common organisation of the markets in ***agricultural*** products40. Following the adoption of the measure by the Hungarian authorities, the Commission started an investigation which was finally closed due to the fact that the contested measure ceased to have effect from 31 July 2017 (due to lack of extension by the Hungarian authorities). The notification procedure, therefore, proved useful in the identification of a barrier to trade which was eventually removed through an investigation. • In 2015 the French authorities notified the Commission a draft measure defining a logotype to be used with industrial and craft products protected by geographical indications. The Commission issued a detailed opinion on the grounds that establishing the logotype, which consisted of a blue and red outline around the initials 'IG' [indication géographique – geographical indication], with the word 'FRANCE', was liable to constitute a measure having equivalent effect under Article 34 TFEU. In particular, the Commission considered that this logotype underlining the French origin of the products concerned would go beyond the objective of authenticating the specific local or regional origin of a product and could therefore encourage consumers to purchase products bearing this logo, to the exclusion of products from other Member 40 Regulation (EU) No 1308/2013 of the European Parliament and of the Council of 17 December 2013 establishing a common organisation of the markets in ***agricultural*** products and repealing Council Regulations (EEC) No 922/72, (EEC) No 234/79, (EC) No 1037/2001 and (EC) No 1234/2007, OJ L 347, 20.12.2013, p. 671–854. 13 States. The French authorities took these objections on board and amended the draft logotype in a manner with was consider acceptable by the Commission. • In 2015 France notified a draft technical regulation setting out the expected performance of personal protective equipment (PPE) used to protect operators and workers from synthesised plant protection products and proposed appropriate tests. The Commission issued a detailed opinion expressing its concerns on the mutual recognition clause contained in the notified draft. According to the notified draft, any other means could be used to demonstrate that suits comply with the essential health and safety requirements of Council Directive 89/686/EEC on the approximation of the laws of the Member States relating to personal protective equipment41 (PPP Directive), provided that these means guaranteed the same level of protection for operators and workers as the test conditions and information requirements described in the French draft. The Commission was of the opinion that this provision rendered in practice the test conditions and information requirements of the notified text mandatory, in breach of Article 4(1) of the PPE Directive: 'Member States may not prohibit, restrict or hinder the placing on the market of PPE or PPE components which comply with the provisions of this Directive and which bear the CE marking attesting their conformity to all the provisions of this Directive, including the certification procedures in Chapter II'. The French authorities modified the text accordingly, addressing the concerns expressed by the Commission. • In 2014 the United Kingdom notified a draft providing that motorway communications equipment should comply with the Low Voltage Directive (LVD)42, the Radio & Telecommunication Terminal Equipment Directive (R&TTE)43, and the Electromagnetic Compatibility Directive (EMC)44, and, in addition, with a number of harmonised voluntary standards. The Commission issued a detailed opinion reminding that if products fall within the scope of specific EU harmonising legislation providing for the CE marking (such as the LVD, EMC, R&TTE), they shall comply with that legislation and shall not be subject to those provisions of the notified draft that regulate the same risks. The United Kingdom modified the draft by removing any requirement to comply with voluntary harmonised standards under CE marking directives throughout the notified draft. ► Most common tackled barriers One of the purposes of the Single Market Transparency Directive is to allow the identification of areas of recurrent obstacles to the free movement of goods and the freedom to provide Information Society services and the detection of harmonisation needs with the aim of ensuring a smoother functioning of the single market45. 41 Council Directive 89/686/EEC of 21 December 1989 on the approximation of the laws of the Member States relating to personal protective equipment, OJ L 399, 30.12.1989, p. 18–38. 42 Directive 2014/35/EU of the European Parliament and of the Council of 26 February 2014 on the harmonisation of the laws of the Member States relating to the making available on the market of electrical equipment designed for use within certain voltage limits, OJ L 96, 29.3.2014, p. 357–374. 43 Directive 1999/5/EC of the European Parliament and of the Council of 9 March 1999 on radio equipment and telecommunications terminal equipment and the mutual recognition of their conformity, OJ L 091 , 07.04.1999 p. 10-28. 44 Directive 2004/108/EC of the European Parliament and of the Council of 15 December 2004 on the approximation of the laws of the Member States relating to electromagnetic compatibility and repealing Directive 89/336/EEC, OJ L 390, 31.12.2004, p. 24–37. 45 See recital number 15 of the Single Market Transparency Directive. 14 In this respect, the Commission identified in the period under analysis several recurrent barriers in the notified draft legislation, of which the most pertinent ones are listed below.. Mutual recognition clauses The Commission reacted frequently to notifications of draft technical regulations in which the mutual recognition clause was not included or was not drafted in line with the standard laid down in the 'Interpretative Communication on facilitating the access of products to the markets of other Member States: the practical application of mutual recognition' (2003/C 265/02). Some Member States justified the absence of the mutual recognition clause in their drafts on the basis of the inclusion of a general mutual recognition clause in the basic legislation. In those cases, the Commission nonetheless recommended to the notifying Member States to include in the notified drafts a direct reference to the mutual recognition clause in the basic legislation in order to ensure the necessary legal certainty for business operators. Improper legal drafting technique - Repetition of provisions of EU Regulations One of the most frequent issues addressed by the Commission in the detailed opinions issued on the basis of EU regulations applicable in the food hygiene area, was a practice whereby the notified draft technical regulations repeated, often partially and in an incomplete way, the provisions laid down in the applicable EU regulations. According to the Treaty on the Functioning of the European Union, a regulation has general application, is binding in its entirety and is directly applicable in all Member States (Article 288 TFEU). Thus, Member States may not lay down rules in the area governed by directly applicable EU legislation, even identical ones, as they would interfere with the correct application of the EU legislation and cause uncertainty as to the complete application of the relevant EU law. Incorrect implementation of the exemptions provided for in the food hygiene regulations Several potential breaches have also been identified in respect of the implementation by the notifying Member States of the exceptions and the flexibility clauses contained in the three Regulations (e.g Article 1(3) and (5) and Article 10(3) of Regulation (EC) No 853/2004 laying down specific hygiene rules for food of animal origin). Member States wrongly implemented or went beyond what is allowed by these exemptions. Unjustified barriers related to Information Society services In the area of Information Society services the Commission identified recurrent problems in notified drafts concerning gambling. These led to the issuance of 14 detailed opinions (6 in 2014 and 8 in 2015) the main grounds of which concerned unjustified or disproportionate restrictions to the free provision of services and freedom of establishment under Articles 49 and 56 TFEU. For example, the Commission made remarks concerning the conditions for granting the monopoly and licenses to gambling operators, the establishment requirements in a given Member State of the service provider or of its ICT infrastructure or regarding the blocking of websites. Other recurring issues in the detailed opinions concerning gambling related to the compliance with the Data Protection Directive 95/46/EC, restrictions to the free movement of goods (Article 34-36 TFEU) and breach of product–related secondary legislation such as Regulation (EC) No 765/2008 on marketing of products, accreditation and market surveillance, the Machinery Directive 2006/42/EC, Directive 1999/5/EC on radio equipment and telecommunications terminal equipment, Directive 2014/30/EU on Electromagnetic Compatibility and the Low Voltage Directive 2014/35/EU. For example, the Commission 15 raised concerns regarding requiring CE marking, assessment by conformity assessment bodies or non-recognition of foreign conformity assessment bodies. Standards – making them mandatory, requring additional test methods Another recurring issue is a practice whereby national legislation seeks to make voluntary European harmonised standards compulsory by inserting them into national law. In this context, under the New Approach directives, only 'essential requirements' listed in the harmonising Directives are mandatory. European harmonised standards are one of the ways of guaranteeing the presumption of conformity with the mandatory essential requirements and should thus remain voluntary. This practice by the Member States would create barriers to trade within the internal market since products complying with the essential requirements of New Approach Directives but not with the European harmonised standards, could not freely circulate in the Member State in question. Moreover, some Member States intended to develop and to require additional (non-standardised) test methods to those provided for by harmonised standards while, additional national methods cannot be imposed by Member States in the light of the case law of the CJEU as well as primary and secondary EU legislation. National (even voluntary) procedures linked to the verification/testing of characteristics not harmonised in harmonised standards are therefore not allowed. All of the above-mentioned recurrent practices have been discussed with the Member States in the framework of the Standing Committee of Technical Regulations, which meets twice per year. In addition, these recurrent practices will be also discussed in the context of bilateral compliance meetings with the Member States. ► Reactions The Single Market Transparency Directive allows for a formal and structured exchange of information between the Members States and the Commission and among Members States to take place when assessing notified drafts. The intensity of this exchange of information is demonstrated by the high number of reactions sent by the Commission and the Member States to the notifications and by the replies of the notifying Member States and the subsequent exchange of messages. Thanks to this exchange of information, the Member States have also the possibility to ascertain the degree of compatibility of notified drafts with European Union legislation. When necessary, the Commission's services also meet at expert level with representatives of the Member States to clarify outstanding issues. The Commission can also send to the Member States requests for supplementary information in order to clarify the scope of the notified technical regulations. The intensity of this dialogue is showed in the table below which indicates the number of notifications per Member State for each year of the period considered and the comments and detailed opinion issued by the Commission regarding those notifications46. 46 This table uses a different methodology from the rest of the report for the calculation of the number of detailed opinions and comments issued by the Commission. While the rest of the report refers to detailed opinions and comments issued in the course of the relevant period (2014 and 2015), the table refers to detailed opinions and comments issued with regard to notifications carried out in 2014 and 2015. Therefore, the table includes detailed opinions and comments issued in the beginning of 2016 for notifications made in the end of 2015. Likewise, the table does not include detailed opinions and comments issued in the beginning of 2014 for notifications made in the end of 2013. 16 NotificationsCommentsD.O.NotificationsCommentsD.O.Austria3810243141Belgium20322012Bulgaria6011314Croatia1021420Cyprus1452310Czech Republic264037116Denmark29633954Estonia18901732Finland342137132France4915569815Germany50656174Greece730833Hungary241052253Ireland621201Italy29742024Latvia15222132Lithuania437819Luxembourg200100Malta531110Netherlands591104452Poland25333682Portugal7422243Romania241131792Slovakia23723592Slovenia812611Spain21933084Sweden38613260United Kingdom649479104Total6551536272714182Member States20142015 In the period considered the Commission issued 141 detailed opinions (60 from 2014, 81 from 2015), which represents 10.2% of the total number of drafts notified by the Member States over the reporting period. This figure shows a 10% decrease in the number of detailed opinions issued by the Commission compared to the previous two years. For their part, the Member States issued 131 detailed opinions (64 from 2014 and 67 from 2015), which represents a decrease compared to the previous two years (157 detailed opinions). Of the 589 comments issued during the reporting period (634 had been issued in the previous two years), 352 were made by the Commission (161 in 2014 and 191 in 2015) and 237 by the Member States (112 in 2014 and 125 in relation to notifications from 2015) (see Annexes 2.4 and 2.6). The table below shows the number of reactions (comments and detailed opinions) issued by each Member State in the reporting period. The numbers in the table provide some indications on the participation of Member States in the dialogue triggered by the notification and on the specific interests of some Member States whose reactions are more contentrated in specific sectors. Austria, France, Germany, Italy, Poland, Spain and the United Kingdom are among the most active Member States. An analysis of the reactions per Member State and by sector shows a particular interest of Austria, France, Italy, Slovakia and Spain for the ***agriculture***, 17 fishery and foodstuffs sector; of Germany for the telecoms sector; of Poland for the mechanics sector; and of Malta for the domestic and leisure equipment sector (mostly linked with gambling machines). Thanks to the access to all notifications and to the messages exchanged within the dialogues, Member States can use the Single Market Transparency Directive as a benchmarking tool. It allows them to draw on the ideas of their partners in order to solve common problems regarding technical regulations and to identify when a draft technical regulation could be in breach of EU law. In 3 cases, the Commission invited the Member States concerned to postpone the adoption of the notified regulations for one year from the date of their receipt, because there was European Union harmonisation work under way in the area (see Annex 2.5). 1.6 Use of the urgency procedure Out of a total of 1382 notifications, the Member States made 76 (40 in 2014 and 36 in 2015) requests to apply the urgency procedure to notified drafts. The Commission confirmed the strict conditions required by the Single Market Transparency Directive for the urgency porcedure to apply, namely serious and unforeseeable circumstances relating in particular to the protection of health and safety. As a result, use of the urgency procedure was refused for ConstructionAgriculture, Fisheries and FoodstuffsTransportEnergy, Minerals, WoodTelecomsMechanics98/48/EC ServicesEnvironmentDomestic And Leisure EquipmentPharmaceuticals And CosmeticsChemicalsGoods and Misc. ProductsHealth, Medical EquipmentAustria21011051332210Belgium0300000000000Bulgaria2000010100050Croatia0400000100000Czech Republic0800020000050Denmark0401000001000Estonia0300000000010Finland0203000100000France3903041101120Germany44103520008020Greece0000000000050Hungary0800010000120Ireland0200000000020Italy01120210100260Lithuania0000000000030Malta00000010100000Netherlands0100000000300Poland65100100200380Portugal0100000100050Romania1100010000050Slovakia01300000000070Slovenia0800000000000Spain32501000100070Sweden1311001100000United Kingdom2401010401260 18 cases in which the justification was not sufficiently established or was based on purely economic grounds or national administrative delay as well as in cases for which no unforeseeable circumstances were demonstrated. The urgency procedure was deemed justified in 60 cases (29 in 2014 and 31 cases in 2015), in particular concerning psychotropic substances, control of narcotics, medicinal products, fight against terrorism, firearms, pesticides, infection of bees, prohibition of products that are harmful to health and fireworks (see Annex 2.7). 1.7 Notification of 'fiscal or financial incentive measures' According to the Single Market Transparency Directive, Member States have to notify fiscal and financial incentives, i.e technical regulations which are linked to fiscal or financial measures affecting the consumption of products or services by encouraging compliance with such technical regulations. The specificity of such technical regulations is that the standstill period does not apply. During the period 2014-2015 Member States notified 70 (35 in 2014 and 35 in 2015) draft regulations as 'fiscal or financial measures'. The Commission observes that often national legislation is misclassified as 'fiscal or financial measure' in the meaning of the Single Market Transparency Directive when it contains any fiscal or financial measures but not the incentive to comply with such technical regulations. In order to help Member States to correctly classify these technical regulations the Commission shared with the Member States Guidelines on the definition and notification of 'fiscal or financial measures' for the purposes of the Single Market Transparency Directive. 1.8 Follow-up to Commission reactions According to Article 6(2) of the Single Market Tranpsarency Directive, Member States have to report on the action they propose to take in response to a detailed opinion. From 2014 to 2015, the ratio between the number of responses given by the Member States and the volume of detailed opinions issued by the Commission was satisfactory, but could be further improved (an average of 79% over the period). The number of completely satisfactory responses was in line with the previous two years (an average of 56% over the period 2014-2015 in comparison with 54% over the period 2012-2013) (see Annex 2.8). In the period considered the Member States withdrew 43 draft technical regulations. In 12 cases (7 in 2014 and 5 in 2015) the withdrawal followed the delivery of a reaction (detailed opinion or comments) by the Commission. Some of the reasons of these withdrawals are, inter alia, the introduction by the notifying Member State of substantial changes to the draft technical regulation which require a new notification (Article 5(1) of the Single Market Transparency Directive) or the simple decision of the national authorities not to go ahead with the adoption of the draft technical regulation. For other notified draft technical regulations the dialogue is still on-going. 1.9 Follow-up to the notification procedure For all other cases in which the potential breaches of the EU internal market law have not been entirely removed within the framework of the notification procedure, the Commission conducted further investigations which in some cases, eventually led to launching a pre-infringement dialogue with the Member States (the so-called EU Pilot) and, in some cases, to infringement proceedings (Article 258 of the TFEU) on subjects such as sugar content for jam and marmalade and use of the reserved denomination 'marmalade', quality and transparency of the supply chain for virgin olive oils, wine and spirits, labelling of beef meat in the context 19 of a regional quality system, online gambling, fuel quality, gas appliances, the safety of road barriers and packaging and packaging waste. In the period concerned, the Commission also started EU Pilot cases and where necessary, infringement proceedings concerning, inter alia, the breach of obligations under the Single Market Transparency Directive. For all these cases, the Commission drew the attention of the national authorities to their duty to notify and to respect the standstill period provided for in Article 6(2) of the Single Market Transparency Directive. The Commission recalled that the CJEU held that the adoption of technical regulations in breach of 'the obligation to notify constitutes a substantial procedural defect such as to render the technical regulations in question inapplicable to individuals'. Consequently, individuals can resort to national courts which 'must decline to apply a national technical regulation which has not been notified in accordance with the directive' (Case C-194/94 CIA Security International, paragraphs 44, 48 and 54; Case-226/97 Lemmens, paragraph 33; Case C-303/04 Lidl Italia, paragraphs 23, 24). 1.10 Structured exchanges with the Member States The regular meetings of the Single Market Transparency Directive Committee allowed views to be exchanged on points of general interest and also on specific aspects of the notification procedure. As regards technical regulations, the discussions particularly concerned the urgency procedure under the Single Market Transparency Directive; access to documents of the Commission under Regulation (EC) No 1049/2001 regarding public access to European Parliament, Council and Commission documents47 and confidential notifications; the obligation for Member States to communicate to the Commission the final text of a notified technical regulation; developments on the jurisprudence of the CJEU concerning the Single Market Transparency Directive. Based on requests from the Member States and on the initiative of the Commission to provide clarification on some recurrent barriers or on new legislation, the Commission made presentations concerning the notification procedure for the Swiss and the EEA notifications; technical regulations in the area of psychoactive substances; the proposal for a regulation on electronic identification and trust services for electronic transactions in the internal market; the relation between REACH and the Single Market Transparency Directive; issues related to the broadcasting exemption from the Single Market Transparency Directive; the mutual recognition clause and Articles 34-36 TFEU; the Fuel Quality Directive48; the food hygiene package49; the Packaging and Packaging Waste Directive50; the notification procedure under Regulation (EU) No 1169/201151. 47 Regulation (EC) No 1049/2001 of the European Parliament and of the Council of 30 May 2001 regarding public access to European Parliament, Council and Commission documents, OJ L 145, 31.5.2001, p. 43-48. 48 Directive 2009/30/EC of the European Parliament and of the Council of 23 April 2009 amending Directive 98/70/EC as regards the specification of petrol, diesel and gas-oil and introducing a mechanism to monitor and reduce greenhouse gas emissions and amending Council Directive 1999/32/EC as regards the specification of fuel used by inland waterway vessels and repealing Directive 93/12/EEC, OJ L 140, 5.6.2009, p. 88–113. 49 Regulation (EC) No 852/2004 of the European Parliament and of the Council of 29 April 2004 on the hygiene of foodstuffs, OJ L 139, 30.4.2004, p. 1–54; Regulation (EC) No 853/2004 of the European Parliament and of the Council of 29 April 2004 laying down specific hygiene rules for food of animal origin, OJ L 139, 30.4.2004, p. 55–205; Regulation (EC) No 854/2004 of the European Parliament and 20 Several Member States made presentations on their best practices for notifications under the Single Market Transparency Directive. Seminars were also held in several Member States, allowing direct dialogue between the Commission and the national authorities involved in the notification procedure and helping the latter to become familiar with the technical elements of the notification procedure. The Commission has included presentations on the application of the Single Market Transparency Directive in the agendas of the compliance dialogue meetings with Member States which are carrried out following the commitment in the Single Market Strategy. 1.11 Requests for access to documents issued under the Single Market Transparency Directive From 2014 to 2015 the Commission received 236 (98 in 2014 and 138 in 2015) requests for access to documents issued in the framework of the Single Market Transparency Directive. The major part of them concerned detailed opinions and comments delivered by the Commission. In 68 of the cases, access to the requested documents was given. In the other cases, access to documents was refused or partially refused while the dialogue with the Member States, aiming to remove the potential obstacle to trade, was ongoing. 1.12 Transparency Transparency is a fundamental feature of the notification procedure. The TRIS public website is the window that ensures stakeholders are constantly informed about all draft technical regulations under preparation by Member States and that a dialogue between stakeholders and the Commission services takes place, thanks to the new contribution functionality mentioned in paragraph 1.3 The success of the TRIS public website is corroborated by numbers: • At the end of 2015 there were 5,196 subscribers to the TRIS mailing list compared to 4,441 in 2013, with an increase of 17% in the two-year reporting period; • In the period considered 244,736 searches have been carried out through the TRIS public website compared to 177,147 searches in the period 2012-2013, with an increase of 38%; • Also, access to notifications by the users has increased from 869,791 occurrences in 2013 to 1,203,299 by the end of 2015, determining a specific increase of 38%. of the Council of 29 April 2004 laying down specific rules for the organisation of official controls on products of animal origin intended for human consumption, OJ L 139, 30.4.2004, p. 206–320 50 European Parliament and Council Directive 94/62/EC of 20 December 1994 on packaging and packaging waste, OJ L 365, 31.12.1994, p. 10–23. 51 Regulation (EU) No 1169/2011 of the European Parliament and of the Council of 25 October 2011 on the provision of food information to consumers, amending Regulations (EC) No 1924/2006 and (EC) No 1925/2006 of the European Parliament and of the Council, and repealing Commission Directive 87/250/EEC, Council Directive 90/496/EEC, Commission Directive 1999/10/EC, Directive 2000/13/EC of the European Parliament and of the Council, Commission Directives 2002/67/EC and 2008/5/EC and Commission Regulation (EC) No 608/2004 Text with EEA relevance, OJ L 304, 22.11.2011, p. 18–63. 21 3. CONCLUSION During the period 2014-2015, the usefulness of the procedure has again been confirmed in terms of transparency, administrative cooperation and prevention of techical barriers in the internal market. The preventive and networking approach of the notification procedure, has reduced the risk of national regulatory activities being carried out in a way that would create technical barriers to the free movement of goods within an internal market which is rapidly evolving, but is not yet delivering on its full potential. There is still room for improvement in the application of the procedure, namely concerning the number of notifications from some Member States and their compliance with the notification obligations. A higher number of notifications and a more active participation of Member States in the procedure would favour the prevention of new technical barriers and the identification of systemic issues in each Member State and across the EU. This would help the dialogue with the Commission and would facilitate a more targeted and effective approach to barriers to intra-EU trade. The high number of detailed opinions and comments issued during the reporting period demonstrates that there is an increasing risk of fragmentation of the internal market for goods. On average 79% of the detailed opinions issued by the Commission were replied to by the Member States concerned and dialogues followed to remove any incompatibility with EU law, thus avoiding infringement procedures. The importance of the Single Market Transparency Directive is proved by the high interest of stakeholders in the notification procedure, as noted, inter alia, in the REFIT Platform opinion on the Directive52. This growing interest mirrors the effort to improve the transparency and the efficiency of the TRIS public website. The notification procedure has also confirmed its usefulness in providing the possibility to identify areas where harmonisation at EU level might be an option. When applying the Single Market Transparency Directive the Commission remains vigilant regarding the principle of better regulation and the need to sustain a favourable environment for the competitiveness of the European economy. Notified drafts continue to be available electronically, free of charge and in all the official languages of the EU, thus providing the opportunity for economic operators and other stakeholders to comment on them. Efforts will continue in order to ensure a clear legal framework for economic operators aiming to enhance the competitiveness of European enterprises in the EU and abroad, taking into account the links between the notification procedure and that established by the Agreement on Technical Barriers to Trade (TBT) in the context of the World Trade Organisation (WTO). Further promotion of the Single Market Transparency Directive and its stronger implementation together with a stronger link with follow-up policy and legislative actions are crucial in order to fully achieve its objectives. 52 [*https://ec.europa.eu/info/files/refit-platform-recommendations-internal-market-xii6a-single-market-transparency-directive\_en*](https://ec.europa.eu/info/files/refit-platform-recommendations-internal-market-xii6a-single-market-transparency-directive_en)

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**Body**

2017 Annual Report

Achieve Growth through Innovation and Prudence

Corporate Vision :

To be

"an international investment holdings company with a primary focus on expressway infrastructure investment and operation"

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Location Map of Expressways in Zhejiang Province

Definition of Terms

|  |  |  |
| --- | --- | --- |
| Audit Committee |  | the audit committee of the Company |
|  |  |  |
| Board |  | the board of directors of the Company |
|  |  |  |
| Company or Zhejiang Expressway |  | Zhejiang Expressway Co., Ltd., a joint stock limited company  incorporated in the PRC with limited liability on March 1, 1997 |
|  |  |  |
| Communications Group |  | Zhejiang Communications Investment Group Co., Ltd.,  a wholly State-owned enterprise established on December 29, 2001 |
|  |  |  |
| Directors |  | the directors of the Company |
|  |  |  |
| GDP |  | gross domestic product |
|  |  |  |
| Group |  | the Company and its subsidiaries |
|  |  |  |
| H Shares |  | the overseas listed foreign shares of Rmb1.00 each in the  share capital of the Company which are primarily listed on  the Hong Kong Stock Exchange and traded in Hong Kong  dollars since May 15, 1997 |
|  |  |  |
| Hanghui Co |  | Zhejiang Hanghui Expressway Co., Ltd.,  a 88.674% owned subsidiary of the Company |
|  |  |  |
| Huihang Co |  | Huangshan Yangtze Huihang Expressway Co., Ltd,  a wholly-owned subsidiary of the Company |
|  |  |  |
| Hong Kong Stock Exchange |  | The Stock Exchange of Hong Kong Limited |
|  |  |  |
| Jiaxing Co |  | Zhejiang Jiaxing Expressway Co., Ltd.,  a 99.9995% owned subsidiary of the Company |
|  |  |  |
| Jinhua Co |  | Zhejiang Jinhua Yongjin Expressway Co., Ltd.,  a wholly-owned subsidiary of the Company |
|  |  |  |
| Listing Rules |  | the Rules Governing the Listing of Securities on The Stock  Exchange of Hong Kong Limited |
|  |  |  |
| Period |  | the period from January 1, 2017 to December 31, 2017 |
|  |  |  |
| PRC |  | the People's Republic of China |
|  |  |  |
| Rmb |  | Renminbi, the lawful currency of the PRC |
|  |  |  |
| SFO |  | Securities and Futures Ordinance (Chapter 571, Laws of  Hong Kong) |
|  |  |  |
| Shangsan Co |  | Zhejiang Shangsan Expressway Co., Ltd.,  a 73.625% owned subsidiary of the Company |
|  |  |  |
| Shareholders |  | the shareholders of the Company |
|  |  |  |
| Shengxin Co |  | Shengxin Expressway Co., Ltd.,  a 50% owned joint venture of the Company |
|  |  |  |
| Supervisory Committee |  | the supervisory committee of the Company |
|  |  |  |
| Yangtze Financial Leasing |  | Yangtze United Financial Leasing Co., Ltd.,  a 13% owned associate of the Company |
|  |  |  |
| Yuhang Co |  | Zhejiang Yuhang Expressway Co., Ltd.,  a 51% owned subsidiary of the Company |
|  |  |  |
| Zheshang Securities |  | Zheshang Securities Co., Ltd.,  a 63.74475% owned subsidiary of the Shangsan Co |
|  |  |  |
| Zhejiang Communications Finance |  | Zhejiang Communications Investment Group Finance Co., Ltd.,  a 35% owned associate of the Company |

Company Profile

Zhejiang Expressway is an infrastructure company principally engaged in investing in, developing and operating of high-grade roads. The Company and its subsidiaries are also engaged in the expressway related development and operation, as well as securities business.

Major assets under management of the Group include the 248km Shanghai-Hangzhou-Ningbo Expressway, the 142 km Shangsan Expressway, the 70 km Jinhua section of Ningbo-Jinhua Expressway, the 122 km Hanghui Expressway and the 82 km Huihang Expressway, ancillary facilities along the five expressways, and Zheshang Securities. Among which, apart from Huihang Expressway which is situated within Anhui Province in the PRC, the rest of the four expressways are situated within Zhejiang Province in the PRC. As at December 31, 2017, total assets of the Company and its subsidiaries amounted to Rmb73,650.52 million.

The Company was incorporated on March 1, 1997 as the main vehicle of the Zhejiang Provincial Government for investing in, developing and operating expressways and Class 1 roads in Zhejiang Province.

Incorporated on December 29, 2001, Communications Group, the controlling shareholder of the Company, is a provincial-level communications company which is wholly-owned by the State and established by the Zhejiang Provincial Government. It mainly operates a diversity of businesses, such as investment, operations, maintenance, toll collection and ancillary services of expressways; construction and building of transportation project, ocean and coastal transport; as well as real estates. On July 11, 2016, Zhejiang Provincial Government carried out a merger and restructuring of Communications Group and Zhejiang Railroad Investment Group Co., Ltd. Upon merger and restructuring, Communications Group will be responsible for the investment and financing, construction, operation and management of transport related fundamental facilities including expressways, railroads, key cross-region mass transit railways and integrated transport hubs.

The H Shares of the Company, which represent approximately 33% of the issued share capital of the Company, were listed on the Hong Kong Stock Exchange on May 15, 1997, and the Company subsequently obtained a secondary listing on the London Stock Exchange on May 5, 2000.

With a solid foundation built on the Group's expressway business, the Company will expand its main businesses scale, enhance its core competitiveness, and grow its financial and securities business so as to increase its profit contribution to the Group. Looking ahead, the Company will seize investment opportunities to acquire new projects, and strive to develop the Company into an international investment holdings company with a primary focus on expressway infrastructure investment and operation.

Corporate Structure of the Group

For the corporate and business structure of the Group as at December 31, 2017, please visit:

[*https://photos.prnasia.com/prnk/20180328/2089938-1-a*](https://photos.prnasia.com/prnk/20180328/2089938-1-a)

Review of Major Corporate Events

1. On March 27, 2017, the Company announced its 2016 annual results in Hong Kong and thereafter conducted its annual results presentation in Hong Kong and Singapore.

2. On April 21, 2017, the Company issued zero coupon convertible bonds due 2022 in an aggregate amount of Euro365,000,000.

3. On April 28, 2017, the Company published its 2017 first quarterly results.

4. On May 15, 2017, the Company orga nised a hiking activity in celebration of the 20th anniversary of its establishment and listing.

5. On May 18, 2017, the Company held its Annual General Meeting to approve, inter alia, the resolutions regarding the payment of a final dividend of Rmb0.295 per share, the reappointment of Deloitte Touche Tohmatsu Certified Public Accountants Hong Kong as the Hong Kong auditors of the Company, the re-appointment of Pan-China Certified Public Accountants LLP. as the PRC auditors of the Company, and the grant of general mandate to the Board to issue, allot and deal in new H shares of no more than 20% of the issued H shares of the Company.

6. On June 26, 2017, Zheshang Securities Co., Ltd., a subsidiary of the Company, was officially listed on the Shanghai Stock Exchange (Stock Code: 601817). The total number of issued shares of Zheshang Securities was 333,333,400 and the issue price was Rmb8.45 per share.

7. On August 23, 2017, the Company published its 2017 interim results and thereafter conducted its interim results presentation in Hong Kong and Singapore.

8. On September 27, 2017, the Company, as one of the syndicate members, participated in the PPP project in relation to the North Link Expressway of Jiaxing Qiantang River Tunnel, responsible for the construction and management of the project and the operation and maintenance upon completion of construction.

9. On October 31, 2017, the Company announced its 2017 third quarterly results.

10. On December 18, 2017, the Company held its Extraordinary General Meeting to approve, among others, the resolutions regarding the payment of the 2017 interim dividend of Rmb0.06 per share and the inclusion of party construction into the articles of association. In addition, upon listing of Zheshang Securities, the amount representing 10% of the total issued shares of the listed company held by Shangsan Co will be transferred to National Social Security Fund and Communications Group, the state-owned shareholder of the Company, shall compensate Rmb0.0328 per share to the H shareholders of the Company. The compensation was paid to the H shareholders of the Company together with the interim dividend on January 19, 2018.

11. On December 27, 2017, the Company entered into the Agreement on Outsourced Operation and Management of S45 Yiwu-Dongyang Expressway with Yiwu Transportation Investment and Construction Group Co., Ltd. with respect to the outsourced management of expressway from Yiwu to Dongyang with a length of approximately 21.6 km, marking the first outsourcing project regarding the management of expressway of the Company.

12. On February 8, 2018, the Company and Zhejiang Hongtu Transportation Construction Company Limited obtained the notice of bid award from Deqing Transportation Bureau, responsible for the PPP project in relation to the construction of bridges, tunnels and public service stations in Deqing.

Particulars of Major Road Projects

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Expressway | Percentage  of  Ownership | Length in  Kilometers | Number of  Lanes | Number  of Toll  Stations | Number of  Service  Areas | Start of  Operation | Remaining  Years of  Operation |
| -------------------------------------- | ------------ | ----------- | ---------- | -------- | ---------- | ----------- | ----------- |
|  |  |  |  |  |  |  |  |
| Shanghai-Hangzhou Expressway |  |  |  |  |  |  |  |
| - Jiaxing Section | 99.9995% | 88.1 | 8 | 7 | 2 | 1998 | 11 |
| - Yuhang Section | 51% | 11.1 | 6 | 1 | 0 | 1995-1998 | 11 |
| - Hangzhou Section | 100% | 3.4 | 4 | 2 | 0 | 1995 | 11 |
|  |  |  |  |  |  |  |  |
| Hangzhou-Ningbo Expressway |  |  |  |  |  |  |  |
| - Hangzhou to Hongken section | 100% | 16 | 4 | 1 | 0 | 1992 | 10 |
| - Hongken to Duantang section | 100% | 124 | 8 | 9 | 2 | 1995 | 10 |
| - Duantang to Dazhujia section | 100% | 5 | 4 | 1 | 0 | 1996 | 10 |
|  |  |  |  |  |  |  |  |
| Shangsan Expressway | 73.625% | 142 | 4 | 11 | 3 | 2000 | 13 |
|  |  |  |  |  |  |  |  |
| Ningbo-Jinhua Expressway |  |  |  |  |  |  |  |
| - Jinhua Section | 100% | 69.7 | 4 | 7 | 1 | 2005 | 13 |
|  |  |  |  |  |  |  |  |
| Hanghui Expressway |  |  |  |  |  |  |  |
| - Changyu Section | 88.674% | 36.7 | 4 | 5 | 1 | 2004 | 12 |
| - Changhang Section | 88.674% | 85.6 | 4 | 8 | 1 | 2006 | 14 |
|  |  |  |  |  |  |  |  |
| Huihang Expressway | 100% | 81.6 | 4 | 5 | 2 | 2004 | 16 |

CURRENT TOLL RATES ON THE EXPRESSWAYS UNDER THE GROUP

1. Passenger vehicle classification and toll rates

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  | Zhejiang Expressway |  |  |
|  |  |  |  | Huihang |
| Vehicle |  |  |  | Expressway |
| Class | Classification Standard | Entrance Fee | Mileage Fee | Mileage fee |
|  |  | (Rmb/vehicle) | (Rmb/vehicle/km) | (No entrance fee) |
| ---------------------------------------------------------------------------------------------------------------------------- |  |  |  |  |
|  |  |  |  |  |
| 1 | Passenger vehicle with up to 7 seats | 5 | 0.45 | 0.45 |
|  |  |  |  |  |
| 2 | Truck with tonnage of 2 tons or below | 5 | 0.45 | 0.45 |
|  | Passenger vehicle with seats 8 to 19 | 5 | 0.45 | 0.80 |
|  |  |  |  |  |
| 3 | Truck with tonnage of above 2 tons and up to 5 tons | 10 | 0.80 | 0.80 |
|  | Passenger vehicle with seats 20 to 39 | 10 | 0.80 | 1.10 |
|  |  |  |  |  |
| 4 | Truck with tonnage of above 5 tons and up to 10 tons | 15 | 1.20 | 1.10 |
|  | Passenger vehicle with seats above 40 | 15 | 1.20 | 1.30 |
|  |  |  |  |  |
| 5 | Truck with tonnage above 10 tons and up to 15 tons | 15 | 1.40 | 1.30 |
|  | Truck with tonnage above 15 tons | 20 | 1.60 | 1.50 |

2. Toll rates on goods vehicles  on the Zhejiang Expressway

|  |  |  |  |
| --- | --- | --- | --- |
| Load |  | Toll Standards |  |
| ---------------------------------------------------------------------------------------------------------------------------- |  |  |  |
|  |  | Up to 5 tons | Rmb0.09/ton per km |
| Legally loaded |  | Above 5 tons and up to 15 tons | Rmb0.09/ton per km x 1.5 is reduced in a linear manner to Rmb0.09/ton per km |
|  |  | Above 15 tons and up to 30 tons | Rmb0.09/ton per km is reduced in a linear manner to Rmb0.06/ton per km |
|  |  | Over 30 tons | Based on 30 tons calculation |
| ---------------------------------------------------------------------------------------------------------------------------- |  |  |  |
|  |  | Overloaded below 10% | Calculation based on the basic fee standard for legally loaded |
|  |  | Overloaded up to 30% | The overloaded portion over 10% is calculated based on Rmb0.09/ton |
|  |  |  | per km x 1.2; the remaining portion is calculated based on the fee standard of |
|  |  |  | "Overloaded below 10%" |
| Overloaded |  | Overloaded above 30% | The legally loaded portion and the overloaded portion up to 30% is calculated |
| vehicle |  | and up to 50% | based on the fee standard of"Overloaded up to 30%"; the remaining portion is |
|  |  |  | calculated based on Rmb0.09/ton per km x 2 |
|  |  | Overloaded above | The legally loaded portion and the overloaded portion up to 30% is calculated |
|  |  | 50% and up to 100% | based on the fee standard of"Overloaded up to 30%"; the remaining portion is |
|  |  |  | calculated based on Rmb0.09/ton per km x 3 |
|  |  | Overloaded over 100% | The legally loaded portion and the overloaded portion up to 30% is calculated |
|  |  |  | based on the fee standard of"Overloaded up to 30%"; the remaining portion is |
|  |  |  | calculated based on Rmb0.09/ton per km x 4 |

3. Toll rates on goods vehicles  on the Huihang Expressway

|  |  |  |  |
| --- | --- | --- | --- |
| Load |  | Toll Standards |  |
| --------------------------------------------------------------------------------------------------------------------------------------------- |  |  |  |
|  |  | Up to 10 tons | Rmb0.09/ton per km |
| Legally loaded |  | Above 10 tons and     up to 40 tons | Rmb0.09/ton per km is reduced in a linear manner to |
|  |  |  | Rmb0.05/ton per km |
|  |  | Over 40 tons | Rmb0.05/ton per km |
| --------------------------------------------------------------------------------------------------------------------------------------------- |  |  |  |
|  |  | Overloaded up to 30% | Calculation based on the basic fee standard for legally     loaded |
| Overloaded  vehicle |  | Overloaded above 30% and     up to 100% | Calculation based on the fee standard X 3 is increased in     a linear manner to fee standard X 6 |
|  |  | Overloaded over 100% | Calculation based on the fee standard X 6 |
|  |  |  |  |
| --------------------------------------------------------------------------------------------------------------------------------------------- |  |  |  |
| \*The mileage fee for Class 1 vehicle on the Shangsan Expressway, Jinhua section of Ningbo-Jinhua Expressway and Hanghui Expressway is Rmb0.40/vehicle/km. The toll rates for other passenger vehicles and trucks are the same as those for the Shanghai-Hangzhou-Ningbo Expressway. |  |  |  |

Financial and Operating Highlights

Results

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  |  | Year ended December 31, |  |  |  |  |
|  |  | 2013 | 2014 | 2015 | 2016 | 2017 |
|  |  | Rmb'000 | Rmb'000 | Rmb'000 | Rmb'000 | Rmb'000 |
|  |  | (Restated) | (Restated) | (Restated) |  |  |
|  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |
| Continuing operations: |  |  |  |  |  |  |
| Revenue |  | 6,055,104 | 7,171,810 | 10,724,781 | 9,735,347 | 9,626,340 |
| Profit Before Tax |  | 2,733,424 | 3,564,510 | 5,365,724 | 4,888,585 | 5,183,301 |
| Income Tax Expense |  | (720,632) | (882,625) | (1,396,774) | (1,161,570) | (1,192,269) |
| Profit for the year from |  | 2,012,792 | 2,681,885 | 3,968,950 | 3,727,015 | 3,991,032 |
| continuing operations |  |  |  |  |  |  |
|  |  |  |  |  |  |  |
| Discontinued operations: |  |  |  |  |  |  |
| Profit for the year from |  | 70,964 | 64,087 | 60,830 | 81,594 | - |
| discontinued operations |  |  |  |  |  |  |
|  |  |  |  |  |  |  |
| Profit for the year (from continuing |  |  |  |  |  |  |
| and discontinued operations) |  |  |  |  |  |  |
| attributable to: |  |  |  |  |  |  |
| Owners of the Company |  | 1,801,687 | 2,264,994 | 2,989,680 | 3,037,405 | 3,202,130 |
| Non-controlling interests |  | 282,069 | 480,978 | 1,040,100 | 771,204 | 788,902 |
| Basic Earnings Per Share (EPS) | 41.48 cents | 52.15 cents | 68.84 cents | 69.94 cents | 73.73 cents |  |
| (From continuing and |  |  |  |  |  |  |
| discontinued operations) |  |  |  |  |  |  |

 RETURN ON EQUITY (ROE)

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  |  | 2013 | 2014 | 2015 | 2016 | 2017 |
| ROE |  | 11.20% | 13.30% | 17.90% | 16.60% | 15.50% |

For Segmental Revenue 2017 and Segmental Net Profit 2017, please view:

[*https://photos.prnasia.com/prnk/20180328/2089938-1-b*](https://photos.prnasia.com/prnk/20180328/2089938-1-b)

For the Financial and Opearting Highlights, please visit:

[*https://photos.prnasia.com/prnk/20180328/2089938-1-c*](https://photos.prnasia.com/prnk/20180328/2089938-1-c)

Zhan Xiaozhang

Chairman

Chairman's Statement

Dear Shareholders,

It is my pleasure to present the annual results of Zhejiang Expressway ("ZJE" or "the Company", collectively referred to as "the Group" with subsidiaries) for the year 2017 on behalf of the Board of Directors.

In 2017, China's economy grew 6.9%, which was the first year-over-year improvement in the last seven years and beat the official target of "around 6.5%." The encouraging performance was driven by growth in both the old and new economic sectors. Foreign trade has been recovering, consumer demand remained steady, and a variety of high-tech sectors saw strong growth. Against this backdrop, the economic transformation of Zhejiang Province continued as the Province's GDP reached a record-high of over RMB5 trillion, up 7.8% over the last year.

In line with the macro trend, the Company's operating results in 2017 saw steady growth, with net profit hitting a new high. In particular, toll revenue in the Company's core toll-road operations business rose 13.4% to RMB5.99 billion, contributing 62.2% of the Group's overall revenue.

Our strong toll road operating performance was mainly driven by Zhejiang Province's favorable economic development momentum, and further boosted by our efforts to improve service quality and control costs, in particular by implementing a variety of new technologies, including the ETC (Electronic Toll Collection) lane for trucks and mobile payment. We are also exploring more technology solutions in early 2018 to build a solid foundation as we look to upgrade our technology to a comprehensive smart logistics system that will give us the opportunity to take advantage of big data. We believe advanced technologies will not only help us remain competitive by lowering costs and enhancing efficiency, but will also enable us to become a crucial player in the smart mobility value chain.

On the financial side of our business, we achieved a major milestone when our subsidiary Zheshang Securities successfully listed on the Shanghai Stock Exchange on June 26, 2017. The period since the listing has been especially challenging due to a decline in commission rates in the market, which caused a decline in revenue and net profit for Zheshang Securities. Its investment banking business segment, however, continued to progress steadily. Meanwhile, our minority investments in the financial sector continued to yield positive results. Taiping Science and Technology Insurance Co., Ltd. successfully launched its business in January 2018, and Yangtze United Financial Leasing Co., Ltd. grew rapidly and contributed Rmb265 million in net profit in 2017.

Another highlight of the Company is the financing breakthrough. In addition to the IPO of Zheshang Securities which allows us to have A+H equity platforms, we raised Euro365 million in April by issuing zero coupon convertible bonds on the offshore market, the first Euro-denominated convertible bonds among Chinese issuers. We have demonstrated strong financing capability on both domestic and offshore markets, which will facilitate our business expansion going forward.

2017 also marked the Company's 20th anniversary since its public listing on the Hong Kong Stock Exchange. Back in 1997, when we filed for an IPO, we were only operating the Shanghai- Hangzhou-Ningbo Expressway. 20 years later, as of 31 December 2017, we have become a diversified holdings company that not only has five major expressways under operation within and outside of Zhejiang Province, but also controls the A-share listed Zheshang Securities and holds a range of minority stakes in a number of financial-related businesses, with the aiming of becoming an international investment holdings company. Over the past two decades, the Company's total assets increased by over 6 times from RMB11.5 billion in 1997 to RMB73.7 billion by the end of 2017, and its net assets increased by over 4 times from RMB8.2 billion to RMB29.2 billion, making it the largest subsidiary under the parent Zhejiang Communications Investment Group Co., Ltd. in terms of asset scale.

The Company strives to create shareholder value and improve shareholder return. Throughout the past 20 years, despite cyclical fluctuations in the global and Chinese economy, the Company has delivered a stable dividend policy and distributed a total of nearly RMB20 billion in dividends to shareholders. We remain in continuous dialogue with shareholders and potential investors and uphold a policy of open communication and fair disclosure.

Looking ahead to 2018, we will remain focused on our core toll road business and aim to become "the leading toll-road operator in China and a top-notch operator globally". To create further synergies, we will explore investment opportunities in the infrastructure sector. For Zheshang Securities, we will strengthen its risk management capabilities and expand into more new areas. We will continue to explore suitable investment and development projects via different channels, thereby growing its management capability to operate diversified businesses, with the goal of achieving high-quality and sustainable development.

On behalf of the Board, I would like to thank everyone who has supported the Group, including our investors, shareholders, business partners, customers, management team and employees. As we look ahead to new achievements, we will work hard to safeguard the overall interests of the Company and add value for shareholders.

Zhan Xiaozhang

Chairman

March 16, 2018

Celebrating 20th Listing Anniversary with 2 Decades of Success

2017 marked the Company's 20th anniversary since its public listing on the Hong Kong Stock Exchange. Over the past 20 years, the Company has become a diversified investment holdings company that not only operate five major expressways within and outside of Zhejiang Province, but also controls the A-share listed Zheshang Securities and holds a range of minority stakes in a number of financial-related businesses. The Company's total assets increased by 6 times to RMB73.7 billion over the past two decades, making it the largest subsidiary under the parent Zhejiang Communications Investment Group Co., Ltd.

Management Discussion and Analysis

BUSINESS REVIEW

The global economy recovered substantially in 2017, continuing with the revival trend. China's economy steadily expanded, with a 6.9% increase in national GDP during the Period compared with last year. During the Period, Zhejiang Province's economy benefited from a stable increase in services, manufacturing, and import and export trade as well as strong consumer demand. In 2017, Zhejiang Province's GDP grew by 7.8% year-on-year, 0.9 percentage points higher than the national rate.

During the Period, revenue from the Group's overall operations decreased 1.1% year-on-year. Total revenue reached Rmb9,626.34 million, of which Rmb5,986.25 million was generated from the five major expressways operated by the Group, representing an increase of 13.4% year-on-year and 62.2% of the total revenue, and Rmb3,491.25 million was from the securities business, representing a decrease of 16.4% year-on-year and 36.3% of the total revenue. A breakdown of the Group's revenue for the Period is set out below:

LUO Jianhu

Director and General Manager

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  | 2017 | 2016 | % Change |
|  |  | Rmb'000 | Rmb'000 |  |
| ------------------------------------------------------- |  | -------------- | -------------- | -------------- |
| Toll revenue |  |  |  |  |
| Shanghai-Hangzhou-Ningbo Expressway |  | 3,772,880 | 3,342,577 | 12.90% |
| Shangsan Expressway |  | 1,244,280 | 1,112,297 | 11.90% |
| Jinhua section, Ningbo-Jinhua Expressway |  | 362,345 | 335,090 | 8.10% |
| Hanghui Expressway |  | 477,656 | 446,392 | 7.00% |
| Huihang Expressway |  | 129,088 | 42,992 | 200.30% |
|  |  |  |  |  |
| Securities business revenue |  |  |  |  |
| Commission and fee income |  | 2,088,310 | 2,664,959 | -21.6% |
| Interest income |  | 1,402,940 | 1,510,281 | -7.1% |
|  |  |  |  |  |
| Other operation revenue |  |  |  |  |
| Property sales |  | 47,865 | 196,928 | -75.7% |
| Hotel operation |  | 100,976 | 83,831 | 20.50% |
| ------------------------------------------------------- |  | -------------- | -------------- | -------------- |
| Total revenue |  | 9,626,340 | 9,735,347 | -1.1% |
| ------------------------------------------------------- |  | -------------- | -------------- | -------------- |

Toll Road Operations

Benefiting from Zhejiang Province's favorable economic development momentum, during the Period, traffic volume on the Group's expressways registered satisfactory organic growth. During the Period, the organic traffic volume growth rates for the Group's five expressways, namely the Shanghai-Hangzhou-Ningbo Expressway, the Shangsan Expressway, the Jinhua Section of the Ningbo-Jinhua Expressway, the Hanghui Expressway, and Huihang Expressway, were 9.8%, 10.8%, 9.6%, 9.8% and 7.4%, respectively, with the varied rates of growth due to the different regions where the five expressways are located.

During the Period, driven by a number of positive factors, traffic volume on the Company's expressways registered steady growth. Since the G20 Hangzhou Summit was held in 2016, the "post-G20 effect" has positively impacted the region, leading to rapid development of tourism in Zhejiang Province and also further development of the Internet economy as well as transformation and upgrade of the real economy, leading to different sections of the expressways having recorded varied growth in traffic volume and toll revenue. In addition, the Ministry of Communication and Transport started nationwide special rectification measures following the release of "Regulations on Overloaded Trucks on Roadways" on September 21, 2016. As a result, the increase of truck traffic on the expressways operated by the Company were approximately 5 percentage points higher than that of passenger vehicles. In addition, starting from November 25, 2016, trucks were able to resume and use the Second Bridge over Qiantang River along the Shanghai-Hangzhou- Ningbo Expressway, which is also conducive to the growth of traffic volume between Qiaosi Interchange and Hongken Interchange of the Shanghai-Hangzhou-Ningbo Expressway, a section of approximately 23.7 kilometers.

Upgrading the Core expressway Business with Smart Technologies

The Company is one of the first operators to adapt smart technologies into its core expressway business, including the deployment of smart toll station on a trial basis, the expansion of ETC lanes and the utilization of a mobile payment processing system. These initiatives help the Company reduce operating costs and improve management efficiency.

In the future, Internet, big data and artificial intelligence are expected to be integrated with the transportation industry, which will gradually change the current industry operating model. The Company will proactively adapt to the smart transportation trend and enhance the competitiveness of its core expressway business by taking advantage of various advanced technologies.

During the Period, the opening of neighboring new roadways caused certain traffic volume diversion for some expressways operated by the Group. On December 1, 2016, the Hangzhou-Xin'anjiang- Jingdezhen Expressway was opened, and during the Period this expressway continued to cause various degrees of diversion impact on traffic volume along the Hanghui Expressway and the Huihang Expressway. In addition, the Dongyang-Yiwu Provincial Highway was opened to traffic on June 30, 2017, leading to a decline in short-distance traffic volume on the Jinhua Section of the Ningbo-Jinhua Expressway.

During the Period, the average daily traffic volume in full-trip equivalents along the Group's Shanghai-Hangzhou-Ningbo Expressway was 57,275, representing an increase of 13.2% year- on-year. In particular, the average daily traffic volume in full trip equivalents along the Shanghai- Hangzhou section of the Shanghai-Hangzhou-Ningbo Expressway was 59,814, representing an increase of 22.1% year-on-year, and that along the Hangzhou-Ningbo Section was 55,461, representing an increase of 10.1% year-on-year. Average daily traffic volume in full-trip equivalents along the Shangsan Expressway was 30,223, representing an increase of 11.6% year-on-year. Average daily traffic volume in full-trip equivalents along the Jinhua Section of the Ningbo-Jinhua Expressway was 19,708, representing an increase of 9.9% year-on-year. Average daily traffic volume in full-trip equivalents along the Hanghui Expressway was 17,500 representing an increase of 8.2% year-on-year. Average daily traffic volume in full-trip equivalents along the Huihang Expressway was 7,240, representing a decrease of 2.3% year-on-year.

During the Period, total toll revenue from the 248km Shanghai-Hangzhou-Ningbo Expressway, the 142km Shangsan Expressway, the 70km Jinhua Section of the Ningbo-Jinhua Expressway, the 122km Hanghui Expressway and the 82km Huihang Expressway was Rmb5,986.25 million. Among which, toll revenue from the Shanghai-Hangzhou-Ningbo Expressway was Rmb3,772.88 million, representing an increase of 12.9% year-on-year; toll revenue from the Shangsan Expressway was Rmb1,244.28 million, representing an increase of 11.9% year-on-year; toll revenue from the Jinhua Section of the Ningbo-Jinhua Expressway was Rmb362.35 million, representing an increase of 8.1% year-on-year; toll revenue from the Hanghui Expressway was Rmb477.66 million, representing an increase of 7.0% year-on-year; and toll revenue from the Huihang Expressway was Rmb129.09 million.

Securities Business

During the Period, domestic market conditions remained lackluster due to volatility, and trading volume on the Shanghai and Shenzhen stock markets decreased 11.7% year-on-year in aggregate. Though revenue from Zheshang Securities' investment banking business experienced growth, its other business segments including securities brokerage, margin financing and securities lending recorded varied levels of revenue decreases year-on-year.

Zheshang Securities Listed on Shanghai Stock Exchange

On June 26, 2017, Zheshang Securities Co., Ltd., a subsidiary of the Company, was listed on the Shanghai Stock Exchange under the short name "Zheshang Securities" with the stock code "601878". The IPO offering price was Rmb8.45 per share and the net proceeds raised was Rmb2,757 million.

The listing has created favorable conditions for market financing, market capitalization management and business development. Zheshang Securities continues to strengthen its internal control management and optimize its business structure, stepping up business expansion and bolstering its high-quality project pipeline to overcome the unfavorable operational impact brought about by market conditions.

During the Period, Zheshang Securities recorded total revenue of Rmb3,491.25 million, a decrease of 16.4% year-on-year. Of which, commission and fee income declined 21.6% year-on-year to Rmb2,088.31 million, and interest income from the securities business was Rmb1,402.94 million, representing a decrease of 7.1% year-on-year. In addition, during the Period, securities investment gains of Zheshang Securities included in the consolidated statement of profit or loss and other comprehensive income of the Group was Rmb778.80 million, representing an increase of 279.4% year-on-year (2016: securities investment gains of Rmb205.28 million).

Zheshang Securities was listed and issued new shares (A-shares) on the Shanghai Stock Exchange on June 26, 2017. The listing has created favorable conditions for market financing, market capitalization management and business development. Zheshang Securities continued to strengthen its internal control management, optimize its business structure, stepping up business expansion, and bolstering its high-quality project pipeline to overcome the unfavorable operational impact brought about by the market conditions.

Other Business Operations

Other business income was mainly derived from hotel operations and sales of ancillary apartments, namely the Qiyu Apartments.

Grand New Century Hotel, owned by Zhejiang Yuhang Expressway Co., Ltd. (a 51% owned subsidiary of the Company), realized revenue of Rmb100.98 million for the Period. Qiyu Apartments during the Period realized sales revenue of Rmb47.87 million.

Long-Term Investments

Zhejiang Shaoxing Shengxin Expressway Co., Ltd. ("Shengxin Co", a 50% owned joint venture of the Company) operates the 73.4km Shaoxing Section of the Ningbo-Jinhua Expressway. During the Period, the average daily traffic volume in full-trip equivalents was 19,211, representing an increase of 13.2% year-on-year. Toll revenue during the Period was Rmb399.34 million. During the Period, the joint venture reported a net profit of Rmb35.34 million (2016: net profit of Rmb19.59 million).

During the Period, Zhejiang Communications Investment Group Finance Co., Ltd. (a 35% owned associate of the Company), derived income mainly from interest, fees and commissions for providing financial services, including arranging loans and receiving deposits, for the subsidiaries of Zhejiang Communications Investment Group Co., Ltd., the controlling shareholder of the Company. During the Period, the associate company realized a net profit of Rmb321.40 million (2016: net profit of Rmb122.57 million).

During the Period, Yangtze United Financial Leasing Co., Ltd. (a 13% owned associate of the Company), was involved in the finance leasing business, transferring and receiving financial leasing assets, fixed-income securities investment businesses, and other businesses approved by the China Banking Regulatory Commission. During the Period, the associate company realized a net profit of Rmb265.25 million (2016: net profit of Rmb134.15 million).

FINANCIAL ANALYSIS

The Group adopts a prudent financial policy with an aim to provide shareholders of the Company with sound returns over the long term.

During the Period, profit attributable to owners of the Company was approximately Rmb3,202.13 million, representing an increase of 5.4% year-on-year, basic earnings per share for the Company from continuing and discontinued operations was Rmb73.73 cents, representing an increase of 5.4%, diluted earnings per share for the Company from continuing and discontinued operations was Rmb71.36 cents, representing an increase of 2.0%, and return on owners' equity was 15.5%, representing a decline of 6.6% year-on-year.

Liquidity and Financial Resources

As at December 31, 2017, current assets of the Group amounted to Rmb53,952.25 million in aggregate (December 31, 2016: Rmb52,158.22 million), of which bank balances, clearing settlement fund, deposits and cash accounted for 10.4% (December 31, 2016: 14.1%), bank balances and clearing settlement fund held on behalf of customers accounted for 27.9% (December 31, 2016: 38.5%), held for trading investments accounted for 23.3% (December 31, 2016: 15.6%) and loans to customers arising from margin financing business accounted for 14.6% (December 31, 2016: 15.2%). The current ratio (current assets over current liabilities) of the Group as at December 31, 2017 was 1.7 (December 31, 2016: 1.2). Excluding the effect of the customer deposits arising from the securities business, the resultant current ratio of the Group (current assets less bank balances and clearing settlement fund held on behalf of customers over current liabilities less balance of accounts payable to customers arising from securities business) was 2.2 (December 31, 2016: 1.4).

The amount of held for trading investments of the Group as at December 31, 2017 was Rmb12,568.69 million (December 31, 2016: Rmb8,144.13 million), of which 97.0% was invested in bonds, 0.6% was invested in stocks, and the rest was invested in open-end equity funds.

During the Period, net cash used in the Group's operating activities amounted to Rmb829.67 million. The currency mix in which cash and cash equivalents are held has not substantially changed as compared to the same period last year.

The Directors do not expect the Company to experience any problems with liquidity and financial resources in the foreseeable future.

|  |  |  |
| --- | --- | --- |
|  | As at December 31, |  |
|  |  |  |
|  | 2017 | 2016 |
|  | Rmb'000 | Rmb'000 |
| Cash and cash equivalents | 5,588,814 | 7,198,745 |
| Time deposits | 20,000 | 165,000 |
| Held for trading investments | 12,568,694 | 8,144,132 |
| Available-for-sale investments | 1,800,835 | 1,342,920 |
| ---------------------------------- | --------------- | --------------- |
| Total | 19,978,343 | 16,850,797 |
| ---------------------------------- | --------------- | --------------- |

Borrowings and solvency

As at December 31, 2017, total liabilities of the Group amounted to Rmb 44,446.17 million (December 31, 2016: Rmb49,585.51 million), of which 1.1% was bank and other borrowings, 1.7% was short-term financing note payable, 22.8% was bonds payable, 6.1% was convertible bond, 23.7% was financial assets sold under repurchase agreements and 33.6% was accounts payable to customers arising from securities business.

As  at  December  31,  2017,  total  interest-bearing  borrowings  of  the  Group  amounted  to Rmb14,113.45 million, representing a decrease of 15.2% compared to that as at December 31, 2016. The borrowings comprised outstanding balances of a domestic financial institution of Rmb420.00 million, borrowings from a domestic institution of Rmb60.00 million, subordinated bonds of Rmb5.95 billion, corporate bonds of Rmb3.40 billion, beneficial certificates of Rmb1,562.80 million, and convertible bond denominated in Euro and equivalents to Rmb2,720.65 million. Of the interest-bearing borrowings, 82.4% was not payable within one year.

As at December 31, 2017, the annual floating interest rate of the Group's borrowings from a domestic financial institution was 4.2195%. The annual fixed interest rate from a domestic institution was 3.0%. Beneficial certificates amounted Rmb1.80 million with annual floating rate at 2.0%, and the beneficial certificates amounted Rmb1,561.00 million with annual fixed rates between 3.7% and 5.3%. The annual interest rates for subordinated bonds were fixed at rates between 3.63% and 6.3%. The annual interest rates for corporate bonds were fixed at 3.08% and 4.9%. The annual coupon rate for convertible bond was nil. While the annual interest rate for accounts payable to customers arising from the securities business was fixed at 0.35%.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | Maturity Profile |  |  |  |
|  |  |  |  |  |
|  | Gross  amount | Within  1 year | 2-5 years  inclusive | Beyond  5 years |
|  | Rmb'000 | Rmb'000 | Rmb'000 | Rmb'000 |
| ------------------------------------------------------ | ------------- | -------------- | -------------- | ------------- |
| Floating rates |  |  |  |  |
| Borrowings from a domestic financial institution | 420,000 | 420,000 | - | - |
| Beneficial certificates | 1,800 | 1,800 | - | - |
| Fixed rates |  |  |  |  |
| Borrowings from a domestic institution | 60,000 | - | 60,000 | - |
| Beneficial certificates | 1,561,000 | 1,561,000 | - | - |
| Subordinated bonds | 5,950,000 | 500,000 | 5,450,000 | - |
| Corporate bonds | 3,400,000 | - | 3,400,000 | - |
| Convertible bond | 2,720,654 | - | 2,720,654 | - |
| ------------------------------------------------------ | ------------- | -------------- | -------------- | ------------- |
| Total as at December 31, 2017 | 14,113,454 | 2,482,800 | 11,630,654 | - |
| ------------------------------------------------------ | ------------- | -------------- | ------------- | ------------- |
| Total as at December 31, 2016 | 16,644,735 | 9,944,735 | 6,700,000 | - |
| ------------------------------------------------------ | ------------- | -------------- | ------------- | ------------- |

Total interest expenses and profit before interest and tax for the Period amounted to Rmb611.75 million and Rmb5,795.05 million, respectively. The interest cover ratio (profit before interest and tax over interest expenses) stood at 9.5 (2016: 8.4) times.

|  |  |  |
| --- | --- | --- |
|  | 2017 | 2016 |
|  | Rmb'000 | Rmb'000 |
| ------------------------------------- | ---------------- | ----------------- |
| Profit before tax and interest | 5,795,048 | 5,668,523 |
| Interest expenses | 611,747 | 671,387 |
| Interest cover ratio (times) | 9.5 | 8.4 |
| ------------------------------- | -------------- | -------------- |

As at December 31, 2017, the asset-liability ratio (total liabilities over total assets) of the Group was 60.3% (December 31, 2016: 67.2%). Excluding the effect of customer deposits arising from the securities business, the resultant asset-liability ratio (total liabilities less balance of accounts payable to customers arising from securities business over total assets less bank balances and clearing settlement fund held on behalf of customers) of the Group was 50.3% (December 31, 2016: 55.0%).

Capital structure

As at December 31, 2017, the Group had Rmb29,204.35 million in total equity, Rmb39,148.79 million in fixed-rate liabilities, Rmb421.80 million in floating-rate liabilities, and Rmb4,875.58 million in interest-free liabilities, representing 39.7%, 53.2%, 0.6% and 6.5% of the Group's total capital, respectively. The gearing ratio, which is computed by dividing the total liabilities less accounts payable to customers arising from the securities business by total equity, was 101.1% as at December 31, 2017 (December 31, 2016: 122.1%).

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | As at December 31, 2017 | As at December 31, 2016 |  |  |
|  |  |  |  |  |
|  | Rmb'000 | % | Rmb'000 | % |
| ----------------------------------------------------------------- | ---------------- | --------- | ---------------- | --------- |
| Total equity | 29,204,351 | 39.7% | 24,175,927 | 32.8% |
| Fixed rate liabilities | 39,148,787 | 53.2% | 44,473,878 | 60.3% |
| Floating rate liabilities | 421,800 | 0.6% | 431,035 | 0.6% |
| Interest-free liabilities | 4,875,582 | 6.5% | 4,680,592 | 6.3% |
| ----------------------------------------------------------------- | ---------------- | --------- | ---------------- | --------- |
| Total | 73,650,520 | 100.0% | 73,761,432 | 100.0% |
| ----------------------------------------------------------------- | ---------------- | --------- | ---------------- | --------- |
| Long-term interest-bearing liabilities | 11,630,654 | 15.8% | 6,700,000 | 9.1% |
| Gearing ratio 1 (note) |  | 101.1% |  | 122.1% |
| Gearing ratio 2 (note) |  | 39.8% |  | 27.7% |
| Asset-liabilities ratio1 (note) |  | 60.3% |  | 67.2% |
| Asset-liabilities ratio 2 (note) |  | 50.3% |  | 55.0% |
| ----------------------------------------------------------------- | ---------------- | --------- | ---------------- | --------- |
| Note:   Gearing ratio 1 represents the total liabilities less balance of accounts payable to customers arising from securities business to the total equity; Gearing ratio 2 represents the total amount of the long-term interest-bearing liabilities to the total equity; Asset-liabilities ratio 1 represents total liabilities to total assets; Asset-liabilities ratio 2 represents total liabilities less balance of accounts payable to customers arising from securities business to total assets less bank balances and clearing settlement fund held on behalf of customers. |  |  |  |  |

Capital expenditure commitments and utilization

During the Period, capital expenditure of the Group totaled Rmb436.31 million. Amongst the total capital expenditure, Rmb218.91 million was incurred for acquiring equity investments, Rmb51.06 million was incurred for acquisition and construction of properties, and Rmb166.34 million was incurred for purchase and construction of equipment and facilities.

As at December 31, 2017, the capital expenditure committed by the Group totaled Rmb812.14 million. Amongst the total capital expenditures committed by the Group, Rmb360.00 million will be used for acquiring equity investments, Rmb162.02 million will be used for acquisition and construction of properties and Rmb290.12 million for acquisition and construction of equipment and facilities.

The Group will consider financing the above-mentioned capital expenditure commitments with internally generated cash flow first and then will comprehensively consider using debt financing and equity financing to meet any shortfalls.

Contingent liabilities and pledge of assets

Pursuant to the board resolution of the Company dated November 16, 2012, the Company and Shaoxing Communications Investment Group Co., Ltd. (the other joint venture partner that holds 50% equity interest in Shengxin Co) provided Shengxin Co with joint guarantee for its bank loans of Rmb2.2 billion, in accordance with their proportionate equity interest in Shengxin Co. During the Period, Rmb209.00 million of the bank loans had been repaid. As at December 31, 2017, the remaining bank loan balance is Rmb1,683.00 million.

Except for the above, as at December 31, 2017, the Group did not have any other contingent liabilities, pledge of assets or guarantees.

Foreign exchange exposure

During the Period, save for (i) dividend payments to the holders of H shares in Hong Kong dollars, (ii) borrowing HK$432.53 million on June 8, 2016 and repayment on the borrowing on June 8, 2017, and (iii) Zheshang International Financial Holding Co., Limited. (a wholly owned subsidiary of Zheshang Securities) operating in Hong Kong, (iv) issuance of the zero coupon convertible bond in an aggregate principal amount of Euro 365.00 million in Hong Kong capital market, the Group's principal operations were transacted and booked in Renminbi.

During the Period, the Group completed one-year HK dollar forwards of equivalent amount to hedge the foreign exchange risk derived from the Hong Kong dollar borrowing, which was purchased in 2016. Except for the above, the Group has not used any other financial instruments for hedging purpose during the Period.

OUTLOOK

Looking ahead to 2018, the global economy continues to recover gradually, but still faces multiple uncertainties. Under the Chinese government's prudent macroeconomic policy, the domestic economy is expected to maintain stable growth as it transitions from a high-speed to a high-quality development stage. Zhejiang Province will focus on the real economy as well as growing the new economy with the digital sector as the core component, and accelerating economic restructuring, transformation and upgrading. The performance of the overall economy is expected to be steady and positive, which will provide a stable external environment for the Company's development. The overall traffic volume of the expressways operated by the Company is expected to maintain steady growth in 2018.

The Company will continue to promote the construction of electronic toll collection (ETC) lanes, fully promote mobile payment at all toll stations and set up self-service payment lanes on a trial basis to improve the efficiency of toll collection systems. The Company will continue to apply technological tools to attract more vehicles and improve its service standards in multiple aspects so as to enhance service quality and customer satisfaction. The Company will also increase the usage of big data applications, establish a vehicle confidence system, improve expressway operation capacity under the Group to assure safe and smooth traffic flow, with an aim to establish the Company's brand recognition in the industry. By fully leveraging advantages in expressway operations and management, the Group will seek to export its management capabilities in the expressway sector using market principles.

Achieving high-quality and sustainable development under the new economic environment

The Company will continue to leverage on its development advantages, expand and enhance the core expressway business, and strengthen its securities business. The management will continue to monitor government policies and the external environment to appropriately adjust the Company's operational strategy. With a focus on effective risk control, the Company will continue to explore suitable investment and development projects via different channels, thereby growing its management capability to operate diversified businesses, with the goal of achieving high- quality and sustainable development.

As the government continues to actively promote the healthy development of the multi-tiered capital market and the China Securities Regulatory Commission gradually improves the supervision system of the business chain and facilitates the enhancement of capital market services, these measures will bring new opportunities and challenges to the securities business of the Group. In order to address market and industry challenges and promote the sustainable and healthy development of all its businesses, Zheshang Securities will transform and upgrade its traditional businesses, actively grow innovative businesses, optimize and adjust its business structure and continuously improve profitability and competitiveness.

In order to adapt to the new economic transformation and developments in 2018, the Company will leverage on its development advantages, expand and enhance the core expressway business, and strengthen its securities business. The management will continue to monitor government policies and the external environment to appropriately adjust the Company's operational strategy. With a focus on effective risk control, the Company will continue to explore suitable investment and development projects via different channels, thereby growing its management capability to operate diversified businesses, with the goal of achieving high-quality and sustainable development.

HUMAN RESOURCES

During the Period, the Company actively revamped its human resource management, enhanced its remuneration and performance policy, and prompted the increase in overall payment of remuneration to be linked to the operating performance of Company and the productivity of employees. As at December 31, 2017, there were 6,871 employees within the Group, amongst whom 1,453 worked in the managerial, administrative and technical positions, while 5,418 worked in fields such as toll collection, maintenance, service areas, securities and futures business outlets.

Principal Risks and Uncertainties

TOLL ROAD BUSINESS RISKS

Economic Environment

As the global economy continues to struggle for recovery, China's economy is moving into a "new normal" as it downshifts from rapid growth to more moderate levels of growth. The overall economy is still subject to downside pressure to a certain extent. As the expressway toll road business is closely related to the macroeconomy, it is subject to the macroeconomic performance. Growth in the traffic volume and toll revenue of the Group's expressways is expected to remain uncertain, creating uncertainties for the operations, financial conditions and operating results of the Group.

Roads Competition

At present, since the commencement of service of Hangxinjing Expressway from Kaihua section to Jiande section in December 2016, there will be continuing considerable diversion impact on traffic volume of Hanghui Expressway and Huihang Expressway of the Group. Accordingly, we cannot be assured as to whether traffic volume to be generated on the Group's expressways will be maintained at the same levels as before or will increase in the future, or whether or not the operating results of the Group will be negatively affected.

Toll policy

With the implementation of the toll waiver policy on small passenger vehicles on key festivals and holidays by the PRC government on September 30, 2012, the expressway operators who charge for toll are negatively affected. In addition, due to the introduction of a special project by five ministries and commissions for the rectification of the toll road policy in Zhejiang province, a number of new policies focusing on adjusting the toll policy of expressways within the province such as "Provisions on the Administration of the Running of Transport Vehicles with Out-of-gauge Goods on the Road" were successively issued. At the same time, as the consultation paper "Regulation on Administration of Toll Roads" 2015 has not been officially promulgated at present, despite that we expect the possibility of further significant changes in the policies of the expressway industry in the near term is minimal, we cannot be assured that they will not have any adverse effects on the toll revenue of the Group.

SECURITIES BUSINESS RISKS

Market Fluctuations

The securities business is highly susceptible to market fluctuations and may experience periods of high volatility accompanied by reduced liquidity. It may be materially affected by economic and other factors such as the global market conditions; the availability and cost of capital; the liquidity of the global markets; the level and volatility of stock prices, commodity prices and interest rates; currency values and other market indices; inflation; natural disasters; acts of war or terrorism; as well as investor sentiment and confidence in the financial markets. There is no assurance as to whether our securities business will be adversely affected by fluctuations in the market, or whether our securities business will continue to contribute to our overall profit margin.

Regulation of the securities Business

We are subject to extensive regulations in the PRC that govern how we conduct our securities business, and we are subject to risks of ***intervention*** by the PRC regulatory authorities. We could be fined, prohibited from engaging in some of our business activities or subject to limitations or conditions on our business activities, among other things. Significant regulatory actions against us could have material adverse impacts on our financial position, cause us significant reputational harm, or harm our business prospects. New laws, regulations or changes in the enforcement of existing laws or regulations applicable to our clients may also adversely affect our business.

FINANCIAL RISKS

For financial risks and uncertainties of the Group, please see notes 4, 51 and 52 to the Consolidated

Financial Statements.

STATEMENT OF RESPONSIBILITY FROM THE DIRECTORS WITH RESPECT TO THE ANNUAL REPORT AND THE COMPANY'S ACCOUNTS

The Directors of the Company, whose names and functions are listed on pages 45 to 52, duly confirm that to the best of their knowledge:

-- the consolidated financial statements prepared and subject to disclosure under the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants give a true and fair view of the assets, liabilities, financial position and profit of the Group, and cover the enterprises that have been consolidated into the Company; and

-- the "Management Discussion and Analysis" section included in this annual report includes a fair review of the development and performance of the business and the position of the Group, covers the enterprises that have been consolidated into the Company and describes the principal risks and uncertainties faced by the Group.

From the beginning of year 2017 up to now, there has been no occurrence of significant events that would have a material impact on the normal operation of the Group.

By Order of the Board

TonyZHENG

Company Secretary

Hangzhou, Zhejiang Province, the PRC

March 16, 2018

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

To govern the daily functioning of the Board of Directors of the Company, the Company has adopted its own Guidelines on Corporate Governance that closely followed the principles of good governance in Appendix 14 of the Listing Rules (available at[*http://www.hkex.com.hk*](http://www.hkex.com.hk)) ("CG Code").

During the Period, the Company has complied with all code provisions in the CG Code and adopted the recommended best practices in the CG Code as and when applicable.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Rules on Securities Dealings ("Rules on Securities Dealings") for the Directors, supervisors, senior management personnel and other employees of the Company on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules.

Upon specific inquiries to all the Directors, the Directors have confirmed their respective compliance with the required standards for securities transactions by Directors as set out in the Model Code and the Rules on Securities Dealings during the Period.

BOARD OF DIRECTORS OF THE COMPANY (THE "BOARD")

The executive directors of the Company during the Period were:

Mr. ZHAN Xiaozhang (Chairman)

Mr. CHENG Tao

Ms. LUO Jianhu (General Manager)

The non-executive directors of the Company during the Period were:

Mr. WANG Dongjie

Mr. DAI Benmeng

Mr. ZHOU Jianping (Resigned on December 22, 2017)

The independent non-executive directors of the Company during the Period were:

Mr. ZHOU Jun

Mr. PEI Ker-Wei

Ms. LEE Wai Tsang, Rosa

During the Period, the Board held a total of eight meetings. Individual attendances by the directors

(as indicated by the numbers of meetings attended/numbers of relevant meetings held) are as follows:

|  |  |  |  |
| --- | --- | --- | --- |
|  | attendance  in person | attendance  by proxy | attendance  through  communication |
|  |  |  |  |
| Mr. ZHAN Xiaozhang (Chairman) | 5/8 | 1/8 | 2/8 |
| Mr. CHENG Tao | 5/8 | 1/8 | 2/8 |
| Ms. LUO Jianhu (General Manager) | 6/8 |  | 2/8 |
| Mr. WANG Dongjie | 1/8 | 4/8 | 2/8 |
| Mr. DAI Benmeng | 4/8 | 1/8 | 2/8 |
| Mr. ZHOU Jianping | 6/8 |  | 2/8 |
| Mr. ZHOU Jun | 4/8 | 1/8 | 2/8 |
| Mr. PEI Ker-Wei | 6/8 |  | 2/8 |
| Ms. LEE Wai Tsang, Rosa | 4/8 | 2/8 | 2/8 |

During the Period, the Company held two general meetings of the shareholders. The meetings were chaired by Chairman, and all executive directors were present at the meetings.

The Board is charged with duties as well as given powers that are expressly specified in the articles of association of the Company, the scope of which includes, amongst others: to determine the business ***plans*** and investment proposals of the Company; to prepare the financial budget and final accounts of the Company; to determine the dividend policy of the Company; to appoint or dismiss senior managerial officers of the Company as well as to determine their remuneration; and to draw up proposals for any material acquisition or sale by the Company.

To assist the Board to effectively discharge its duties, the Board has set up the Audit Committee, the

Nomination Committee, the Remuneration Committee, and the ***Strategic*** Committee.

While the Board fully retains its power to decide on matters within its scope of duties and powers, relevant preparation and drawing up of ***plans*** or proposals were usually delegated to the management.

The Company has complied with the requirements under Rules 3.10(1) and (2) of the Listing Rules regarding the appointment of independent non-executive directors, with three independent non- executive directors appointed, representing at least one-third of the Board and at least one of whom possessing the appropriate professional qualification or accounting or related financial management expertise.

Pursuant to Rule 3.13 of the Listing Rules, the Company had specifically inquired with all three independent non-executive directors and received their respective confirmation of independence during the Period. The three independent non-executive directors have all confirmed their compliance with requirements regarding independence under Rule 3.13 of the Listing Rules. The Company still considers the independent non-executive directors to be independent.

There were no financial, business, family or other material or relevant relationships between members of the Board, including that between the Chairman and the General Manager of the Company.

Each newly appointed director receives induction on the first occasion of his or her appointment, so as to ensure that he or she has appropriate understanding of the business and operations of the Company and that he or she is fully aware of his or her responsibilities and obligations under the Listing Rules and relevant regulatory requirements. Directors are also regularly updated on the Group's business and industry environments where appropriate in the management's monthly reports to the Board as well as briefings and materials circulated to the Board before board meetings.

In addition, during the Period, the Company has arranged for all its executive and non-executive directors to undergo continuous trainings designed to develop and refresh their knowledge and skills so as to ensure that their contribution to the Board remains informed and relevant. However, as the management considers that the independent non-executive directors of the Company are very experienced, knowledgeable and resourceful, the Company did not arrange any professional briefings or training ***programs*** for its independent non-executive directors and has decided to leave it to the independent non-executive directors to undergo appropriate training as they see fit.

CHAIRMAN AND GENERAL MANAGER

During the Period, Mr. ZHAN Xiaozhang and Ms. LUO Jianhu served as Chairman and General Manager of the Company, respectively. The roles of Chairman and General Manager are fully segregated as expressly set out in the articles of association of the Company.

NON-EXECUTIVE DIRECTORS

Terms for the non-executive directors of current session of the Board started on July 1, 2015 and will expire on June 30, 2018.

SPECIAL COMMITTEES UNDER THE BOARD

The Board has set up the Audit Committee, the Nomination Committee, the Remuneration Committee, and the ***Strategic*** Committee. Roles and responsibilities for each committee are specified in its terms of reference, details of which can be found under the "Corporate Governance" section in the Company's website.

The Audit Committee comprised of the three independent non-executive directors and two non- executive directors, namely Mr. ZHOU Jun, Mr. PEI Ker-Wei, Ms. LEE Wai Tsang, Rosa, Mr. WANG Dongjie and Mr. ZHOU Jianping, of whom Mr. ZHOU Jun serves as the Chairman of the Audit Committee.

The Nomination Committee comprised of the three independent non-executive directors, one executive director and one non-executive director, namely Mr. ZHAN Xiaozhang, Mr. ZHOU Jun, Mr. PEI Ker-Wei, Ms. LEE Wai Tsang, Rosa and Mr. DAI Benmeng, of whom Mr. ZHAN Xiaozhang serves as Chairman of the Nomination Committee.

The Company believes that diversification of board members is a key element to maintain the Company's competitive advantage, improve business performances, and promoting the Company's continued development. When setting up the board member composition, the Company takes into consideration a number of aspects that determine board member diversification, including but not limited to gender, age, culture, education background, professional experience, work and living background, knowledge and skill, etc. The Company's Nomination Committee is responsible for assessing the board's structure, number of members, as well as a diversified composition, providing recommendation or suggestion on candidates to serve as new directors of the Company to the board when needed. The assessment as well as recommendation or suggestion above would have fully taken into consideration any pros and cons to the diversification of board members.

The Remuneration Committee comprised of the three independent non-executive directors and two non-executive directors, namely, Mr. PEI Ker-Wei, Mr. ZHOU Jun, Ms. LEE Wai Tsang Rosa, Mr. DAI Benmeng and Mr. ZHOU Jianping, of whom Mr. PEI Ker-Wei, serves as Chairman of the Remuneration Committee.

The ***Strategic*** Committee comprised of the three executive directors, namely Mr. ZHAN Xiaozhang, Mr. CHENG Tao and Ms. LUO Jianhu as well as Mr. ZHANG Jingzhong, Mr. WANG Dehua, Mr. Tony ZHENG and several outside experts and advisors, of whom Mr. ZHAN Xiaozhang serves as chairman of the ***Strategic*** Committee.

During the Period, the Audit Committee held a total of four meetings. Individual attendances by the members of the Audit Committee (as indicated by the numbers of meetings attended/numbers of meetings held) are as follows:

|  |  |  |
| --- | --- | --- |
|  | attendance  in person | attendance  by proxy |
|  |  |  |
| Mr. ZHOU Jun | 2/4 | 1/4 |
| Mr. PEI Ker-Wei | 4/4 |  |
| Ms. LEE Wai Tsang, Rosa | 4/4 |  |
| Mr. WANG Dongjie | 1/4 | 2/4 |
| Mr. ZHOU Jianping | 4/4 |  |

In the meetings held during the Period, the Audit Committee conducted, amongst others, review of financial statements for the quarterly, interim and annual results, discussed the internal audit, the effectiveness of internal control system, and total risk management of the Company, as well as recommendation on the re-appointment of external auditors.

During the Period, there were no changes to the remuneration policies of the members of the Board or senior management of the Company.

During the Period, Mr. ZHOU Jianping submitted his resignation to the Company on December

22, 2017 due to his reaching retirement age. Furthermore, due to posting elsewhere by the Communications Group, Mr. FANG Zhexing was relieved from his position as Deputy General Manager of the Company on December 18, 2017.

Other than the above, there were no other changes to members of the Board of Directors and senior management of the Company.

During the Period, the Remuneration Committee, the Nomination Committee and the ***Strategic***

Committee did not hold any meeting.

The Board is responsible for developing and reviewing the Company's corporate governance policies and practices, monitoring the Company's compliance with the Code and its disclosure within this report; the Board reviews and monitors the training and continuous professional development of Directors and senior management through the works of human resources department, and review and monitor the Company's policies and practices on compliance with legal and regulatory requirements through the works of legal and internal audit department.

During the Period, the Directors have all confirmed their responsibility for preparing the accounts, and that there were no events or conditions which would have a material impact on the Company's ability to continue to operate as a going concern basis.

AUDITORS' REMUNERATION

During the Period, the Company had paid approximately Rmb3.56 million and Rmb0.89 million to Deloitte Touche Tohmatsu Certified Accountants (the Hong Kong auditors) and Pan-China Certified Public Accountants LLP (the PRC auditors), respectively, for audit services conducted in 2017. Besides, the Company had paid Rmb0.26 million to Pan-China Certified Public Accountants LLP (the PRC auditors) for other assurance service provided.

SECRETARY TO THE BOARD

During the Period, the Secretary to the Board had complied with Rule 3.29 of the Listing Rules regarding undergoing relevant professional trainings.

DIRECTORS , SUPER VISORS AND CHIEF EXECUTIVE'S INTERESTS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at December 31, 2017, none of the Directors, Supervisors and General Manager had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

INTERESTS AND SHORT POSITIONS OF OTHER PERSONS IN SHARES AND UNDERLYING SHARES

As at December 31, 2017, the interests and short positions of other persons in the shares and underlying shares of the Company according to the register required to be kept by the Company pursuant to Section 336 of the SFO, or as otherwise notified to the Company and the Hong Kong Stock Exchange are set out below:

|  |  |  |  |
| --- | --- | --- | --- |
| **substantial shareholders** | **Capacity** | **total interests in number of ordinary shares of the Company** | **percentage of the issued share capital of the Company (domestic shares)** |
| ------------------------------------- | ------------------------------------- | ------------------- | ------------------- |
| Communications Group | Beneficial owner | 2,909,260,000 | 100% |
|  |  |  |  |
| **substantial shareholders** | **Capacity** | **total interests in number of ordinary shares of the Company** | **percentage of the issued share capital of         the Company (h shares)** |
| ------------------------------------- | ------------------------------------- | ------------------- | ------------------- |
| JP Morgan Chase & Co. | Beneficial owner,    investment manager and    custodian corporation/    approved lending agent | 159,925,446 (L) | 11.01% |
|  | 2,908,345 (S) | 0.20% |  |
|  | 61,980,136 (P) | 4.32% |  |
| BlackRock, Inc. | Interest of controlled corporations | 129,499,281 (L) | 9.03% |
| The Bank of New York Mellon    Corporation | Interest of controlled corporations | 74,989,261 (L) | 5.23% |
| 69,658,505 (P) | 4.86% |  |  |

The letter "L" denotes a long position. The letter "S" denotes a short position. The letter "P" denotes interest in a lending pool.

Save as disclosed above, as at December 31, 2017, no other persons had any interests or short positions in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO, or as otherwise notified to the Company and the Hong Kong Stock Exchange.

SHAREHOLDERS' RIGHTS

Pursuant to the Articles of Association of the Company, two or more Shareholders who in aggregate hold 10% or more of the voting rights of all the shares of the Company having the right to vote may write to the Board to request the convening of an extraordinary general meeting and specifying the agenda of the meeting. Upon receipt of the request in writing, the Board shall convene the extraordinary general meeting as soon as possible. Shareholders who hold in aggregate 5% or more of the voting rights of all the shares of the Company having the right to vote are entitled to propose additional motions in annual general meeting, provided that such motions are served on the Company within 30 days after the issue of the notice of annual general meeting.

Written requests, proposals and enquiries may be sent to the Company through contact details listed at the end of this report.

INVESTOR RELATIONS

The Board is committed to ensuring that all shareholders and the investment community have equal and timely access to information about the Company so as to enable their accurate assessment of the Company's fair value. Such information is available through channels including financial reports, shareholder meetings, statutory announcements, the Hong Kong Stock Exchange website ([*http://www.hkexnews.hk*](http://www.hkexnews.hk)) and the Company's own website (   [*http://www.zjec.com.cn*](http://www.zjec.com.cn)).

Activities such as investor and analyst briefings, one-on-one meetings, conference calls, roadshows, and press conferences are held regularly by senior management of the Company, particularly after results announcements.

Great importance is also attached to maintaining clear and effective communications channels with investors as part of the Company's bid to enhance its transparency and to promote the understanding of its business in the investment community. Any parties who wish to learn more about the Company may do so via the contact details listed below:

Mr. Tony ZHENG

Company Secretary

5/F, #2 Mingzhu International Business Center,

199 Wuxing Road, Hangzhou, Zhejiang 310020 the PRC. Tel: 86-571-87987700

Fax: 86-571-87950329

[*mail:zhenghui@zjec.com.cn*](mailto:mail:zhenghui@zjec.com.cn)

During the Period, the last shareholders' meeting of the Company took place at 10:00 a.m. on Monday, December 18, 2017 at the headquarters of the Company. Details of this extraordinary general meeting of the shareholders were set out in the announcement dated December 18, 2017 on resolutions passed at the extraordinary general meeting of the shareholders.

The next annual general meeting of the Company is expected to be held in June, 2018 with exact date and resolutions for review to be specified in notice of annual general meeting when it is published.

The Company has an issued share capital of 4,343,114,500 shares comprised of domestic shares and H shares. The domestic shares are held by Zhejiang Communications Investment Group Co., Ltd. as to 2,909,260,000 shares, representing approximately 67% of the total issued capital of the Company. The remaining 1,433,854,500 shares are H shares, representing approximately 33% of the total issued capital of the Company. As at the date of this report, and to the best of the Directors' knowledge, 100% of the H shares of the Company are held by the public.

There were some changes made to the articles of association of the Company during the Period, which were set out in the circular to shareholders dated November 3, 2017.

INTERNAL CONTROLS AND RISK MANAGEMENT

The Company has set up an internal monitoring system that aims to protect assets, preserve accounting and financial information, as well as to ensure the accuracy of financial statements, including the establishment of departments and units, setting out responsibilities, execution of management systems and quality control mechanisms, and the management system on environment, occupational health and safety. The system is capable of taking necessary steps to react to possible changes in our businesses as well as external operating environments. Throughout the operating process, the Company's various internal control measures are being continuously enhanced, fulfilled and are deemed effective.

The Company attaches great importance to risk management. The Company established its risk management mechanism and relevant regulations, implemented risk management responsibilities of various branches and departments, conducted risk investigation and assessment, established risk management strategy and took risk control measures in response to major risks faced by the Company.

The Board takes overall responsibility for the risk management and internal control systems, and is responsible for reviewing the effectiveness of these systems.

The Company's Audit Committee is charged with the duties of reviewing internal controls, directing monitoring activities. Aside from reviewing the annual reporting by external auditors, the committee also reviews the effectiveness of internal control system and risk management mechanism through reviewing the internal special audit report on the Company's various core businesses prepared by internal audit department on a regular basis. During the Period, the Audit Committee focused on a special audit of electro-mechanic projects of the Company, as well as control of liquidity risk at Zheshang Securities. The internal audit department carried out specific audit into these compliance issues and monitored relevant rectifications, ensuring the effectiveness of the Company's management systems.

The Company's risk management and internal control systems will be reviewed by the Board on an annual basis, which covers the period from 1 January to 31 December each year. During the Period, the Directors of the Company had carried out a view on the effectiveness of the Company's internal control system, covering all material aspects of internal control, including financial control, operational control, compliance control and risk management functions. There were no major breaches in the internal control system that may have had an impact to Shareholders' interests, and the internal control system was deemed to be effective and sufficient. The risk management of the Company was deemed to be effective and controllable.

DISCLOSURE OF INSIDE INFORMATION

The Company has developed its disclosure policy to provide a general guide to the Company's Directors, supervisors, senior management and relevant employees in handling confidential information, monitoring information disclosure and responding to enquiries, Control procedures have been implemented to ensure that unauthorized access and use of inside information are strictly prohibited.

MANAGEMENT FUNCTIONS

The management functions of the Board and the management are expressly stipulated in the articles of association of the Company. Pursuant to the articles of association of the Company, the management of the Company is assigned the functions to be in charge of the production and business operation of the Company and to organize the implementation of the resolutions of the board of directors, to organize the implementation of the annual business ***plan*** and investment ***program*** of the Company, to prepare ***plans*** for the establishment of the internal management structure of the Company, to prepare the basic management systems of the Company, and to formulate basic rules and regulations of the Company, etc.

Directors, Supervisors and Senior Management Profiles

DIRECTORS

Chairman

Mr. YU Zhihong

Born in 1964, is a graduate from the Department of Electro-mechanic Engineering, Zhejiang University, and holds a Master's Degree in management from the Management Institute of Zhejiang University. Starting from 1985, Mr. Yu Zhihong worked at Xiushui Township in Central District of Jiaxing City as Deputy Manager of Township I ndust rial Company and Deput y Head of T ownship, f rom 1987 successively served as Secretary to Central District Office, Secretary of the Central District Youth League, Deputy Party Secretary and Party Secretary of Tanghui Township in Central District, from 1995 working as Deputy Director, Deputy Party Secretary, Director and then Party Secretary of Management Committee for the Economic Development Zone of Jiaxing City, from 2005 as Party Secretary of Haining City and as Member of Party Standing Committee of Jiaxing City, from 2010 as Deputy Mayor of Hangzhou City, Party Secretary of Qianjiang New Development Zone's Construction Committee, and then Party Secretary of Xiaoshan District, Member of Party Standing Committee of Hangzhou City, before he became the Deputy Party Secretary and then Mayor of Shaoxing City in 2013. Mr. Yu Zhihong assumed the position of Chairman and Party Secretary of Zhejiang Communications Investment Group Co., Ltd. since October 2016, and became Member of Provincial Party Committee since June 2017.

Mr. ZHAN Xiaozhang

Born in 1964, is a Senior Economist. He has been appointed as the Chairman of the Company since June 2012. Mr. Zhan holds a bachelor's degree in law. He further obtained a master's degree in public administration from the Business Institute of Zhejiang University in 2005.

From 1985 to 1991, Mr. Zhan worked as an officer at Transport Administrative Division under Waterway Transport Authority of Zhejiang Provincial Bureau of Construction. From 1991 to 1998, he served as Deputy Secretary and Secretary of the Communist Youth League Commission at Zhejiang Provincial Bureau of Communications. From 1998 to 2002, he was Deputy Director of Waterway Transport Authority under Zhejiang Provincial Bureau of Communications. From 2002 to 2003, he was Deputy Director of Human Resources Department at Zhejiang Provincial Bureau of Communications. From 2003 to 2006, Mr. Zhan was Chairman of Zhejiang Wenzhou Yongtaiwen Expressway Co., Ltd. From 2006 to 2008, he became Chairman of Zhejiang Jinji Property Co., Ltd. Mr. Zhan has been Deputy General Manager, Assistant to General Manager and Manager of Research and Development Department at Zhejiang Communications Investment Group Co., Ltd from 2006 to 2016.

He served as an Executive Director and the General Manager of the Company from March 2009 to June 2012. Mr. ZHAN currently also serves as General Manager of Zhejiang Communications Investment Group Co., Ltd.

Mr. ZHAN resigned the position of Chairman of the Company on April 2, 2018.

Executive Directors

Mr. CHENG Tao

Born in 1964, is the party committee secretary of the Company. Mr. Cheng graduated from Changsha University of Science & Technology with a bachelor's degree in transportation engineering. He is a Senior Administration Engineer and Senior Economist. Mr. Cheng has been appointed as an Executive Director of the Company since July 2015.

Mr. Cheng began his career in September 1983 and held the positions of Secretary of CYL Committee at Zhejiang Shipping and Technical School; Secretary of CYL Committee at Zhejiang Road and Bridge Engineering Office; Secretary of Party General branch at No.3 Company of Zhejiang Provincial Transportation Engineering & Construction Group Co., Ltd.; Party Committee Deputy Secretary of Zhejiang Provincial Transportation Engineering & Construction Group Co., Ltd.; Vice Chairman, Party Committee Secretary and Chairman of Zhejiang Provincial Transportation Engineering & Construction Group Co., Ltd.

Ms. LUO Jianhu

Born in 1971, successively graduated from the Hangzhou University and the Zhejiang University with a bachelor's degree in law and a master's degree in international trade. She graduated from the National Accounting Institute in 2016 with an EMBA degree, majoring in Financial Accounting.. She is a lawyer and Senior Economist. Ms. Luo has been appointed as an Executive Director and the General Manager of the Company since June 2012.

Since she started her career in August 1994, Ms. Luo had held such positions as the board secretary of Zhejiang Transportation Engineering Construction Group Co., Ltd., the Deputy Director, Director of the Legal Affairs Department, the Deputy Director, Director of the Secretarial Office to the Board, Board Secretary and the Manager of the Investment and Development Department of Zhejiang Communications Investment Group Co., Ltd.

Non-Executive Directors

Mr. DAI Benmeng

Born in 1965, graduated from the Party  School of the Zhejiang Committee of the Communist Party of China with a bachelor's degree specialising in economics and management and is a Senior Economist. He began working in February 1987 and has been a director and the Deputy General Manager of Wenzhou Shipping Co., Ltd., a Director and the General Manager of Zhejiang Wenzhou Yongtaiwen Expressway Co., Ltd., a Director and the General Manager of Zhejiang Jinji Property Co., Ltd., the person in charge of Zhejiang Province North Zhejiang Expressway Management Co., Ltd., the Chairman of Zhejiang ShenSuZheWan Expressway Co., Ltd., and the General Manager of the Shanghai-Jiaxing-Huzhou-Hangzhou branch of the Communications Group. Mr. Dai is currently the Department Head of Organization Department of the Communications Group.

Mr. YU Qunli

Born in 1968, graduated from Xi'an Roadway Institute with a Bachelor's Degree in Roads and Bridges Engineering. Mr. Yu Qunli also holds a Master's Degree in Structure Engineering and a MBA Degree in Business Administration, both from Zhejiang University. Mr. Yu Qunli started his career in 1990 at Zhejiang Provincial Roads and Bridges Bureau and Zhejiang Communications Engineering Construction Group Co., moved to Zhejiang Communications Engineering Group Co., Ltd. in 2000, and to Zhejiang Communications Investment Group Co., Ltd. in 2002. Starting from 2005, Mr. Yu Qunli served as Deputy General Manager at Zhejiang Zhoushan Continent to Island Construction Expressway Co., Ltd., and from 2006, as Deputy General Manager at Zhejiang Ningbo Yongtaiwen Expressway Co., Ltd. and Zhejiang Zhoushan Bay Bridge Co., Ltd. Beginning from 2010, Mr. Yu Qunli served as Deputy Manager of Safety Management Department and Manager of Safety Monitoring Management Department at Zhejiang Communications Investment Group Co., Ltd. He served as General Manager at Zhejiang Ningbo Yongtaiwen Expressway Co., Ltd. in 2013, and as General Manager at Zhejiang Taizhou Expressway Co., Ltd. and Zhejiang Zhoushan Bay Bridge Co., Ltd. Since 2015, Mr. Yu Qunli served as General Manager of Expressway Operations Management Department at Zhejiang Communications Investment Group Co., Ltd., and as General Manager at Communications Operations Management Department since 2016.

Mr. WANG Dongjie

Born in 1977, graduated from Southeast University majoring in Highway and Railway Engineering with  a Master's degree in engineering. He is a Senior Engineer.

Since he started his career in March 2002, Mr. Wang had served as an Engineer of the Executive Commission of Hangzhou Ring Road North Line Project, the Deputy Executive Chief of the Executive Commission for the interflow renovation of Hangzhou airport road, the Engineering Division Chief of Management Office of Chun'an section of Hangqian Expressway and the Director and Deputy General Manager of Hangzhou Transportation Road and Bridge Construction Company.

He joined Zhejiang Communications Investment Group Co., Ltd. in January 2007 and is currently the chairman of Zhejiang Communications Investment Group Industrial Development Co., Ltd.

Mr. WANG resigned the position of Non-Executive Director of the Company on April 2, 2018.

Mr. YU Ji

Born in 1975, is an Engineer. He graduated from Zhejiang University with a Master's Degree in Structure Engineering. Mr. Yu Ji began his career at Jinwen Railroad Engineering Construction Project Management Division (Qingtian County Lianggang section) and General Headquarter from 1996, worked at Zhejiang Local Railroad Survey and Design Bureau and Zhejiang Tiezi Engineering Co., Ltd. from 1998, and became a Structure Design Engineer at Zhejiang Urban Construction Design and Research Institute from 2005. Starting from 2007, Mr. Yu Ji worked as staff, Deputy Manager and then Manager at Project Management Department of Zhejiang Railroad Investment Group Co., Ltd., and became General Manager of Railroad Project Department in 2015, Manager of Communications Investment Department of Zhejiang Communications Investment Group Co., Ltd. in 2016. Since 2018, Mr. Yu Ji became General Manager of ***Strategic*** Development and Legal Affairs Department of Zhejiang Communications Investment Group Co., Ltd.

Mr. ZHOU Jianping

Born in 1957, graduated from Xi'an Highway College with a bachelor's degree specialising in vehicular transport and is a Senior Engineer at professor level. He began working in September 1975 and has been the Deputy Supervisor of the Business Management Office, Supervisor of the office, Assistant of the General Manager, and Deputy General Manager of Zhejiang Province Vehicular Transport General Company, the Deputy Head of Quzhou Municipal Communications Bureau, Zhejiang Province, the manager of the Asset Management Department of the Communications Group, and the person in charge of the Hangjinqu Branch of the Communications Group.

Mr. ZHOU resigned the position of Non-executive Director of the Company on December 22, 2017.

Independent Non-Executive Directors

Mr. PEI Ker-Wei

Born in 1957, is a full Professor of Accountancy at the School of Accountancy at the W. P. Carey School of Business Arizona State University.

Mr. Pei received his Ph.D. degree in Accounting from University of North Texas in 1986. He served as the chairman of the Globalization Committee of the American Accounting Association in 1997 and as the president of the Chinese Accounting Professors Association-North America in 1993 to 1994.

Mr. Pei currently also serves as an External Director of Baosteel Group and China Merchant Group, and Independent Director of Want Want China Holdings (HK Stock Code: 00151), Zhong An Real Estate (HK Stock Code: 00672) and MMG Limited (HK Stock Code: 01208).

Ms. LEE Wai Tsang, Rosa

Born in 1977, has been an Executive Director of Grand Investment International Lt d. (Stock code: 1160)  since 1 June 2005 and appointed as its Chairman for the period from 1 May 2013 to 15 June 2017. Ms. Lee holds a Bachelor degree from the University of Southern California. She also holds Master of Science in Finance from Boston College and MBA from University of Chicago. Ms. Lee has been working with Grand Investment International Ltd. since its incorporation in April 2003 and overseeing its investment, operation and administration. Ms. Lee is a licensed person for the regulated activities of dealing and advising in securities and asset management under the Securities and Futures Ordinance ("SFO"). Ms. Lee is a Director of Grand Finance Group Company Ltd ("GFG"), and Tianjin Yishang Friendship Holdings Company Ltd.

Mr. CHEN Bin

Born in 1967, is a graduate from University of South China in computer science. He also holds a second Bachelor's degree from Chongqing University in management engineering. Mr. Chen worked at Tianshi Network Company of TCL Group as Deputy General Manager from 1998 to 2004, at Webex Group as General Manager of China Investment from 2005 to 2006, and at Cybernaut China Investment Fund as Senior Partner from 2007 to 2008. Mr. Chen became Chief Executive and Funding Partner of Zhejiang Cybernaut Investment Management Co., Ltd. since 2008. Mr. Chen also serves as Director at Sundy Land Investment Co., Ltd., (a company listed on Shanghai Stock Exchange, SH Stock Code: 600077) and Shenzhen Fountain Corporation (a company listed on Shenzhen Stock Exchange, SZ Stock Code: 000005).

Mr. ZHOU Jun

Born in 1969, is the Executive Director and President of Shanghai Industrial Investment (Holdings) Co. Ltd. ("SIIC"). Mr. Zhou graduated from Nanjing University and Fudan University with a bachelor's degree of arts and a master's degree of economics in international finance.

He also serves as the Chairman of S.I. Infrastructure Holdings Ltd. and seven other companies, the Chairman of SIIC Environment Holdings Ltd. in Singapore (SGX: BHK), Executive Director and CEO of Shanghai Industrial Holdings Ltd. (HK Stock Code: 0363), Executive Director of Shanghai Industrial Urban Development Group Ltd. (HK Stock Code: 0563). He worked for Guotai Securities Co., Ltd. (now Guotai Junan Securities Co).

Before joining SIIC in April 1996, the management positions he had held within the SIIC group of companies were Deputy General Manager of SIIC Real Estate Holdings (Shanghai) Co., Ltd., Shanghai Pharmaceuticals Holding Co., Ltd. (SH Stock Code: 601607 / HK Stock Code: 02607), Managing Director of Shanghai Cyber Galaxy Investment Co., Ltd. and General Manager of the ***Strategic*** Investment Department of SIIC. Mr. Zhou has about 20 years' professional experience in general management, financial investment, real estate and project ***planning***.

Mr. Zhou is a member of the Standing Committee of the CPC Shanghai Municipal Committee and is currently the Chairman of Shanghai Shengtai Investment Management Co., Ltd. of Shanghai Charity Foundation.

Mr. ZHOU resigned the position of Independent Non-Executive Director on April 2, 2018.

SUPERVISOR

Supervisor Representing Shareholders

Mr. YAO Huiliang

Born in 1972, graduated from the Zhejiang University and is a senior accountant.

Since he started his career in August 1990, Mr. YAO had served as Project Management Manager at Zhejiang Zhetong Road Operation Co., Ltd., Finance Manager of the Management Committee of the Ningbo Second Phase of Yongtaiwen Expressway, Assistant to the General Manager and Finance Manager of the Zhejiang Ningbo- Taizhou-Wenzhou Expressway Co., Limited and Deputy Manager of the Finance Management Department, and Vice Manager of the Finance Center of the Communications Group.

Mr. YAO currently serves as General Manager of the Finance Management Centre of the Communications Group.

Independent Supervisors

Ms. HE Meiyun

Born in 1964, is a Senior Economist. She graduated from the Zhejiang University in 1986 and later received an Executive Master of Business Admiration (EMBA) in Cheung Kong Graduate School of Business.

Ms. He had served as the Secretary of Youth League Committee at the Hangzhou Business School and as a Deputy General Manager, General Manager and Vice Chairman at Baida Group Co., Ltd., a company listed on the Shanghai Stock Exchange (stock code: 600865). Ms. He currently serves as a General Manager of Ping An Securities Company Limited, Zhejiang Branch. She is also a Vice Chairman of the Professional Committee of the Board Secretary of Listed Company Association of Zhejiang.

Mr. WU Qingwang

Born in 1965, is a PRC lawyer. He graduated from Hangzhou University with a Bachelor degree in law in 1989 and later received a Master's degree and a Doctoral degree in Civil and Commercial Law in Southwest University of Political Science and Law in 1995 and 2004, respectively.

Mr. Wu had worked in Chun'an Justice Bureau since 1989 and in Zhejiang Securities Co., Ltd. from 1995 to 1996. Since May 1996, Mr. Wu has been working in Zhejiang Xinyun Law Firm and is currently a Partner, specializing in civil and commercial litigation, arbitration and project negotiation. Mr. Wu is on the panel of arbitrators in China International Economic and Trade Arbitration Commission. Mr. Wu serves as an Independent Director of the following companies: Yiwu Huading Nylon Co., Ltd. (stock code: 601113), and Top Choice Medical Investment Co., Inc. (stock code: 600763), both companies listed on the Shanghai Stock Exchange. From August 2011 to April 2016, Mr. Wu served as an Independent Director of OB Telecom Electronics Co., Ltd (stock code: 300270), a company listed on the Shenzhen StockExchange.

Mr. ZHAN Huagang

Born in 1961, is the party committee member and labour union chairman of the Company. He is a professor-level Senior Engineer. Mr. Zhan graduated from Zhejiang University with a bachelor's degree of engineering in internal combustion engine from the department of thermophysical engineering.

From July 1982 to June 1991, he worked at Zhejiang Province Vehicular  Transport  Company,  Zhejiang Office of Motor Vehicles and Zhejiang Highway Management Bureau. From June 1991 to January 1996, he worked at Zhejiang Road and Bridge Engineering Office. From January 1996 to March 1997, he worked at the Operation Division and Maintenance Division of the Zhejiang Provincial Expressway Executive Commission as Senior Engineer.

Since March 1997, he has been working at Zhejiang Expressway Co., Ltd. as Deputy Manager and Manager of the Operations Management Depar t m ent , M anager of t he I nv es t m ent Dev elopm ent Div is ion, Manager of the Equipment Management Department, Manager of the Engineering Management Department and Head of the Maintenance Management Office. He is concurrently the Deputy General Manager of Zhejiang Expressway Investment Development Co., Ltd. and Chairman and General Manager of Zhejiang Expressway Advertising Co., Ltd.

Mr. LU Xinghai

Born in 1967, graduated from the Department of Psychology of the Hangzhou University with a doctorate degree in Management Psychology and is a Senior Economist, the Supervisor Representing Employees of the Company.

Mr. Lu had served as Manager of the Human Resources Department of Hangzhou BC Foods Co., Ltd., Deputy Manager of the Human Resources Department of the Company.

He currently also serves as the Head of the Party-Staff Work Department and Director of Labour Union Office of the Company.

OTHER MEMBERS OF SENIOR MANAGEMENT

Mr. FANG Zhexing

Born in 1965, is a Senior Engineer, the Deputy General Manager of the Company. Mr. Fang graduated from Zhejiang University where he received a master's degree in engineering in 1991.

From 1986 to 1988 he was the Assistant Engineer in the Project Management Office of the Electric Power and Water Conservancy Bureau in Taizhou, Zhejiang Province. From 1991 until 1997, he was the Engineer in the Project Management Office of Zhejiang Provincial Expressway Executive Commission, where he participated in the project management of Shanghai-Hangzhou-Ningbo Expressway.

Since March 1997, he has served as the Deputy Manager and the Manager of the ***Planning*** and Development Department, the Manager of the Project Development Department, the Director of Quality Management Office, the Director of Internal Audit Department of the Company, the Manager of the Human Resources Department and the Secretary of Disciplinary Committee.

Mr. Fang resigned the position of the Deputy General Manager of the Company on December 18, 2017.

Mr. ZHU Yimin

Born in 1961, is an Engineer, Mr. Zhu graduated from Chang'an University with professional ***programme*** in Roads and Transportation Engineering in July 2007. He joined the People's Liberation Army garrison 83026 from December 1978 to January 1982. From January 1982 to December 1998, he worked in Anji County Water Traffic Control Department, Huzhou Port and Water Traffic Administration Department and Huzhou City Water Traffic Administration Department. From June 1994 to December 1998, he was the Director of Huzhou City Traffic Engineering Department. From December 1998 to September 2000, he served as the Assistant to Director of Huzhou City Water Traffic Control and Administration Department. From January 2003 to August 2004, he was the Assistant Manager of Huzhou City Transportation Investment and Development Corporation. From August 2004 to May 2015, Mr. Zhu has served in different positions including the Deputy General Manager of Zhejiang Shenjiahuhang Expressway Co., Ltd, the Deputy General Manager of Zhejiang Province North Zhejiang Expressway Management Co., Ltd., the Deputy General Manager of Zhejiang Shensuzhewan Expressway Co. Ltd., the Deputy General Manager of Zhejiang Province West Zhejiang Expressway Co., Ltd., and Deputy General Manager of Zhejiang Hanghui Expressway Co. Ltd.

He has been the Deputy General Manager and party committee member of the Company since July 1, 2015.

Mr. WANG Dehua

Born in 1974, graduated with an undergraduate degree in Accounting from Hangzhou Institute of Electronics Engineering in 1996. He worked in the Foreign Funds Utilization Audit Department of Zhejiang Provincial Audit Office from 1996 to 2003. Mr. Wang worked at the Corporation Division of the Administrative and Finance Department of Liaison Office of the Central Government in the Hong Kong S.A.R. from 2003 to 2011, serving as its Deputy Director upon departure. Mr. Wang studied at School of Economics and Finance of the Faculty of Business and Economics of the University of Hong Kong from 2005 to 2007, and graduated in 2007 with a master's degree in Economics. Mr. Wang has professional accounting qualifications, including CPA, HKICPA, FCCA, etc. He worked at Zhejiang Communications Investment Group Co., Ltd. from 2011 to 2014, serving as its Deputy General Manager upon departure.

Mr. Wang Dehua has been appointed as the Chief Financial Officer of the Company with effect from March 17, 2014.

Mr. Tony ZHENG

Born in 1969, is the Deputy General Manager and Company Secretary of the Company. Mr. Zheng graduated from University of California at Berkeley in 1995 with a BS degree in Civil Engineering. He joined the Company in June 1997, and has served as Deputy Director of the Secretarial Office to the Board and Assistant Company Secretary. Mr. Zheng continues to serve as Director of the Secretarial Office to the Board, and Director of Hong Kong Representative Office of the Company.

Ms. ZHANG Xiuhua

Born in 1969, is a Senior Economist, the Deputy General Manager of the Company. Ms. Zhang graduated from Chongqing Jiaotong University majoring in transportation management with a bachelor's degree in science, and obtained a master's degree in business administration from Zhejiang University in 2006.

From July 1991 to February 1997, she worked in the Operation Division of the Zhejiang Provincial Expressway Executive Commission. She joined the Company since March 1997, and had served as Assistant manager, Deputy Manager, Manager of the Operation Department and Assistant to General Manager.

Report of the Directors

The Directors of the Company hereby present their report and the audited financial statements of the Group for the year ended December 31, 2017.

PRINCIPAL ACTIVITIES

The principal activities of the Group comprise the operation, management of high grade roads, as well as provision of security broking service and proprietary securities trading.

BUSINESS REVIEW

A review of the business of the Group and analysis of the Group's performance using key performance indicators is provided in the section headed "Management Discussion and Analysis" of this annual report.

In addition, discussions on the Group's environmental policies and performance and an account of the Group's key relationships with its employees, customers, suppliers and others that have a significant impact on the Group and on which the Group's success depends are provided in the Company's 2017 Environmental and Social Responsibility Report.

SEGMENT INFORMATION

During the Period, the entire revenue and segment profit of the Group were derived from the People's Republic of China ("PRC"). Accordingly, no further analysis of the revenue and segment profit by geographical area is presented. An analysis of the Group's revenue and segment profit by principal activities for the year ended December 31, 2017 is set out in note 5 to the financial statements.

RESULTS AND DIVIDENDS

The Group's profit for the year ended December 31, 2017 and the state of financial position at that date are set out in the financial statements.

An interim dividend of Rmb0.06 per share (approximately HK$0.072) was paid on January 19,

2018. The Directors have recommended the payment of a final dividend of Rmb0.30 (approximately HK$0.363) per share in respect of the year. The final dividend is subject to shareholders' approval at the 2017 annual general meeting of the Company and is expected to be paid by no later than August 31, 2018. This recommendation has been incorporated in the financial statements as an allocation of retained earnings within the capital and reserves section in the consolidated statement of financial position. The dividend payout ratio reached 48.8% during the Period. Further details of the dividends are set out in note 15 to the financial statements.

FIVE YEAR SUMMARY FINANCIAL INFORMATION

The following is a summary of the published consolidated results, and of the assets, liabilities and non-controlling interests of the Group prepared on the basis set out in the notes below.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| results | year ended december 31, |  |  |  |  |
|  |  |  |  |  |  |
|  | 2017 | 2016 | 2015 | 2014 | 2013 |
|  | rmb'000 | Rmb'000 | Rmb'000 | Rmb'000 | Rmb'000 |
|  |  |  | (Restated) | (Restated) | (Restated) |
|  |  |  |  |  |  |
| Continuing operations |  |  |  |  |  |
| Revenue | 9,626,340 | 9,735,347 | 10,724,781 | 7,171,810 | 6,055,104 |
| Operating costs | (4,656,163) | (4,596,048) | (5,278,650) | (3,617,851) | (3,137,004) |
| Gross profit | 4,970,177 | 5,139,299 | 5,446,131 | 3,553,959 | 2,918,100 |
| Security investment gains | 774,885 | 223,573 | 584,114 | 278,252 | 99,663 |
| Other income and gains and losses | 103,639 | 289,390 | 191,887 | 144,016 | 171,295 |
| Administrative expenses | (98,496) | (81,687) | (88,421) | (87,462) | (81,754) |
| Other expenses | (134,327) | (85,099) | (158,714) | (83,098) | (63,946) |
| Share of profit of associates | 161,502 | 64,699 | 48,289 | 65,020 | 21,537 |
| Share of profit/(loss) of a joint venture | 17,668 | 9,797 | (25,067) | (33,277) | (36,010) |
| Finance costs | (611,747) | (671,387) | (632,495) | (272,900) | (295,461) |
| Profit before tax | 5,183,301 | 4,888,585 | 5,365,724 | 3,564,510 | 2,733,424 |
| Income tax expense | (1,192,269) | (1,161,570) | (1,396,774) | (882,625) | (720,632) |
| Profit for the year from continuing operations | 3,991,032 | 3,727,015 | 3,968,950 | 2,681,885 | 2,012,792 |
| discontinued operations |  |  |  |  |  |
| Profit for the year from discontinued operations | - | 81,594 | 60,830 | 64,087 | 70,964 |
| profit for the year | 3,991,032 | 3,808,609 | 4,029,780 | 2,745,972 | 2,083,756 |
| Profit for the year attributable to owners of    the Company |  |  |  |  |  |
| - Continuing operations | 3,202,130 | 2,957,291 | 2,932,903 | 2,204,982 | 1,741,694 |
| - Discontinued operations | - | 80,114 | 56,777 | 60,012 | 59,993 |
| Profit for the year attributable to    non-controlling interests |  |  |  |  |  |
| - Continuing operations | 788,902 | 769,724 | 1,036,047 | 476,903 | 271,098 |
| - Discontinued operations | - | 1,480 | 4,053 | 4,075 | 10,971 |
| earnings per share |  |  |  |  |  |
| From continuing and discontinued operations |  |  |  |  |  |
| Basic (Rmb cents) | 73.73 | 69.94 | 68.84 | 52.15 | 41.48 |
| Diluted (Rmb cents) | 71.36 | 69.94 | 68.84 | 52.15 | 41.48 |
| From continuing operations |  |  |  |  |  |
| Basic (Rmb cents) | 73.73 | 68.09 | 67.53 | 50.77 | 40.10 |
| Diluted (Rmb cents) | 71.36 | 68.09 | 67.53 | 50.77 | 40.10 |

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | as at december 31, |  |  |  |  |
|  |  |  |  |  |  |
|  | 2017 | 2016 | 2015 | 2014 | 2013 |
| assets and liabilities | rmb'000 | Rmb'000 | Rmb'000 | Rmb'000 | Rmb'000 |
|  |  |  |  |  |  |
| Total assets | 73,650,520 | 73,761,432 | 73,891,763 | 54,987,056 | 35,947,318 |
| Total liabilities | 44,446,169 | 49,585,505 | 51,893,114 | 33,858,586 | 16,175,239 |
| Net assets | 29,204,351 | 24,175,927 | 21,998,649 | 21,128,470 | 19,772,079 |

Notes:

1. The consolidated results of the Group for the three years ended December 31, 2015 have been restated in accordance with relevant Hong Kong Financial Reporting Standard issued by Hong Kong Institute of Certified Public Accountants, while those for the year ended December 31, 2017 and December 31, 2016 were prepared based on the consolidated statement of profit or loss and other comprehensive income as set out on the financial report.

2. The 2017 basic earnings per share (from continuing and discontinued operations) is based on the profit attributable to owners of the Company for the year ended December 31, 2017 of Rmb3,202,130,000 (2016: Rmb3,037,405,000) and the 4,343,114,500 (2016: 4,343,114,500) ordinary shares in issue during the year.

The 2017 diluted earnings per share (from continuing and discontinued operations) is based on the profit for the purpose of diluted earnings per share attributable to owners of the Company for the year ended December 31, 2017 of Rmb3,218,310,000 and the 4,509,861,000 weighted average number of ordinary shares for the purpose of diluted earnings per share during the year. The diluted earnings per share is the same as the basic earnings per share for 2016.

3. Differences in financial statements prepared under PRC GAAP and HKFRSs

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | profit  for the year ended  december 31, | net assets  as at december 31, |  |  |
|  |  |  |  |  |
|  | 2017 | 2016 | 2017 | 2016 |
|  | rmb'000 | Rmb'000 | rmb'000 | Rmb'000 |
| As reported in the statutory financial    statements of the Group prepared in    accordance with PRC GAAP | 3,999,920 | 3,816,689 | 29,495,719 | 24,458,407 |
| HK GAAP adjustments: |  |  |  |  |
| (a) Goodwill | - | - | (199,769) | (199,769) |
| (b) Amortization provided, net of deferred tax | (2,041) | (1,952) | (171,053) | (169,012) |
| (c) Assessment on impact of appreciation, net of       deferred tax | (3,475) | (3,658) | 45,658 | 49,133 |
| (d) Others | - | 719 | 7,666 | 7,666 |
| (e) Non-controlling interests | (3,372) | (3,189) | 26,130 | 29,502 |
| As restated in the financial statements | 3,991,032 | 3,808,609 | 29,204,351 | 24,175,927 |

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, the five largest customers and suppliers of the Group accounted for less than 30% of the total turnover and purchases, respectively.

None of the directors of the Company or any of their associates or any shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers.

RELATED PARTY TRANSACTIONS

During the year, details of the related party transactions that the company and its subsidiaries have entered into with Communications Group and its subsidiaries of are set out in note to the consolidated financial statements. The transactions including the deposit services provided by Zhejiang Communications Finance, the road maintenance services provided by Zhejiang Expressway Maintenance Co., Ltd, the asphalt road geothermal power regeneration services provided by Zhejiang Shunchang High-grade Expressway Maintenance Co., Ltd, the information system redevelopment services, the data center infrastructure platform development project, the highway equipment management system, the monitoring system improvement phase II project, and the electronic toll collection construction project provided by Zhejiang Expressway Information Engineering Technology Co., Ltd, the technological cooperation and service provided by Zhejiang Intelligent Expressway Services Co., Ltd, and etc, constitute non-exempt continuing connected transactions as defined in Chapter 14A of the Listing Rules. For further details in relation to the connected transactions, please refer to the section of "Connected Transactions". Save as disclosed in the Company's announcement dated March 16, 2018, the Company has complied with the disclosure requirements in respect of such connected transactions in accordance with Chapter 14A of the Listing Rules.

DONATION

During the year, the total amount of donation made by the group is Rmb5,373,000 for charitable or other purposes.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment of the Group during the year are set out in note 17 to the financial statements.

CAPITAL COMMITMENTS

Details of the capital commitments of the Group as at December 31, 2017 are set out in note 50 to the financial statements.

RESERVES

Details of movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity under the financial statements.

DISTRIBUTABLE RESERVES

As at December 31, 2017, before the proposed final dividend, the Company's reserves available for distribution by way of cash or in kind, as determined based on the lower of the amount determined under PRC accounting standards and the amount determined under HKGAAP, amounted to Rmb3,491,910,000. In addition, in accordance with the Company Law of the PRC, the amount of approximately Rmb3,645,726,000 standing to the credit of the Company's share premium account as prepared in accordance with the PRC accounting standards was available for distribution by way of capitalization issues.

TRUST DEPOSITS

As at December 31, 2017, other than the deposits placed with a non-bank financial institution of Rmb1,301,639,000, the Group's deposits have been placed with commercial banks in the PRC and the Group has not encountered any difficulty in the withdrawal of funds.

PURCHASE, REDEMPTION OR SALE OF THE LISTED SECURITIES OFTHE COMPANY

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

DIRECTORS

The Directors of the Company during the year and as at the date of this report are:

EXECUTIVE DIRECTORS

Mr. ZHAN Xiaozhang (Chairman)

Mr. CHENG Tao

Ms. LUO Jianhu (General Manager)

NON-EXECUTIVE DIRECTORS

Mr. WANG Dongjie

Mr. DAI Benmeng

Mr. ZHOU Jianping (Resigned on December 22, 2017)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. ZHOU Jun

Mr. PEI Ker-Wei

Ms. LEE Wai Tsang, Rosa

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors of the Company and the senior management of the Group are set out in the Company's annual report.

DIRECTORS' SERVICE CONTRACTS

Each of the Directors of the Company has entered into a service agreement with the Company, which effect from July 1, 2015 to June 30, 2018.

Save as disclosed above, none of the Directors and Supervisors has entered into any service contract with the Company which is not terminable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' AND SUPERVISORS' INTERESTS IN CONTRACTS

As at December 31, 2017 or during the year, none of the Directors or Supervisors had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries was a party.

DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE'S RIGHTS TO SUBSCRIBE FOR SHARES OR DEBENTURES

At no time during the year were there rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director, Supervisor and chief executive or their respective spouse or minor children, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable any such persons to acquire such rights in any other body corporate.

SHARE CAPITAL

There were no movements in the Company's issued share capital during the year.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights in the Company's Articles of Association or the laws of the PRC which would require the Company to offer new shares on a pro rata basis to existing shareholders.

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN COMPETING BUSINESS

Save for their respective interests in the Group, none of the directors and controlling shareholders of the Company was interested in any business which competes or is likely to complete with the businesses of the Group for the Period.

CONTRACT OF SIGNIFICANCE WITH CONTROLLING SHAREHOLDERS

Save as disclosed in this annual report, there is no contract of significance entered into between the Company, or one of its subsidiary companies, and a controlling shareholder or any of its subsidiaries.

TAXATION AND TAX RELIEF

According to a Notice issued jointly by PRC Ministry of Finance and State Administration of Taxation regarding individual income tax policies (Caishuizi [1994] No.020), the dividend incomes received by foreign individuals from a foreign-invested enterprise are exempt from individual income tax.

As stipulated by a Notice issued by the PRC State Administration of Taxation in relation to the withholding and payment of enterprise income tax by Chinese resident enterprises for payment of dividend to H shareholders Who are overseas non-resident enterprises (Guoshuihan [2008] No.897), the Company as a Chinese resident enterprises is required to withhold 10% enterprise income tax when it distributes dividends for the year 2008 and thereafter to all non-resident enterprise holders of H shares of the Company (including HKSCC Nominees Limited, other nominees, trustees or other entities and organizations, who will be deemed as non-resident enterprise holders of H shares) whose names appear on the H share register of members of the Company on the record date.

Dividends payable to the Shareholders who are mainland individual investors or corporate investors investing in the H Shares via the Shanghai-Hong Kong Stock Connect or the Shenzhen-Hong Kong Stock Connect will be paid in Rmb by China Securities Depository and Clearing Corporation Limited Shanghai Branch ("CSDC Shanghai Branch") or Shenzhen Branch ("CSDC Shenzhen Branch") as entrusted by the Company.

According to the requirements of the "Notice on Taxation Policies Concerning the Shanghai-Hong Kong Stock Connect Pilot ***Program*** (Finance Tax [2014] No. 81) and "Notice on Taxation Policies Concerning the Shenzhen-Hong Kong Stock Connect Pilot ***Program*** (Finance Tax [2016] No. 127) jointly published by the Ministry of Finance, State Administration of Taxation and China Securities Regulatory Commission, the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect tax arrangements are as follows: (i) for Chinese Mainland individual investors who invest in the H Shares via the Shanghai-Hong Kong Stock Connect or the Shenzhen-Hong Kong Stock Connect, the Company will withhold individual income tax at the rate of 20% in the distribution of final dividend. Individual investors may, by ***producing*** valid tax payment proofs, apply to the competent tax authority of China Securities Depository and Clearing Company Limited for tax credit relating to the withholding tax already paid abroad; and (ii) for Chinese Mainland securities investment funds that invest in the H Shares via the Shanghai-Hong Kong Stock Connect or the Shenzhen-Hong Kong Stock Connect, the Company will withhold individual income tax in the distribution of final dividend pursuant to the foregoing provisions.

For Chinese mainland corporate investors that invest in the H Shares via the Shanghai-Hong Kong Stock Connect or the Shenzhen-Hong Kong Stock Connect, the Company will not withhold the income tax in the distribution of final dividend and such investors shall file the tax returns on their own.

Under current practice of the Hong Kong Inland Revenue Department, no tax is payable in Hong Kong in respect of dividends paid by the Company.

Shareholders of the Company are taxed and/ or enjoy tax relief in accordance with the aforementioned regulations.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at the latest practicable date prior to the issue of this annual report, the Company has maintained sufficient amount of public float as required under the Listing Rules.

DIRECTORS' PERMITTED INDEMNITY PROVISION

Pursuant to insurance arrangements taken out by the Company, every director or other officer of the Company shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them may sustain or incur in connection with their duties or the exercise of their powers. The Company arranged appropriate directors' and officers' liability insurance coverage for the director and officers of the Group during the year ended 31 December 2017.

AUDITORS

Deloitte Touche Tohmatsu Certified Public Accountants Hong Kong, who has served as the Company's Hong Kong auditors since 2005, will retire and a resolution for their re-appointment as Hong Kong auditors of the Company will be proposed at the forth coming Annual General Meeting of the shareholders.

By Order of the Board

Zhan Xiaozhang

Chairman

Hangzhou, Zhejiang Province, the PRC

March 16, 2018

Report of the Supervisory Committee

During the Period, the Supervisory Committee duly performed its supervisory responsibilities, and safe guarded the legitimate interests of the shareholders and the Company in accordance with relevant rules and regulations under the Company Law of the PRC, the Company's Articles of Association and the Rules of the Supervisory Committee.

Main tasks undertaken by the Supervisory Committee during the Period were to assess and supervise lawfulness and appropriateness of the activities of the Directors, General Manager and other senior management of the Company in their business decision-making and daily management processes, through a combination of activities including holding meetings of the Supervisory Committee and attending general meetings of shareholders and meetings of the Board. The Supervisory Committee has carefully examined the operating results and the financial standing of the Company, discussed and reviewed the financial statements to be submitted by the Board to the general meeting of shareholders.

During the Period, the Supervisory Committee held a total of two meetings of its own, and attended six meetings held by the Board and two general meetings. The Supervisory Committee considered that the Company has strengthened the accountability system, stepped up reform and innovation and seized the implementation of tasks by capitalising on the ***strategic*** positioning of "three platforms" and centering around the growth objective of becoming the "leading operator in China and a top-notch operator globally" to fully accomplish various targets set at the beginning of the year. The operating results of the Company set another record high alongside with full-scale optimisation and upgrade of the highway business as well as effective attempts made in the capital operations. Industry development continued to grow steadily with a more comprehensive and effective risk management system.

The Supervisory Committee has reviewed the financial statements of the Company for 2017 prepared by the Board for submission to the general meeting of shareholders, and concluded that the financial statements accurately reflected the financial position of the Company in 2017, and complied with the relevant laws, regulations and the Company's Articles of Association. The Company maintained a relatively stable dividend in recent years, providing satisfactory return to its shareholders.

During the Period, the members of the Board, General Manager and other senior management of the Company have complied with their fiduciary duties and have acted in good faith and diligently while carrying out their responsibilities. There was no incident of abuse of power or infringement of the interests of shareholders or employees.

The Supervisory Committee is satisfied with the performances across various lines of business achieved by the Board and the management of the Company.

By the order of the Supervisory Committee

YAO Huiliang

Chairman of the Supervisory Committee

Hangzhou, Zhejiang Province, the PRC

March 16, 2018

Connected Transactions

During the year ended December 31, 2017, the Company had the following non-exempt connected transactions and continuing connected transactions.

Connected Transaction

1. Financial Adviser Agreement

On May 12, 2017, Zheshang Securities entered into the Independent Financial Adviser Agreement with Zhejiang Communications Technology Co., Ltd. ("Zhejiang Communications Technology"), pursuant to which Zheshang Securities agreed to provide financial advisory services with respect to its substantial assets transaction to Zhejiang Communications Technology at the consideration of Rmb19,200,000. Such assets transaction refers to the acquisition of 100% equity interests in Zhejiang Communications Engineering Group Co., Ltd. by Zhejiang Communications Technology and the raising of counterpart funds (please refer to the announcement of the Company dated March 16, 2018 on Connected Transaction -- Independent Financial Adviser Agreement for details).

Communications Group, which holds approximately 67% of the issued share capital of the Company, is a controlling shareholder of the Company. Zhejiang Communications Technology is a non-wholly-owned subsidiary of Communications Group. Zheshang Securities is an indirect non-wholly owned subsidiary of the Company. Therefore, Zhejiang Communications Technology is a connected person of the Company and as a result, the transaction under the Independent Financial Adviser Agreement constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules.

Continuing Connected  Transactions

1. Daily Road Maintenance Services

On April 8, 2016, the Company and the relevant subsidiaries of the Company entered into a number of Road Maintenance Agreements with Zhejiang Expressway Maintenance Co., Ltd. ("Maintenance Co"), pursuant to which Maintenance Co agreed to provide the daily maintenance services to the Group's four expressways, namely: the Shanghai-Hangzhou- Ningbo Expressway, the Shangsan Expressway, Jinhua section, Ningbo-Jinhua Expressway and the Hanghui Expressway. Each of the Road Maintenance Agreements has a term of three years from January 1, 2016 to December 31, 2018. The total service fees in respect of the daily maintenance services shall be Rmb182,307,362 and the aggregate annual service fees payable by the Group to Maintenance Co in respect of the daily maintenance services shall not exceed Rmb85 million (please refer to the announcement of the Company dated April 8, 2016 on Continuing Connected Transactions for details).

Communications Group is a controlling shareholder of the Company. Maintenance Co (being a subsidiary of Communications Group) is a connected person of the Company. As such, under the Chapter 14A of the Listing Rules, the provision of daily maintenance services constitutes a continuing connected transaction for the Company.

During the period, the total service fees paid by the Company and its subsidiaries to Maintenance Co in respect of the daily road maintenance services amounted to Rmb63,411,000.

2. Information System Redevelopment

On September 13, 2016, the Company and the relevant subsidiaries of the Company entered into the Information System Redevelopment Agreements with Zhejiang Expressway Information Technology Engineering Co., Ltd. ("Zhejiang Information", a wholly-owned subsidiary of the controlling shareholder of the Company), pursuant to which Zhejiang Information agreed to provide the Information System Redevelopment Services to the Target Expressways for a period of 12 months ending September 12, 2017 at the consideration of Rmb30,984,318.61 (please refer to the announcement of the Company dated September 13, 2016 on Continuing Connected Transaction -- Information System Redevelopment Agreements for details).

Communications Group is a controlling shareholder of the Company. Zhejiang Information (being a wholly-owned subsidiary of Communications Group) is a connected person of the Company. As such, under the Chapter 14A of the Listing Rules, the transaction under the Information System Redevelopment Agreements constitutes a continuing connected transaction for the Company.

During the period, the service fees paid by the Company and its subsidiaries to Zhejiang Information with respect to the continuing connected transaction under the Information System Redevelopment Agreements amounted to Rmb11,598,000.

3. Deposit Services with Zhejiang Communications Finance

Pursuant to the new financial services agreement (the "New Financial Services Agreement") dated March 30, 2016 entered into between the Company and Zhejiang Communications Finance, Zhejiang Communications Finance agreed to provide the Company and its subsidiaries with a range of financial services including certain deposit services (the "Deposit Services") for a term of three years from the date of the New Financial Services Agreement subject to the terms and conditions provided therein (please refer to the announcement of the Company dated March 30, 2016 on Continuing Connected Transactions in relation to New Financial Services Agreement with Zhejiang Communications Investment Group Finance Co., Ltd. for details).

As the issued share capital of Zhejiang Communications Finance is owned as to 35%, 40% and 25% by the Company, Communications Group and Zhejiang Ningbo Yongtaiwen Expressway Co., Ltd. ("Ningbo Expressway Co") respectively, Zhejiang Communications Finance is a connected person of the Company. As such, under the Chapter 14A of the Listing Rules, the provision of Deposit Services constitutes a continuing connected transaction for the Company.

Pursuant to the New Financial Services Agreement, the Deposit Services to be provided by Zhejiang Communications Finance to the Company and its subsidiaries include the current deposit, time deposit, call deposit and agreement deposit services. The Deposit Services will be provided under the New Financial Services Agreement on a non-exclusive basis and the Company and its subsidiaries are entitled to determine whether to accept the Deposit Services provided by Zhejiang Communications Finance or decide to accept deposit services provided by other financial institutions. The Company and its subsidiaries are not obliged to accept any Deposit Services provided by Zhejiang Communications Finance.

The interest rate to be paid by Zhejiang Communications Finance for the deposits of the Company and its subsidiaries with Zhejiang Communications Finance shall be determined based on the prevailing deposit interest rate promulgated by the People's Bank of China for the same period and should not be lower than the deposit interest rates offered by major commercial banks in the PRC for comparable deposits of comparable periods. The maximum amount of the daily deposit balance (including any interest accrued thereon) for the deposits of the Company and its subsidiaries with Zhejiang Communications Finance shall not be more than Rmb1,500,000,000 during the term of the New Financial Services Agreement.

During the period, the maximum amount of the daily deposit balance (including any interest accrued thereon) for the deposits of the Company and its subsidiaries with Zhejiang Communications Finance under the New Financial Services Agreement amounted to Rmb1,301,639,000.

4. Road Maintenance Agreement and Asphalt Road Geothermal Power Regeneration Agreement

On June 23, 2017, the Company entered into the Road Maintenance Agreement with Maintenance Co, pursuant to which Maintenance Co agreed to provide maintenance services to four expressways of the Group at the consideration of Rmb244,412,627 (please refer to the announcement of the Company dated June 23, 2017 on Continuing Connected Transactions in relation to the Provision of Services by Maintenance Co and Zhejiang Shunchang for details).

On June 23, 2017, the Company entered into the Asphalt Road Geothermal Power Regeneration Agreement with Zhejiang Shunchang High-grade Expressway Maintenance Co., Ltd. ("Zhejiang Shunchang"), pursuant to which Zhejiang Shunchang agreed to provide the Regeneration Services to the Group's five expressways at the consideration of Rmb34,683,906 (please refer to the announcement of the Company dated June 23, 2017 on Continuing Connected Transactions in relation to the Provision of Services by Maintenance Co and Zhejiang Shunchang for details).

Communications Group, is a controlling shareholder of the Company. Maintenance Co and Zhejiang Shunchang, as subsidiaries of Communications Group, are connected persons of the Company and as a result, the transactions under the Road Maintenance Agreement and the Asphalt Road Geothermal Power Regeneration Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules. As the Road Maintenance Agreement and the Asphalt Road Geothermal Power Regeneration Agreement are entered into by the Group with parties who are connected with one another within a 12-month period and are similar in nature, the continuing connected transactions contemplated under the Road Maintenance Agreement and the Asphalt Road Geothermal Power Regeneration Agreement should be aggregated in accordance with Rule 14A.81 of the Listing Rules.

During the period, the total service fees in respect of the daily maintenance services paid to Maintenance Co by the Company and its subsidiaries under the Road Maintenance Agreement amounted to Rmb240,979,000; and Zhejiang Shunchang has fulfilled the Asphalt Road Geothermal Power Regeneration Agreement and the total Service Fees (Regeneration) paid by the Company and its subsidiaries to Zhejiang Shunchang under the Asphalt Road Geothermal Power Regeneration Agreement amounted to Rmb32,455,000.

5. Agreements on Data Center Infrastructure Platform Development Project and etc

5.1 Data Center Infrastructure Platform Development Project

On January 9, 2017, the Company entered into the Agreement on Data Center Infrastructure Platform Development Project with Zhejiang Information (a wholly owned subsidiary of the controlling shareholder of the Company), pursuant to which Zhejiang Information agreed to provide the data center infrastructure platform development services to the Company in 2017 at the consideration of Rmb8,985,000 (please refer to the supplemental announcement of the Company dated January 4, 2018 on the Continuing Connected Transactions -- Zhejiang Information Transactions for details).

5.2 Highway Equipment Management System

On January 12, 2017, the Company entered into the Agreement on Highway Equipment Management System with Zhejiang Information, pursuant to which Zhejiang Information agreed to provide the highway equipment management system development and implementation services to the Company in 2017 at the consideration of Rmb353,590 (please refer to the supplemental announcement of the Company dated January 4, 2018 on the Continuing Connected Transactions -- Zhejiang Information Transactions for details).

5.3 Monitoring System Improvement Phase II Project

On August 1, 2017, the Company entered into the Agreement on Monitoring System Improvement Phase II Project with Zhejiang Information, pursuant to which Zhejiang Information agreed to provide the monitoring system and security facilities improvement services to the Company in 2017 at the consideration of Rmb280,000 (please refer to the supplemental announcement of the Company dated January 4, 2018 on the Continuing Connected Transactions - Zhejiang Information Transactions for details).

5.4 Electronic Toll Collection ("ETC") Construction Project

On December 15, 2017, the Company and certain of its subsidiaries entered into the Agreement on ETC Construction Project with Zhejiang Information, pursuant to which Zhejiang Information agreed to provide the ETC construction services to the Company and certain of its subsidiaries for a term ended on March 15, 2018 at the consideration of Rmb19,955,733 (please refer to the supplemental announcement of the Company dated January 4, 2018 on the Continuing Connected Transactions - Zhejiang Information Transactions for details).

Communications Group is a controlling shareholder of the Company. Zhejiang Information is a wholly-owned subsidiary of Communications Group. Therefore, Zhejiang Information is a connected person of the Company. As such, under the Chapter 14A of the Listing Rules, the transaction under the Zhejiang Information Transactions constitutes a continuing connected transaction for the Company.

During the period, the total service fees in respect of road maintenance paid by the Company and certain of its subsidiaries pursuant to the Agreement on Data Center Infrastructure Platform Development Project to Zhejiang Information amounted to Rmb8,985,000; the total service fees paid by the Company and certain of its subsidiaries pursuant to the Agreement on Highway Equipment Management System to Zhejiang Information amounted to Rmb212,000; the total service fees paid by the Company and certain of its subsidiaries pursuant to the Agreement on Monitoring System Improvement Phase II Project to Zhejiang Information amounted to Rmb280,000; and the total service fees paid by the Company and certain of its subsidiaries pursuant to the Agreement on ETC Construction Project to Zhejiang Information amounted to Rmb17,532,000.

6. Technological Cooperation and Service Agreements

On December 22, 2017, the Company and certain of its subsidiaries entered into the Technological Cooperation and Service Agreements with Zhejiang Intelligent Expressway Services Co., Ltd. ("Zhejiang Intelligent", a non-wholly-owned subsidiary of the controlling shareholder of the Company), pursuant to which Zhejiang Intelligent agreed to provide the highway operations monitoring and public travel information services to the Company and certain of its subsidiaries in 2017 at the consideration of Rmb9,267,000 (please refer to the announcement of the Company dated December 22, 2017 on the Continuing Connected Transactions - Technological Cooperation and Service Agreements for details).

Communications Group is a controlling shareholder of the Company. Zhejiang Information is a wholly-owned subsidiary of Communications Group, and Zhejiang Intelligent is a 89.36% owned subsidiary of Zhejiang Information. Therefore, Zhejiang Information and Zhejiang Intelligent are connected persons of the Company and as a result, the transactions under the Zhejiang Information Transactions and the transactions under the Technological Cooperation and Service Agreements with Zhejiang Intelligent constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules. Pursuant to Rules 14A.81 and 14A.82 of the Listing Rules, as the the Zhejiang Information Transactions and the transactions contemplated under the Technological Cooperation and Service Agreements were entered into with parties who are connected with one another and within a 12-month period, the Zhejiang Information Transactions and the transactions with Zhejiang Intelligent are required to be aggregated for the calculation of the relevant percentage ratios to determine the classification of the transactions.

During the period, the total service fees paid by the Company and certain of its subsidiaries pursuant to the Technological Cooperation and Service Agreements to Zhejiang Intelligent amounted to Rmb9,267,000.

The independent non-executive Directors have reviewed the continuing connected transactions described above and confirmed that the continuing connected transactions have been entered into:

(a)     In the ordinary and usual course of business of the Company;

(b)     On normal commercial terms or on terms no less favorable to the Company than terms available to or from independent third parties; and

(c)     In accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements HKSAE3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditors have issued their unqualified letter containing their findings and conclusions in respect of the continuing connected transactions in accordance with the Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided to the Hong Kong Stock Exchange.

Deloitte

To the Members of Zhejiang Expressway Co., Ltd.

(Incorporated in the People's Republic of China with limited liability)

Opinion

We have audited the consolidated financial statements of Zhejiang Expressway Co., Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 83 to 208, which comprise the consolidated statement of financial position as at December 31, 2017, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Independent Auditor's Report

|  |  |  |
| --- | --- | --- |
| Key audit matter |  | How our audit  addressed  the key audit  matter |
| ------------------------------------------------------------------------------------------------------------------------ |  |  |
| *Impairment of available for sale ("AFS") equity instruments measured at fair value* |  |  |
| ------------------------------------------------------------------------------------------------------------------------ |  |  |
| We identified the impairment of AFS equity  instruments measured at fair value, which included  equity securities, funds, and other investments, as  a key audit matter as the Group applied significant  judgement in determining the impairment of AFS  equity instruments measured at fair value of  Rmb2,495,253,000 as at December 31, 2017. |  | Our procedures in relation to the impairment  assessment of AFS equity instruments measured at  fair value included: |
| - Understanding the processes and controls in  determining impairment of AFS equity instruments  measured at fair value; |  |  |
|  |  |  |
| For those AFS equity instruments measured at  fair value, the Group applied significant judgement  in assessing whether there is objective evidence  of impairment. As disclosed in note 4, for listed  AFS equity investments and other equity related  investments measured at fair value, a significant  or prolonged decline in fair value below cost is  considered to be the objective evidence of impairment.  The cumulative amount of impairment recognised  up to December 31, 2017 was Rmb34,865,000 as  disclosed in Note 25. |  | - Challenging and assessing the management  judgement in determining the criteria of  impairment; |
| - Checking, on a sample basis, the data used by the  management, including quoted market prices and  the duration for the continued decline of the fair  value below the cost, against market data; and |  |  |
| - Checking the management's calculations of the  impairment allowance for AFS equity instruments  measured at fair value. |  |  |
|  |  |  |
| *Determination of consolidation scope* |  |  |
| ------------------------------------------------------------------------------------------------------------------------ |  |  |
| We identified the determination of consolidation scope  as a key audit matter as the Group held a number  of interests in structured entities including collective  asset management schemes and investment funds  where the Group was involved as an investment  manager. The Group applied significant judgement in  determining whether such investments fall within the  consolidation scope under HKFRS 10 "Consolidated  Financial Statements". The effect of consolidation or  not of these structured entities would have significant  impact on the consolidated financial statements of the  Group. |  | Our procedures in relation to the management's  determination of consolidation scope included: |
| - Understanding the process and controls of the m  anagement in determining the consolidation  scope as set out in HKFRS10 of interests in  structured entities; |  |  |
|  |  |  |
| As disclosed in note 4, for collective asset  management schemes and investment funds where  the Group involved as a manager, the Group assessed  whether the combination of investments it was  together with its remuneration and credit enhancement  creates exposure to variability of returns from the  activities of the collective asset management schemes  and investment funds that was of such significance  that it indicated that the Group is a principal. The  collective asset management schemes and investment  funds were consolidated if the Group acted in the role  of principal. |  | - Checking the information used by the management  in accessing the consolidation criteria of significant  structured entities against the related supporting,  including sales and purchase agreements and  other related service agreements of investments in s  tructured entities newly acquired or with changes  in investment holdings or terms during the year;  and |
|  |  |  |
| Details of consolidated structured entities and  unconsolidated structured entities were set out  in notes 44 and 58 to the consolidated financial  statements, respectively. |  | - Challenging and assessing the management  judgement in applying HKFRS 10 to each of the  significant structured entities and the conclusion  about whether or not the consolidation criteria are  met. |

Other Information

The directors of the Company are responsible for the other information. The other information comprises the information  included  in  the  annual  report,  but  does  not  include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In  connection  with  our  audit  of  the  consolidated  financial  statements,  our  responsibility  is  to  read  the  other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our  objectives  are  to  obtain  reasonable  assurance  about  whether  the  consolidated  financial  statements  as  a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors of the Company.Conclude  on  the  appropriateness  of  the  directors'  use  of  the  going  concern  basis  of  accounting  and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that  may  cast  significant  doubt  on  the  Group's  ability  to  continue  as  a  going  concern.  If  we  conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the ***planned*** scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Tse Ming Fai.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

March 16, 2018

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended December 31, 2017

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  |  | **Year ended** | Year ended |
|  |  | NOTES | **12/31/2017** | 12/31/2016 |
|  |  |  | **Rmb'000** | Rmb'000 |
|  |  |  |  |  |
| **Continuing operations** |  |  |  |  |
| Revenue |  | 5 | **9,626,340** | 9,735,347 |
| Operating costs |  |  | **(4,596,048)** | (4,656,163) |
|  |  |  |  |  |
| Gross profit |  |  | **4,970,177** | 5,139,299 |
| Securities investment gains |  | 6 | **774,885** | 223,573 |
| Other income and gains and losses |  | 7 | **103,639** | 289,390 |
| Administrative expenses |  |  | **(98,496)** | (81,687) |
| Other expenses |  |  | **(134,327)** | (85,099) |
| Share of profit of associates |  |  | **161,502** | 64,699 |
| Share of profit of a joint venture |  |  | **17,668** | 9,797 |
| Finance costs |  | 8 | **(611,747)** | (671,387) |
|  |  |  |  |  |
| Profit before tax |  | 9 | **5,183,301** | 4,888,585 |
| Income tax expense |  | 10 | **(1,192,269)** | (1,161,570) |
|  |  |  |  |  |
| Profit for the year from continuing operations |  |  | **3,991,032** | 3,727,015 |
|  |  |  |  |  |
| **Discontinued operations** |  |  |  |  |
| Profit for the year from discontinued operations |  | 11 | **-** | 81,594 |
|  |  |  |  |  |
| Profit for the year |  |  | **3,991,032** | 3,808,609 |
|  |  |  |  |  |
| Profit for the year attributable to Owners of the Company |  |  |  |  |
| - Continuing operations |  |  | **3,202,130** | 2,957,291 |
| - Discontinued operations |  |  | **-** | 80,114 |
|  |  |  |  |  |
|  |  |  | **3,202,130** | 3,037,405 |
|  |  |  |  |  |
| Profit for the year attributable to non-controlling interests |  |  |  |  |
| - Continuing operations |  |  | **788,902** | 769,724 |
| - Discontinued operations |  |  | - | 1,480 |
|  |  |  |  |  |
|  |  |  | **788,902** | 771,204 |
|  |  |  |  |  |
| **Other comprehensive income** |  | 12 |  |  |
| *Items that may be reclassified subsequently to profit or loss:* |  |  |  |  |
| Available-for-sale financial assets: |  |  |  |  |
| - Fair value gain during the year |  |  | **276,849** | 114,883 |
| - Reclassification adjustments for cumulative gain            upon disposal |  |  | **(105,560)** | (64,791) |
| Share of other comprehensive expense of associates |  |  | **(2,672)** | (205) |
| Exchange differences arising on translation |  |  | **(605)** | 511 |
| Income tax relating to items that may be     reclassified subsequently |  |  | **(42,822)** | (12,523) |
|  |  |  |  |  |
| Other comprehensive income for the year, net of income tax |  |  | **125,190** | 37,875 |
|  |  |  |  |  |
| **Total comprehensive income  for the year** |  |  | **4,116,222** | 3,846,484 |
|  |  |  |  |  |
| Total comprehensive income attributable to: |  |  |  |  |
| Owners of the Company |  |  | **3,259,347** | 3,057,158 |
| Non-controlling interests |  |  | **856,875** | 789,326 |
|  |  |  | **4,116,222** | 3,846,484 |
|  |  |  |  |  |
| **Earnings per share** |  | 16 |  |  |
| From continuing and discontinued operations |  |  |  |  |
| Basic (Rmb cents) |  |  | **73.73** | 69.94 |
|  |  |  |  |  |
| Diluted (Rmb cents) |  |  | **71.36** | 69.94 |
|  |  |  |  |  |
| From continuing operations |  |  |  |  |
| Basic (Rmb cents) |  |  | **73.73** | 68.09 |
|  |  |  |  |  |
| Diluted (Rmb cents) |  |  | **71.36** | 68.09 |

Consolidated Statement of Financial Position

At December 31, 2017

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  |  | **Year ended** | Year ended |
|  |  | NOTES | **12/31/2017** | 12/31/2016 |
|  |  |  | **Rmb'000** | Rmb'000 |
|  |  |  |  |  |
| NON-CURRENT ASSETS |  |  |  |  |
| Property, plant and equipment |  | 17 | **2,948,134** | 3,066,571 |
| Prepaid lease payments |  | 18 | **65,300** | 52,522 |
| Expressway operating rights |  | 19 | **13,379,674** | 14,498,800 |
| Goodwill |  | 20 | **86,867** | 86,867 |
| Other intangible assets |  | 21 | **161,486** | 148,906 |
| Interests in associates |  | 23 | **1,686,227** | 1,310,486 |
| Interest in a joint venture |  | 24 | **303,065** | 285,397 |
| Available-for-sale investments |  | 25 | **711,715** | 1,790,978 |
| Deferred tax assets |  | 43 | **355,803** | 362,681 |
|  |  |  |  |  |
|  |  |  | **19,698,271** | 21,603,208 |
|  |  |  |  |  |
| CURRENT ASSETS |  |  |  |  |
| Inventories |  |  | **131,261** | 206,814 |
| Trade receivables |  | 26 | **244,587** | 275,318 |
| Loans to customers arising from margin financing business |  | 27 | **7,851,609** | 7,910,032 |
| Other receivables and prepayments |  | 28 | **911,226** | 2,855,099 |
| Prepaid lease payments |  | 18 | **2,137** | 1,639 |
| Derivative financial assets |  | 41 | **4,587** | 10,931 |
| Available-for-sale investments |  | 25 | **1,800,835** | 1,342,920 |
| Held for trading investments |  | 29 | **12,568,694** | 8,144,132 |
| Financial assets held under resale agreements |  | 30 | **9,793,492** | 3,965,329 |
| Bank balances and clearing settlement fund     held on behalf of customers |  | 31 | **15,035,007** | 20,082,265 |
| Bank balances, clearing settlement fund, deposits and cash |  |  |  |  |
| - Time deposits with original maturity over three months |  | 32 | **20,000** | 165,000 |
| - Cash and cash equivalents |  | 32 | **5,588,814** | 7,198,745 |
|  |  |  |  |  |
|  |  |  | **53,952,249** | 52,158,224 |
|  |  |  |  |  |
| CURRENT LIABILITIES |  |  |  |  |
| Placements from other financial institutions |  | 33 | **-** | 700,000 |
| Accounts payable to customers arising from     securities business |  | 34 | **14,933,719** | 20,073,435 |
| Trade payables |  | 35 | **628,592** | 784,300 |
| Tax liabilities |  |  | **608,284** | 455,249 |
| Other taxes payable |  |  | **90,266** | 76,631 |
| Other payables and accruals |  | 36 | **2,515,399** | 2,431,148 |
| Dividends payable |  |  | **261,239** | 261,046 |
| Derivative financial liabilities |  | 41 | **3,941** | 413 |
| Bank and other borrowings |  | 37 | **420,000** | 2,116,395 |
| Short-term financing note payable |  | 38 | **762,800** | 4,828,340 |
| Bonds payable |  | 40 | **1,300,000** | 3,000,000 |
| Financial assets sold under repurchase agreements |  | 39 | **10,523,414** | 7,486,743 |
| Financial liabilities at fair value through profit or loss |  | 44 | **373,427** | 293,658 |
|  |  |  |  |  |
|  |  |  | **32,421,081** | 42,507,358 |
|  |  |  |  |  |
| NET CURRENT ASSETS |  |  | **21,531,168** | 9,650,866 |
|  |  |  |  |  |
| TOTAL ASSETS LESS CURRENT LIABILITIES |  |  | **41,229,439** | 31,254,074 |
|  |  |  |  |  |
| NON-CURRENT LIABILITIES Bank and other borrowings |  | 37 | **60,000** | - |
| Bonds payable |  | 40 | **8,850,000** | 6,700,000 |
| Convertible bond |  | 42 | **2,720,654** | - |
| Deferred tax liabilities |  | 43 | **394,434** | 378,147 |
|  |  |  |  |  |
|  |  |  | **12,025,088** | 7,078,147 |
|  |  |  |  |  |
|  |  |  | **29,204,351** | 24,175,927 |
|  |  |  |  |  |
| CAPITAL AND RESERVES |  |  |  |  |
| Share capital |  | 45 | **4,343,115** | 4,343,115 |
| Reserves |  |  | **16,311,385** | 13,974,042 |
|  |  |  |  |  |
| Equity attributable to owners of the Company |  |  | **20,654,500** | 18,317,157 |
| Non-controlling interests |  | 46 | **8,549,851** | 5,858,770 |
|  |  |  | **29,204,351** | 24,175,927 |

The consolidated financial statements on pages 83 to 208 were approved and authorised for issue by the board of directors on March 16, 2018 and are signed on its behalf by:

     DIRECTOR                               DIRECTOR

ZHAN Xiaozhang                         LUO Jianhu

Consolidated Statement of Changes in Equity

For the year ended December 31, 2017

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  | Attributable to owners of the Company |  |  |  |  |  |  |  |  |
|  |  | ------------- | ------------- | ------------- | ----------- | -------------- | -------------- | --------------- | ------------ | ---------------- | --------------- |  |  |
|  |  |  |  |  |  |  | Share of |  |  |  |  |  |  |
|  |  |  |  |  |  | Investment | differences |  |  |  |  | Non- |  |
|  |  | Share | Share | Statutory | Capital | revaluation | arising on | Dividend | Special | Retained | Sub- | controlling |  |
|  |  | capital | premium | reserve | reserve | reserve | translation | reserve | reserves | profits | total | interests | Total |
|  |  | Rmb'000 | Rmb'000 | Rmb'000 | Rmb'000 | Rmb'000 | Rmb'000 | Rmb'000 | Rmb'000 | Rmb'000 | Rmb'000 | Rmb'000 | Rmb'000 |
|  |  |  |  | (Note i) |  |  |  |  | (Note ii) |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| At January 1, 2016 |  | 4,343,115 | 3,355,621 | 4,505,773 | 1,712 | 56,332 | 191 | 1,216,072 | 18,666 | 3,239,176 | 16,736,658 | 5,261,991 | 21,998,649 |
| Profit for the year |  | - | - | - | - | - | - | - | - | 3,037,405 | 3,037,405 | 771,204 | 3,808,609 |
| Other comprehensive income     for the year |  | - | - | - | - | 19,486 | 267 | - | - | - | 19,753 | 18,122 | 37,875 |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Total comprehensive  income     for the year |  | - | - | - | - | 19,486 | 267 | - | - | 3,037,405 | 3,057,158 | 789,326 | 3,846,484 |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Dividend declared to     non-controlling-interests |  | - | - | - | - | - | - | - | - | - | - | (178,816) | (178,816) |
| Disposal of a subsidiary |  | - | - | - | - | - | - | - | - | - | - | (8,731) | (8,731) |
| Withdrawal of     non-controlling-interests |  | - | - | - | - | - | - | - | - | - | - | (5,000) | (5,000) |
| 2016 interim dividend |  | - | - | - | - | - | - | - | - | (260,587) | (260,587) | - | (260,587) |
| 2015 final dividend |  | - | - | - | - | - | - | (1,216,072) | - | - | (1,216,072) |  | (1,216,072) |
| Proposed 2016 final dividend |  | - | - | - | - | - | - | 1,281,219 | - | (1,281,219) | - | - | - |
| Transfer to reserves |  | - | - | 262,051 | - | - | - | - | - | (262,051) | - | - | - |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| At December 31, 2016 |  | 4,343,115 | 3,355,621 | 4,767,824 | 1,712 | 75,818 | 458 | 1,281,219 | 18,666 | 4,472,724 | 18,317,157 | 5,858,770 | 24,175,927 |
| Profit for the year |  | - | - | - | - | - | - | - | - | 3,202,130 | 3,202,130 | 788,902 | 3,991,032 |
| Other comprehensive income     (expense) for the year |  | - | - | - | - | 57,513 | (296) | - | - | - | 57,217 | 67,973 | 125,190 |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Total comprehensive Income     (expense) for the year |  | - | - | - | - | 57,513 | (296) | - | - | 3,202,130 | 3,259,347 | 856,875 | 4,116,222 |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Dividend declared to     non-controlling-interests |  | - | - | - | - | - | - | - | - | - | - | (109,176) | (109,176) |
| Dilution impact arising from Spin-off     and Offering (as defined and     see details in Note iii) |  | - | - | - | - | - | - | - | 790,449 | - | 790,449 | 2,026,219 | 2,816,668 |
| Share issue cost in respect of     Spin-off and Offering (Note iii) |  | - | - | - | - | - | - | - | (28,096) | - | (28,096) | (31,770) | (59,866) |
| Payment to National Social Security     Fund upon Spin-off and Offering     as deemed distribution (Note iii) |  | - | - | - | - | - | - | - | (142,551) | - | (142,551) | (51,067) | (193,618) |
| 2017 interim dividend |  | - | - | - | - | - | - | - | - | (260,587) | (260,587) | - | (260,587) |
| 2016 final dividend |  | - | - | - | - | - | - | (1,281,219) | - | - | (1,281,219) | - | (1,281,219) |
| Proposed 2017 final dividend |  | - | - | - | - | - | - | 1,302,934 | - | '(1,302,934) | - | - | - |
| Transfer to reserves |  | - | - | 267,192 | - | - | - | - | - | (267,192) | - | - | - |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| At December 31, 2017 |  | 4,343,115 | 3,355,621 | 5,035,016 | 1,712 | 133,331 | 162 | 1,302,934 | 638,468 | 5,844,141 | 20,654,500 | 8,549,851 | 29,204,351 |

Notes:

(i) Statutory reserves comprise:

(a) Statutory surplus reserve

In accordance with the Company Law of the people's Republic of China (the "PRC") and the respective articles of association of the Company and its subsidiaries (collectively the "Entities"), the Entities are required to allocate 10% of the profit after tax, as determined in accordance with the PRC accounting standards and regulations applicable to the Entities, to the statutory surplus reserve until such reserve reaches 50% of the registered capital of the respective Entities. Subject to certain restrictions set out in the Company Law of the PRC and the respective articles of association of the Entities, part of the statutory surplus reserve may be converted to increase the respective Entities' capital.

(b) General risk reserve

In accordance with the Finance Regulation for Financial Enterprises, securities companies are required to allocate 10% of the profit after tax, as determined in accordance with the PRC accounting standards and regulations, to the general risk reserve. This general risk reserve may be used to cover potential losses on risk exposures.

(c) Transaction risk reserve

In accordance with the securities law of the PRC, securities companies are required to allocate not less than 10% of the profit after tax, as determined in accordance with the PRC accounting standards and regulations, to the transaction risk reserve. This transaction risk reserve may be used to cover potential losses on securities transactions.

(ii) As at January 1, 2017, special reserves mainly comprise:

(a) Other reserve which was arising from the Group's acquisition of additional interest in a subsidiary and the difference between the carrying value of net assets attributable to the Group acquired and the payment consideration arising from acquisition; and

(b) Merger reserve which was arising from the acquisition of subsidiaries under common control using the merger accounting method. This includes the capital of the combining entities at their existing book values since the first date they were under common control and were reduced by the Group's payment of cash consideration to the controlling party and the excess in payment for the acquisition of additional interest to non-controlling interest of its carrying amount to the controlling party.

(iii) On June 26, 2017, an indirect non-wholly-owned subsidiary of the Company, Zheshang Securities Co., Ltd. ("Zheshang Securities"), which is held by Zhejiang Shangsan Expressway Co., Ltd ("Shangsan Co"), has completed the spin-off and separate listing on the Shanghai Stock Exchange (the "Spin-off and Offering"). On the date of the Spin-off and Offering, Zheshang Securities issued 333,333,400 new ordinary shares at Rmb8.45 each, the net proceeds after deducting the issuance costs amounted to Rmb2,756,802,000 (representing proceeds on offering of Rmb2,816,668,000, net of the share issue cost of Rmb59,866,000). Upon completion of the Spin-off and Offering, the Group's effective interest in Zheshang Securities has been diluted from approximately 52.15% to approximately 46.93%, the directors of the Company (the "Directors") are of the view that, the Group is still able to exert control over Zheshang Securities. The dilution impact of the Group's interest in Zheshang Securities has resulted in an increase in non-controlling interests of Rmb1,994,449,000 and the resulting gain of Rmb762,353,000 recognised in special reserves.

Pursuant to the "Implementing Measures for the Transfer of Certain State-owned Shares from the Domestic Securities Market to the National Social Security Fund" (Cai Qi No. ?2009?94), the state-owned shareholders of Zheshang Securities are required, upon the listing, to transfer a number of shares in Zheshang Securities they hold which, in aggregate, represents 10% of the total number of shares issues under the Listing to the National Social Security Fund ("NSSF"). Such obligation was fully fulfilled by Shangsan Co, a non-wholly-owned subsidiary of the Company and the direct shareholder of Zheshang Securities in cash payment of Rmb193,618,000 on August 15, 2017, according to the "Reply on the Proposal of the State-owned Share Transfer in the Initial Public Offerings of Zheshang Securities Co., Ltd. In A Shares Market" (Zhe Guo Zi Chan Quan No.?2013?9). Such payment has been accounted for as deemed distribution.

Consolidated Statement of Cash Flows

For the year ended December 31, 2017

|  |  |  |  |
| --- | --- | --- | --- |
|  |  | **Year ended** | Year ended |
|  |  | **12/31/2017** | 12/31/2016 |
|  |  | **Rmb'000** | Rmb'000 |
|  |  |  |  |
|  |  |  |  |
| Profit before tax |  | **5,183,301** | 4,997,136 |
| Adjustments for: |  |  |  |
| Finance costs |  | **611,747** | 671,387 |
| Interest income |  | **(26,017)** | (31,281) |
| Foreign exchange loss |  | **119,653** | 20,156 |
| Gain on additional investment in an associate |  | **-** | (5,555) |
| Share of profit of associates |  | **(161,502)** | (64,699) |
| Share of profit of a joint venture |  | **(17,668)** | (9,797) |
| Depreciation of property, plant and equipment |  | **266,217** | 264,267 |
| Amortisation of expressway operating rights |  | **1,119,126** | 1,034,202 |
| Release of prepaid lease payments |  | **1,639** | 1,939 |
| Amortisation of other intangible assets |  | **26,101** | 24,095 |
| Impairment loss on available-for-sale investments |  | **11,621** | 33,942 |
| Cumulative gain reclassified from equity on disposal of          Available-for-sale investments |  | **(105,560)** | (64,791) |
| Interest income and dividend from available-for-sale investments |  | **(21,223)** | (57,290) |
| Loss (gain) on disposal of property, plant and equipment |  | **3,565** | (648) |
| Allowance for write-down of inventories |  | **5,993** | 2,638 |
| Allowance for trade receivables and other receivables |  | **1,713** | 1,141 |
| Reversal of allowance for advance to customers          arising from margin financing business |  | **(294)** | (13,269) |
| Recognition (reversal) of allowance for financial assets          held under the resale agreement |  | **40,076** | (14,167) |
| Gain on disposal of a subsidiary |  | **-** | (56,993) |
| Gain on decrease in fair value in respect of derivative component of          Convertible Bond (as defined in note 42) |  | **(149,479)** | - |
| Issue cost relating to derivative component of Convertible Bond |  | **3,079** | - |
|  |  |  |  |
| Operating cash flows before movements in working capital |  | **6,912,088** | 6,732,413 |
| Decrease in inventories |  | **21,383** | 87,421 |
| Decrease (increase) in trade receivables |  | **29,909** | (126,158) |
| Decrease in loans to customers arising from margin financing business |  | **58,717** | 2,653,827 |
| Decrease (increase) in other receivables and prepayments |  | **1,572,255** | (1,860,076) |
| Increase in held for trading investments |  | **(4,424,562)** | (4,382,908) |
| (Increase) decrease in financial assets held under resale agreements |  | **(5,868,239)** | 1,007,993 |
| Decrease in bank balances and clearing settlement fund     held on behalf of customers |  | **5,047,258** | 6,996,309 |
| Decrease (increase) in net derivative financial assets |  | **9,872** | (12,488) |
| (Decrease) increase in placements from other financial institutions |  | **(700,000)** | 500,000 |
| Decrease in accounts payable to customers arising from securities business |  | **(5,139,716)** | (6,936,206) |
| (Decrease) increase in trade payables |  | **(9,656)** | 54,335 |
| Increase (decrease) in other taxes payable |  | **13,635** | (8,863) |
| Increase (decrease) in other payables and accruals |  | **162,913** | (207,065) |
| Increase in financial liabilities at fair value through profit or loss |  | **79,769** | 293,658 |
| Increase in financial assets sold under repurchase agreement |  | **3,036,671** | 2,101,363 |
|  |  |  |  |
| Cash generated from operations |  | **802,297** | 6,893,555 |
| Income taxes paid |  | **(1,044,791)** | (1,427,772) |
| Interest paid |  | **(587,173)** | (746,547) |
|  |  |  |  |
| NET CASH (USED IN) FROM OPERATING ACTIVITIES |  | **(829,667)** | 4,719,236 |
|  |  |  |  |
|  | NOTES |  |  |
|  |  |  |  |
| INVESTING ACTIVITIES |  |  |  |
| Interest received |  | **28,979** | 62,104 |
| Investment in associates |  | **(218,911)** | (656,900) |
| Proceeds from disposal of an associate |  | **-** | 42,018 |
| Proceeds from disposal of a subsidiary | 49 | **-** | 111,373 |
| Net cash outflows arising from acquisition of     Huihang Co (as defined in Note 48) | 48 | **(28,500)** | (541,264) |
| Dividends received from associates |  | **2,000** | 20,494 |
| Proceeds on disposal of property, plant and equipment |  | **30,003** | 3,210 |
| Entrusted loans to a related party |  | **(210,000)** | (540,000) |
| Repayment of entrusted loans from a related party |  | **552,350** | 720,000 |
| Purchases of property, plant and equipment |  | **(276,703)** | (480,906) |
| Purchases of other intangible assets |  | **(38,681)** | (17,889) |
| Purchases of prepaid lease payments |  | **(14,915)** | - |
| Purchase of available-for-sale investments |  | **(1,161,943)** | (397,949) |
| Proceeds on disposal of available-for-sale investments |  | **2,069,742** | 70,890 |
| Placement of time deposits |  | **(20,000)** | (165,000) |
| Withdrawal of time deposits |  | **165,000** | 270,000 |
|  |  |  |  |
| NET CASH FROM (USED IN) INVESTING ACTIVITIES |  | **878,421** | (1,499,819) |
|  |  |  |  |
| FINANCING ACTIVITIES Dividends paid |  | **(1,537,627)** | (1,216,072) |
| Dividends paid to non-controlling shareholders |  | **(108,983)** | (178,690) |
| Issue of Convertible Bond |  | **2,684,880** | - |
| Issue cost in respect of Convertible Bond |  | **(16,725)** | - |
| New bank and other borrowings raised |  | **2,490,000** | 2,916,239 |
| Repayment of bank and other borrowings |  | **(4,117,269)** | (5,832,951) |
| New issue of bonds payable |  | **3,450,000** | 4,700,000 |
| Repayment of bonds payable |  | **(3,000,000)** | (5,600,000) |
| Issue of short-term financing note payable |  | **762,800** | 7,928,340 |
| Repayment of short-term financing note payable |  | **(4,828,340)** | (3,716,100) |
| Capital reduction by non-controlling-interests |  | **-** | (5,000) |
| Proceeds on Spin-off and Offering |  | **2,816,668** | - |
| Share issue cost in respect of Spin-off and Offering paid |  | **(59,866)** | - |
| Payment to National Security Fund upon Spin-off and Offering |  | **(193,618)** | - |
|  |  |  |  |
| NET CASH USED IN FINANCING ACTIVITIES |  | **(1,658,080)** | (1,004,234) |
|  |  |  |  |
| NET (DECREASE) INCREASE IN CASH AND     CASH EQUIVALENTS |  | **(1,609,326)** | 2,215,183 |
| CASH AND CASH EQUIVALENTS AT JANUARY 1 |  | **7,198,745** | 4,983,051 |
|  |  |  |  |
| Effect of foreign exchange rate changes |  | **(605)** | 511 |
| CASH AND CASH EQUIVALENTS AT DECEMBER 31 | 32 | **5,588,814** | 7,198,745 |

Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

1. CORPORATE INFORMATION

Zhejiang Expressway Co., Ltd. (the "Company") was established in the People's Republic of China (the "PRC") with limited liability on March 1, 1997. The H shares of the Company ("H Shares") were subsequently listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on May 15, 1997.

All of the H Shares of the Company were admitted to the Official List of the United Kingdom Listing Authority (the "Official List"). Dealings in the H Shares on the London Stock Exchange commenced on May 5, 2000.

On July 18, 2000, with the approval of the Ministry of Foreign Trade and Economic Co-operation of the PRC, the Company changed its business registration into a Sino-foreign joint stock limited company.

In the opinion of the Directors, the immediate and ultimate holding company of the Company is Zhejiang Communications Investment Group Co., Ltd. (the "Communications Group"), a state-owned enterprise established in the PRC.

The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information section of the annual report.

The consolidated financial statements are presented in Renminbi ("Rmb"), which is also the functional currency of the Company.

The Company is an investment holding company. The Company and its subsidiaries (collectively referred to as the "Group") are involved in the following principal activities:

(a) the operation, maintenance and management of high grade roads;

(b) the provision of securities broking services, margin financing and securities lending services, securities underwriting and sponsorship services, asset management, advisory services and proprietary trading;

(c) the operation of hotel, the provision of catering service and sales of properties.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

Amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year.

|  |  |
| --- | --- |
| Amendments to HKAS 7 | *Disclosure Initiative* |
| Amendments to HKAS 12 | *Recognition of Deferred Tax Assets for Unrealised Losses* |
| Amendments to HKFRS 12 | *As part of the Annual Improvements to HKFRSs 2014-2016 Cycle* |

Except as described below, the application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Amendments to HKAS 7 Disclosure Initiative

The Group has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes. In addition, the amendments also require disclosures on changes in financial assets if cash flows from those financial assets were, or future cash flows will be, included in cash flows from financing activities.

Specifically, the amendments require the following to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

A reconciliation between the opening and closing balances of these items is provided in note 53. Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior year. Apart from the additional disclosure in note 53, the application of these amendments has had no impact on the Group's consolidated financial statements.

New and revised HKFRSs in issue but not yet effective

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

|  |  |
| --- | --- |
| HKFRS 9 | *Financial Instruments1* |
| HKFRS 15 | *Revenue from Contracts with Customers and the related Amendments1* |
| HKFRS 16 | *Leases2* |
| HKFRS 17 | *Insurance Contracts4* |
| HK(IFRIC)-Int 22 | *Foreign Currency Transactions and Advance Consideration1* |
| HK(IFRIC)-Int 23 | *Uncertainty over Income Tax Treatments2* |
| Amendments to HKFRS 2 | *Classification and Measurement of Share-based Payment Transactions1* |
| Amendments to HKFRS 4 | *Applying HKFRS 9 Financial Instruments with HKFRS 4  Insurance Contracts1* |
| Amendments to HKFRS 9 | *Prepayment Features with Negative Compensation2* |
| Amendments to HKFRS 10 and HKAS 28 | *Sale or Contribution of Assets between an Investor and  its Associate or Joint Venture3* |
| Amendments to HKAS 28 | *Long-term Interests in Associates and Joint Ventures2* |
| Amendments to HKAS 40 | *Transfers of Investment Property1* |
| Amendments to HKAS 28 | *As part of the Annual Improvements to HKFRSs 2014-2016 Cycle1* |
| Amendments to HKFRSs | *Annual Improvements to HKFRSs 2015-2017 Cycle2* |
|  |  |
| 1 Effective for annual periods beginning on or after January 1, 2018. |  |
| 2 Effective for annual periods beginning on or after January 1, 2019. |  |
| 3 Effective for annual periods beginning on or after a date to be determined. |  |
| 4 Effective for annual periods beginning on or after January 1, 2021 |  |

Except for the new HKFRSs mentioned below, the Directors anticipate that the application of all other new and amendments to HKFRSs and interpretations will have no material impact on the consolidated financial statements in the foreseeable future.

HKFRS 9 Financial Instruments

HKFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of HKFRS 9 which are relevant to the Group are:

all recognised financial assets that are within the scope of HKFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value through other comprehensive income ("FVTOCI"). All other financial assets are measured at their fair value at subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.in relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Based on the Group's financial instruments and risk management policies as at December 31, 2017, the Directors anticipate the following potential impacts on initial application of HKFRS 9:

Classification and measurement

Equity instruments, funds and other investments classified as AFS financial assets carried at fair value as disclosed in note 25: Equity instruments are qualified for designation as measured at FVTOCI under HKFRS 9 and the Group does not elect this option, while funds and other investments are not qualified for the designation at FVTOCI. Therefore, all these financial assets will be measured at fair value with subsequent fair value gains or losses to be recognised in profit or loss. Upon initial application of HKFRS 9, investment revaluation reserve relating to these financial assets will be transferred to retained profits as at January 1, 2018.Equity instruments classified as AFS financial assets carried at costs less impairment as disclosed in note 25: All of these financial assets are qualified for designation as measured at FVTOCI under HKFRS 9 but the Group will not elect this option for designation at FVTOCI for the financial assets carried at cost less than impairment. Therefore, these financial assets will be measured at fair value with subsequent fair value gains or losses to be recognised in profit or loss. Upon initial application of HKFRS 9, fair values changes, representing the differences between the cost less impairment and fair value, will be adjusted to retained profits as at January 1, 2018.All other financial assets and liabilities will continue to be measured on the same basis as are currently measured under HKAS 39.

Impairment

In general, the Directors anticipate that the application of the expected credit loss model of HKFRS 9 will result in earlier provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised costs and other items that subject to the impairment provision upon application of HKFRS 9 by the Group.

Based on the assessment by the Directors, the adoption of the new classification and measurement basis and expected credit loss model mentioned above in respect of financial assets will increase and decrease the retained profits and the investment revaluation reserve as at January 1, 2018 respectively by less than 1% of the total equity attributable to owners of the Company as at December 31, 2017. The net impact to the total equity attributable to owners of the Company as at January 1, 2018 is insignificant.

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

Step 1: Identify the contract(s) with a customerStep 2: Identify the performance obligations in the contractStep 3: Determine the transaction priceStep 4: Allocate the transaction price to the performance obligations in the contractStep 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

In 2016, the HKICPA issued Clarification to HKFRS15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

Revenue of the Group comprises primarily toll revenue, sales of properties, hotel and catering revenue, commission on securities and futures dealing and broking, interest income arising from margin financing and securities lending, deposits and financial assets under resale agreements, asset management and fund management fees and underwriting and financial advisory fees. Interest income is not under the scope of HKFRS15. The Group has assessed the impact of HKFRS 15 on the remaining revenue and does not expect that the application of HKFRS15 will have a significant impact on recognition or measurement of income from majority of these operations. However, the application of HKFRS 15 may result in more disclosures in the consolidated financial statements.

HKFRS 16 Leases

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 Leases and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-for-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use and those classified as investment properties while other operating lease payments are presented as operating cash flows. Upon application of HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing and operating flows by the Group.

Under HKAS 17, the Group has already recognised an asset for prepaid lease payments for leasehold lands where the Group is a lessee. The application of HKFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at December 31, 2017, the Group has non-cancellable operating lease commitments of Rmb101,668,000 as disclosed in note 54. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of HKFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

In addition, the Group currently considers refundable rental deposits paid of Rmb8,126,000 and refundable rental deposits received of Rmb1,714,000 as rights and obligations under leases to which HKAS 17 applied. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost and such adjustments are considered as additional lease payments. Adjustments to refundable rental deposits paid would be included in the carrying amount of right-of-use assets. Adjustments to refundable rental deposits received would be considered as advanced lease payments.

Furthermore, the application of new requirements may result changes in measurement, presentation and disclosure as indicated above.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("Listing Rules") and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except leasing transactions that are within the scope of HKAS 17 Leases, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 Inventories or value in use in HKAS 36 Impairment of Assets.

For financial instruments which are transferred at fair value and a valuation technique that unobservable inputs is to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that the results of the valuation technique equals the transaction price.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; andLevel 3 inputs are unobservable inputs for the asset or liability

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

has power over the investee;is exposed, or has rights, to variable returns from its involvement with the investee; andhas the ability to use its power to affect its returns

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;potential voting rights held by the Group, other vote holders or other parties;rights arising from other contractual arrangements; andany additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Change in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests.

Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognised. A gain or loss is recognised in the profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in related to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e., reclassified to profit or loss or transferred to another category of equity as specified/ permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when the control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39 or, when applicable, the cost on initial recognition of an investment in an associate of a joint venture.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 Income Taxes and HKAS 19 Employee Benefits respectively;liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 Share-based Payment at the acquisition date (see the accounting policy below); andassets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the net amount of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation are initially measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets or at fair value. The choice of measurement basis is made on a transaction-by-transaction basis.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purpose and not larger than an operating segment.

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units).

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the amount of the profit or loss on disposal (or any of the cash-generating unit within group of cash-generating units in which the Group monitors goodwill).

The Group's policy for goodwill arising on the acquisition of associates and joint venture is described below.

Investments in associates and a joint venture

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates and joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. Changes in net assets of the associate/joint venture other than profit and loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss.

When a group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture is recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities, as described below.

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed.

Revenue from sale of properties in the ordinary course of business is recognised when the respective properties have been completed and delivered to the buyers. Deposits and instalments received from purchasers prior to meeting the above criteria for revenue recognition are included in the consolidated statement of financial position under current liabilities.

Service income is recognised when services are provided.

Revenue from room rental, food and beverage sales and other ancillary service in the hotel are recognised when the relevant service have been rendered.

Commission income from securities broking business is recognised on a trade date basis.

Advisory and handling fee income are recognised when the relevant transactions have been provided or the relevant services have been rendered.

Underwriting and sponsors fees are recognised as income in accordance with the terms of the underwriting agreement or deal mandate when the relevant significant acts have been completed.

Asset management fee income is recognised when management services are provided in accordance with the management contracts.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established (provided that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably).

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

The Group's accounting policy for recognition of revenue from operating leases is described in the accounting policy for leasing below.

Property, plant and equipment

Property, plant and equipment including buildings, leasehold land (classified as finance leases) held for use in the production or supply of goods or services, or for administrative purposes (other than properties under construction as described below), are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognised so as to write off the cost of assets (other than properties under construction) less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

The estimated useful life and annual depreciation rate (except for construction in progress), after taking into account the residual value, adopted by the Group are set out below:

|  |  |  |  |
| --- | --- | --- | --- |
|  |  | **Estimated** | **Annual** |
|  |  | **useful life** | **depreciation rate** |
|  |  |  |  |
| Leasehold land and buildings |  | 20 - 50 years | 1.9% - 4.9% |
| Hotel |  | 30 years | 3.20% |
| Ancillary facilities |  | 10 - 30 years | 3.2% - 9% |
| Communication and signaling equipment |  | 5 years | 19.40% |
| Motor vehicles |  | 5 - 8 years | 12.1% - 19.4% |
| Machinery and equipment |  | 5 - 8 years | 12.1% - 19.4% |

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at cost less accumulated amortisation and any accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Intangible assets with indefinite useful lives are carried at cost less subsequent accumulated impairment losses (see accounting policy in respect of impairment losses on tangible and intangible assets below).

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible assets are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss in the period when the asset is derecognised.

Expressway operating rights under service concession arrangements

When the Group has a right to charge for usage of concession infrastructure, it recognises concession intangible assets based on fair value of the consideration paid upon initial recognition. Subsequent costs incurred on expressway widening projects and upgrading services are recognised as additional costs of the expressway operating rights. The concession intangible assets representing expressway operating rights are carried at cost less accumulated amortisation and any accumulated impairment losses.

The concession intangible assets are amortised to write-off their cost over their expected useful lives in the remaining concession period on a straight-line basis.

Costs in relation to the day-to-day servicing, repairs and maintenance of the expressway infrastructures are recognised as expenses in the periods in which they are incurred.

Impairment on tangible and intangible assets other than goodwill (see the accounting policy in respect of goodwill above)

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

When it is not possible to estimate the recoverable amount of an individual asset individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Inventories

Inventories include properties held for sale, consumables and parts for toll road operation, maintenance and hotel service and those commodities held for sale arising from the securities business.

Inventories are stated at the lower of cost and net realisable value. Cost of properties held for sale includes the costs of land, development expenditure incurred and, where appropriate, borrowing costs capitalised. Costs of other inventories are calculated using the weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Leasehold land and building

When the Group makes payments for a property interest which includes both leasehold land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire property is accounted as an operating lease. Specifically, the entire consideration (including any lump-sum upfront payments) are allocated between the leasehold land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element at initial recognition.

To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as 'prepaid lease payments' in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the leasehold land and building elements, the entire property is generally classified as if the leasehold land is under finance lease.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's operations are translated into the presentation currency of the Group (i.e., Rmb) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of share of differences arising on translation (attributed to non-controlling interests as appropriate).

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Retirement benefit costs

Payments to defined contribution retirement benefit ***plans*** are recognised as an expense when employees have rendered services entitling them to the contributions.

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the consolidated statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and interests in associates and a joint venture, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

Financial assets are classified into the following specified categories: financial assets at fair value through profit or loss ("FVTPL"), AFS financial assets and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL, of which interest income is included in net gains or losses.

Financial assets at FVTPL

Financial assets classified as at FVTPL include financial asset held for trading.

A financial asset is classified as held for trading if:

it has been acquired principally for the purpose of selling in the near term; oron initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; orit is a derivative that is not designated and effective as a hedging instrument.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the 'securities investment gains' line item. Fair value is determined in the manner described in Note 52(c).

AFS financial assets

AFS financial assets are non-derivatives that are either designated as AFS or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at FVTPL.

Equity and debt securities held by the Group that are classified as AFS financial assets and are traded in an active market are measured at fair value at the end of each reporting period except for unquoted equity investment whose fair value cannot be reliably measured. Changes in the carrying amount of AFS debt instruments relating to interest income calculated using the effective interest method are recognised in profit or loss. Dividends on AFS equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established. Other changes in the carrying amount of AFS financial assets are recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss (see the accounting policy in respect of impairment of financial assets below).

Dividends on AFS equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established.

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at the end of each reporting period (see the accounting policy in respect of impairment loss on financial assets below).

Loan and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade receivables, loans to customers arising from margin financing business, other receivables, financial assets held under resale agreements, bank balances and clearing settlement fund held on behalf of customers and bank balances, clearing settlement fund, deposits and cash) are measured at amortised cost using the effective interest method, less any identified impairment losses (see the accounting policy in respect of impairment of financial assets below).

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For an AFS equity investment, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

significant financial difficulty of the issuer or counterparty; orbreach of contract, such as default or delinquency in interest or principal payments; orit becoming probable that the borrower will enter bankruptcy or financial re-organisation; orthe disappearance of an active market for that financial asset because of financial difficulties.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods (see the accounting policy below).

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables and loans to customers arising from margin financing business, where the carrying amount is reduced through the use of an allowance account.

When trade receivables are considered uncollectible, they are written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For the loans to customers arising from margin financing business, the Group reviews its advances to customers to assess impairment on a periodic basis. In determining whether an impairment loss should be recognised in profit or loss, the Group reviews the value of the securities collateral received from the customers firstly on individual basis, then on collective basis in determining the impairment. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity investments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. In respect of AFS debt investments, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. Interest expense is recognised on an effective interest basis other than those financial liabilities classified as at FVTPL, of which the interest expense is included in net gains or losses.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) held for trading or (ii) it is designated as at FVTPL.

A financial liability is classified as held for trading if:

it has been acquired principally for the purpose of repurchasing it in the near term; oron initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; orit is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; orthe financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; orit forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at amortised cost

Financial liabilities (including accounts payable to customers arising from securities business, trade payables, other payables, dividends payable, bank and other borrowings, placements from other financial institutions, short-term financing note payable, financial guarantee, financial assets sold under repurchase agreements, bonds payable and convertible bond) are subsequently measured at amortised cost, using the effective interest method.

Convertible bond

A conversion option that will be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Group's own equity instruments is a conversion option derivative.

At the date of issue, both the debt component and derivative components are recognised at fair value. In subsequent periods, the debt component of the convertible bond is carried at amortised cost using the effective interest method. The derivative component is measured at fair value with changes in fair value recognised in profit and loss.

Transaction costs that relate to the issue of the convertible bond are allocated to the debt and derivative components in proportion to their relative fair values. Transactions costs relating to the derivative component are charged to profit or loss immediately. Transaction costs relating to the debt component are included in the carrying amount of the debt portion and amortised over the period of the convertible bond using the effective interest method.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately, unless the derivative is designated and effective as a hedging instruments, in which event the timing of recognition in profit or loss depends on the nature of the hedge relationship.

Embedded derivatives

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL. Generally, multiple embedded derivatives in a single instrument are treated as a single compound embedded derivative unless those derivatives relate to different risk exposures and are readily separable and independent of each other.

Financial assets held under resale agreements

Financial assets held under resale agreements where the Group acquires financial assets which will be resold at a predetermined price at a future date under resale agreements, the cash advanced by the Group is recognised as secured loans and receivables and presented as amounts held under resale agreements in the consolidated statement of financial position. The difference between the purchase and resale consideration is amortised over the period of the respective agreements using the effective interest method and is included in interest income.

Financial assets sold under repurchase agreements

Financial assets sold subject to agreements with a commitment to repurchase at a specific future date and price are not derecognised in the consolidated statement of financial position. The proceeds from selling such assets are presented under "financial assets sold under repurchase agreements" in the consolidated statement of financial position. The difference between the selling price and repurchasing price is recognised as interest expense during the term of the agreement using the effective interest method.

Securities lending arrangement

The Group lends investment securities to clients and requires cash and/or equity securities from customers held as collaterals under such securities lending agreements. The cash collaterals arisen from these are included in "accounts payable to customers arising from securities business". For those securities held by the Group and lent to client that do not result in the derecognition of financial assets, they are included in AFS investments.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts issued by the Group are initially measured at their fair values and are subsequently measured at the higher of:

(i) the amount of obligation under the contract, as determined in accordance with HKAS 37 Provisions, Contingent Liabilities and Contingent Assets; and

(ii) the amount initially recognised less, where appropriate, cumulative amortisation recognised over the guarantee period.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

4. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Critical judgements in applying accounting policies

The followings are the critical judgements, apart from those involving estimations (see below), that management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Impairment of AFS investments

The determination of whether an AFS investment is impaired requires significant judgment. For listed AFS equity investments and other equity related investments measured at fair value, a significant or prolonged decline in fair value below cost is considered to be objective evidence of impairment. Judgment is required when determining whether a decline in fair value has been significant or prolonged. In making this judgment, the Group evaluates the duration and extent to which the fair value of an investment is less than its cost. In assessing whether it is prolonged, the decline is evaluated against the period in which the fair value of the asset has been below its original cost at initial recognition. In assessing whether it is significant, the decline in fair value is evaluated against the original cost of the asset at initial recognition. The Group also takes into account other factors, such as the historical data on market volatility and the price of the specific investment, significant changes in technology, markets, economics or the law, as well as industry and sector performance and the consolidated financial statements regarding the investee that provides evidence that the cost of the equity securities may not be recovered. Judgment is also required to determine whether historical performance remains representative of current and future economic conditions. For AFS debt instruments, the Group makes the judgments as to whether there is an objective evidence of impairment which indicates a measurable decrease in the estimated future cash flows of these debt instruments. For unlisted AFS equity instruments measured at cost, the Group makes the judgement as to whether there is an objective evidence of impairment exists based on the investee's financial conditions and business prospects, including industry environment, as well as operating and financing cash flows. This requires a significant level of management judgement which would affect the amount of impairment losses in profit or loss. Details of the AFS investments are set out in Note 25.

Determination of consolidation scope

All facts and circumstances must be taken into consideration in the assessment of whether the Group, as an investor, controls the investee. The principle of control sets out the following three elements of control: (a) power over the investee; (b) exposure, or rights, to variable returns from involvement with the investee; and (c) the ability to use power over the investee to affect the amount of the investor's returns. The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

For collective asset management schemes and investment funds where the Group involves as a manager, the Group considers the scope of its decision-making authority and assesses whether the combination of investments it holds, if any, together with its remuneration and credit enhancements creates exposure to variability of returns from the activities of the collective asset management schemes and investment funds that is of such significance that it indicates that the Group is a principal. The collective asset management schemes and investment funds are consolidated if the Group acts in the role of principal.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets within the next financial year.

Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the recoverable amount use of the cash-generating units to which goodwill has been allocated, which is the higher of the value in use or fair value less costed The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at December 31, 2017, the carrying amount of goodwill is Rmb86,867,000 (without accumulated impairment loss) (2016: Rmb86,867,000 (without accumulated impairment loss)). Details of the impairment testing are disclosed in Note 22.

Estimated impairment of intangible assets with indefinite useful lives

Determining whether intangible assets with indefinite useful lives are impaired requires an estimation of the value in use of themselves or the cash-generating unit to which they belong. The value in use calculation requires the Group to estimate the future cash flows expected to arise from themselves or the cash-generating unit to which they belong and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at December 31, 2017, the carrying amounts of intangible assets with indefinite useful lives were Rmb68,235,000 (without accumulated impairment loss) (2016: Rmb66,563,000 (without accumulated impairment loss)). Details of the impairment testing are disclosed in Note 22.

Impairment of loans to customers arising from margin financing business and financial assets held under resale agreements

The Group reviews its loans to customers arising from margin financing business and financial assets held under resale agreements to assess impairment on a periodic basis. When there is objective evidence of impairment loss for loans to customers arising from margin financing business and financial assets held under resale agreements, the Group takes into consideration the estimation of future cash flows. Specifically, the Group reviews the value of the cash and securities collateral received from the customers firstly on an individual basis, then on a collective basis in determining the impairment.

The policy for collective impairment allowances for loans to customers arising from margin financing business and financial assets held under resale agreements of the Group is based on the evaluation of probability of default, loss given default and exposure at default of accounts and on the management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these loans to customers arising from margin financing business and financial assets held under resale agreements, including the current creditworthiness, and the past collection history. Details are set out in Notes 27 and 30.

Estimated impairment of interests in a joint venture and associates

The Group regularly reviews whether there are any indications of impairment and recognises an impairment loss if the carrying amount of the Group's interest in a joint venture or associates are lower than their respective recoverable amount. The Group tests for impairment for the interests in a joint venture and associates whenever there is an indication that the asset may be impaired. The recoverable amounts have been determined based on the higher of the fair value less costs of disposal and value in use calculations. These calculations require the use of estimates, such as discount rates, future profitability and growth rates. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at December 31, 2017, the carrying amount of interest in a joint venture was Rmb303,065,000 (without accumulated impairment loss) (2016: Rmb285,397,000 (without accumulated impairment loss)), and the carrying amount of interests in associates was Rmb1,686,227,000 (without accumulated impairment loss) (2016: Rmb1,310,486,000 (without accumulated impairment loss)).

Provision for financial guarantee contract

The Directors based on its best estimate of the financial position and credit rating of the guarantee to determine the probability of incurring a claim by the counterparty to the Company to estimate fair value or the respective obligation under the financial guarantee contract. Based on expectations at the end of the reporting period, the Group considers that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses. As at December 31, 2017, in respect of the financial guarantee contract provided to a joint venture of the Group in the amount of Rmb842,643,000 (2016: Rmb947,275,000), the Directors considered that the fair value of the financial guarantee obligation was insignificant on the date of initial recognition and determined that no provision was recognised for both years.

Fair value measurements and valuation processes

Some of the Group's assets and liabilities are measured at fair value for financial reporting purposes. The board of directors of the Group has set up a valuation team, which is headed up by the Chief Financial Officer ("CFO") of the Group, to determine the appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available, Where Level 1 inputs are not available, the Group engages qualified valuers to perform the valuation.

The CFO works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. The CFO reports the valuation committee's findings to the board of directors of the Group at the end of each reporting period to explain the cause of fluctuations in the fair value of the assets and liabilities.

5. SEGMENT INFORMATION

Information reported to the General Manager of the Company, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided.

Specifically, the Group's reportable and operating segments under HKFRS 8 are as follows:

(i) Toll operation - the operation and management of high grade roads and the collection of the expressway tolls.

(ii) Securities operation - the securities broking, margin financing and securities lending, securities underwriting and sponsorship, asset management, advisory services and proprietary trading.

(iii) Other operation - properties development, hotel operation and other ancillary services.

Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable and operating segment.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **For the year ended december 31, 2017** |  |  |  |  |  |
|  |  |  |  |  |  |
| **Continuing operations** |  |  |  |  |  |
|  |  |  |  |  |  |
|  |  |  | **Securities** |  |  |
|  |  | **Toll operation** | **operation** | **Others** | **Total** |
|  |  | **Rmb'000** | **Rmb'000** | **Rmb'000** | **Rmb'000** |
| Revenue - external customers |  | 5,986,249 | 3,491,250 | 148,841 | 9,626,340 |
| Segment profit |  | 2,754,152 | 1,045,237 | 191,643 | 3,991,032 |
|  |  |  |  |  |  |
| For the year ended December 31, 2016 |  |  |  |  |  |
|  |  |  |  |  |  |
| Continuing operations |  |  |  |  |  |
|  |  |  |  |  |  |
|  |  |  | Securities |  |  |
|  |  | Toll operation | operation | Others | Total |
|  |  | Rmb'000 | Rmb'000 | Rmb'000 | Rmb'000 |
|  |  |  |  |  |  |
| Revenue - external customers |  | 5,279,348 | 4,175,240 | 280,759 | 9,735,347 |
| Segment profit |  | 2,477,506 | 1,247,877 | 1,632 | 3,727,015 |

The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 3. Segment profit represents the profit after tax of each operating segment. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable and operating segment:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  |  | **Segment assets** | **Segment liabilities** |  |  |
|  |  | **12/31/2017** | 12/31/2016 | **12/31/2017** | 12/31/2016 |
|  |  | **Rmb'000** | Rmb'000 | **Rmb'000** | Rmb'000 |
|  |  |  |  |  |  |
| Continuing operations |  |  |  |  |  |
| Toll operation |  | **18,261,586** | 17,883,833 | **(4,995,482)** | (5,261,742) |
| Securities operation |  | **53,215,230** | 53,839,312 | **(39,424,352)** | (44,172,118) |
| Others |  | **2,086,837** | 1,951,420 | **(26,335)** | (151,645) |
|  |  |  |  |  |  |
| Total segment assets (liabilities) |  | **73,563,653** | 73,674,565 | **(44,446,169)** | (49,585,505) |
| Goodwill |  | **86,867** | 86,867 | **-** | - |
|  |  |  |  |  |  |
| Consolidated assets (liabilities) |  | **73,650,520** | 73,761,432 | **(44,446,169)** | (49,585,505) |

Segment assets and segment liabilities represent the assets and liabilities of the subsidiaries operating in the respective reportable and operating segment.

Other segment information

Amounts included in the measure of segment profit/loss or segment assets:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **For the year ended december 31, 2017** |  |  |  |  |  |
|  |  |  |  |  |  |
| **Continuing operations** |  |  |  |  |  |
|  |  |  | **Securities** |  |  |
|  |  | **Toll operation** | **operation** | **Others** | **Total** |
|  |  | **Rmb'000** | **Rmb'000** | **Rmb'000** | **Rmb'000** |
|  |  |  |  |  |  |
| Income tax expense |  | **845,248** | **339,462** | **7,559** | **1,192,269** |
| Interest income on bank balances and     entrusted loan receivables |  | **25,945** | **-** | **72** | **26,017** |
| Interest expense |  | **135,275** | **476,472** | **-** | **611,747** |
| Interests in associates |  | **-** | **317,163** | **1,369,064** | **1,686,227** |
| Interest in a joint venture |  | **303,065** | **-** | **-** | **303,065** |
| Share of (loss) profit of associates |  | **-** | **(7,466)** | **168,968** | **161,502** |
| Share of profit of a joint venture |  | **17,668** | **-** | **-** | **17,668** |
| Gain on fair value changes on held for     trading investments |  | **174** | **525,491** | **-** | **525,665** |
| Gain on decrease in fair value in     respect of the derivative     component of Convertible Bond     (as defined in Note 42) |  | **149,479** | **-** | **-** | **149,479** |
| Additions to non-current assets (Note) |  | **106,652** | **306,397** | **30,356** | **443,405** |
| Depreciation and amortisation |  | **1,283,545** | **110,401** | **19,137** | **1,413,083** |
| Loss on disposal of property,     plant and equipment |  | **2,484** | **1,081** | **-** | **3,565** |

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| For the year ended December 31, 2016 |  |  |  |  |  |
|  |  |  |  |  |  |
| Continuing operations |  |  | Securities |  |  |
|  |  | Toll operation | operation | Others | Total |
|  |  | Rmb'000 | Rmb'000 | Rmb'000 | Rmb'000 |
|  |  |  |  |  |  |
| Income tax expense |  | 761,688 | 399,882 | - | 1,161,570 |
| Interest income on bank balances and    entrusted loan receivables |  | 27,459 | - | 40 | 27,499 |
| Interest expense |  | 134,351 | 537,036 | - | 671,387 |
| Interests in associates |  | - | 109,401 | 1,201,085 | 1,310,486 |
| Interest in a joint venture |  | 285,397 | - | - | 285,397 |
| Share of profit of associates |  | - | 5,397 | 59,302 | 64,699 |
| Share of profit of a joint venture |  | 9,797 | - | - | 9,797 |
| Gain on fair value changes on held for    trading investments |  | 6,819 | 198,434 | - | 205,253 |
| Additions to non-current assets (Note) |  | 2,564,064 | 169,388 | 595,094 | 3,328,546 |
| Depreciation and amortisation |  | 1,174,338 | 104,227 | 17,849 | 1,296,414 |
| (Gain) loss on disposal of property,    plant and equipment |  | (2,414) | (239) | 2 | (2,651) |

Note: Non-current assets excluded financial instruments and deferred tax assets.

Revenue from major services

An analysis of the Group's revenue from continuing operations, net of discounts and taxes, for the year is as follows:

|  |  |  |  |
| --- | --- | --- | --- |
|  |  | **Year ended** | Year ended |
|  |  | **12/31/2017** | 12/31/2016 |
|  |  | **Rmb'000** | Rmb'000 |
|  |  |  |  |
| Toll operation revenue |  | **5,986,249** | 5,279,348 |
| Commission and fee income from securities operation |  | **2,088,310** | 2,664,959 |
| Interest income from securities operation |  | **1,402,940** | 1,510,281 |
| Revenue from sales of properties |  | **47,865** | 196,928 |
| Hotel and catering revenue |  | **100,976** | 83,831 |
|  |  |  |  |
|  |  | **9,626,340** | 9,735,347 |

Geographical information

The Group's operations are located in the PRC. All non-current assets of the Group are located in the PRC.

All of the Group's revenue from external customers is attributed to the group entities' country of domicile (i.e., the PRC).

Information about major customers

During the years ended December 31, 2017 and 2016, there are no individual customer with sales over 10% of the total revenue of the Group.

6. SECURITIES INVESTMENT GAINS

|  |  |  |  |
| --- | --- | --- | --- |
|  |  | **Year ended** | Year ended |
|  |  | **12/31/2017** | 12/31/2016 |
|  |  | **Rmb'000** | Rmb'000 |
|  |  |  |  |
| **Continuing operations** |  |  |  |
|  |  | **525,665** | 205,253 |
| Gain on held for trading investments |  | **105,560** | 64,791 |
| Cumulative gain reclassified from equity on disposal of AFS investments |  | **21,223** | 57,290 |
| Interest income and dividends from AFS investments |  | **122,437** | (103,761) |
| Gain (loss) on fair value changes on derivatives financial instruments |  |  |  |
|  |  | **774,885** | 223,573 |

7. OTHER INCOME AND GAINS AND LOSSES

|  |  |  |  |
| --- | --- | --- | --- |
|  |  | **Year ended** | Year ended |
|  |  | **12/31/2017** | 12/31/2016 |
|  |  | **Rmb'000** | Rmb'000 |
|  |  |  |  |
| **Continuing operations** |  |  |  |
|  |  |  |  |
| Interest income on bank balances and entrusted loan receivables |  | **26,017** | 27,499 |
| Rental income (Note) |  | **42,498** | 38,696 |
| Handling fee income |  | **2,818** | 2,449 |
| Towing income |  | **7,128** | 7,718 |
| Gain on decrease in fair value in respect of the derivative component of Convertible Bond |  | **149,479** | - |
| Exchange loss, net |  | **(212,146)** | (22,758) |
| Gain on commodity trading, net |  | **21,125** | 126,905 |
| Others |  | **66,720** | 108,881 |
|  |  |  |  |
|  |  | **103,639** | 289,390 |

Note: Rental income included contingent rent of approximately Rmb3,817,000 (2016: Rmb3,649,000) during the year.

8. FINANCE COSTS

|  |  |  |  |
| --- | --- | --- | --- |
|  |  | **Year ended** | Year ended |
|  |  | **12/31/2017** | 12/31/2016 |
|  |  | **Rmb'000** | Rmb'000 |
|  |  |  |  |
| **Continuing operations** |  |  |  |
|  |  |  |  |
| Bank and other borrowings |  | **61,626** | 121,860 |
| Short-term loan note |  | **121,289** | 69,284 |
| Bonds payable |  | **362,891** | 480,243 |
| Convertible Bond |  | **65,941** | - |
| Convertible Bond |  | **65,941** | - |
|  |  |  |  |
| Total finance costs |  | **611,747** | 671,387 |

9. PROFIT BEFORE TAX

The Group's profit before tax from continuing operations has been arrived at after charging (crediting):

|  |  |  |  |
| --- | --- | --- | --- |
|  |  | **Year ended** | Year ended |
|  |  | **12/31/2017** | 12/31/2016 |
|  |  | **Rmb'000** | Rmb'000 |
|  |  |  |  |
| Depreciation of property, plant and equipment |  | **266,217** | 236,493 |
| Release of prepaid lease payments |  | **1,639** | 1,639 |
| Amortisation of expressway operating rights (included in operating costs) |  | **1,119,126** | 1,034,202 |
| Amortisation of other intangible assets (included in operating costs) |  | **26,101** | 24,080 |
|  |  |  |  |
| Total depreciation and amortisation |  | **1,413,083** | 1,296,414 |
|  |  |  |  |
| Staff costs (including directors and supervisors): |  |  |  |
| - Wages, salaries and bonuses |  | **1,183,475** | 1,216,231 |
| - Pension scheme contributions |  | **127,207** | 128,127 |
|  |  |  |  |
|  |  | **1,310,682** | 1,344,358 |
|  |  |  |  |
| Auditors' remuneration |  | **8,374** | 9,081 |
| Reversal of allowance for loans to customers arising from    margin financing business |  | **(294)** | (13,269) |
| Allowance for trade receivables |  | **822** | 253 |
| Allowance for other receivables |  | **891** | 975 |
| Recognition (reversal) of allowance for financial assets    held under resale agreements |  | **40,076** | (14,167) |
| Loss (gain) on disposal of property, plant and equipment |  | **3,565** | (2,651) |
| Impairment loss on AFS investments |  | **11,621** | 33,942 |
| Allowance for write-down of inventories |  | **5,993** | 2,638 |

10. INCOME TAX EXPENSE

|  |  |  |  |
| --- | --- | --- | --- |
|  |  | **Year ended** | Year ended |
|  |  | **12/31/2017** | 12/31/2016 |
|  |  | **Rmb'000** | Rmb'000 |
|  |  |  |  |
| **Continuing operations** |  |  |  |
|  |  |  |  |
| Current tax: |  |  |  |
| PRC Enterprise Income Tax |  | **1,211,926** | 1,216,487 |
| Deferred tax (Note 43) |  | **(19,657)** | (54,917) |
|  |  |  |  |
|  |  | **1,192,269** | 1,161,570 |

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25%.

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit. No Hong Kong Profits Tax has been provided as the Group has no estimated assessable profit in Hong Kong for both years.

The tax charge for the year can be reconciled to the profit before tax from continuing operations per the consolidated statement of profit or loss and other comprehensive income as follows:

|  |  |  |  |
| --- | --- | --- | --- |
|  |  | **Year ended** | Year ended |
|  |  | **12/31/2017** | 12/31/2016 |
|  |  | **Rmb'000** | Rmb'000 |
|  |  |  |  |
| Profit before tax |  | **5,183,301** | 4,888,585 |
|  |  |  |  |
| Tax at the PRC enterprise income tax rate of 25% (2016:25%) |  | **1,295,825** | 1,222,146 |
| Tax effect of share of profit of associates |  | **(40,376)** | (16,174) |
| Tax effect of share of profit of a joint venture |  | **(4,417)** | (2,449) |
| Utilisation of unused tax loss previously not recognised |  | **(35,505)** | (24,045) |
| Tax effect of expenses not deductible for tax purposes |  | **25,126** | 13,143 |
| Tax effect of income not subjected to tax purposes |  | **(48,384)** | (31,051) |
|  |  |  |  |
| Tax charge for the year |  | **1,192,269** | 1,161,570 |

11. DISCONTINUED OPERATION

As set out in Note 49, for the year ended December 31, 2016, the Company disposed of its 100% equity interest in Zhejiang Expressway Development Investment Co., Ltd ("Development Co"), which carried out substantially all of the Group's toll related operation. The disposal was effected in order to allow the Company to focus on the toll operation business. This disposal was completed on December 29, 2016, on which date control of Development Co passed to the acquirer.

The profit for the year ended December 31, 2016 from the discontinued toll related operation was set out below.

|  |  |  |
| --- | --- | --- |
|  |  | Year ended |
|  |  | 12/31/2016 |
|  |  | Rmb'000 |
|  |  |  |
| Profit of toll related operation for the year |  | 39,943 |
| Gain on disposal of toll related operation (see Note 49) |  | 56,993 |
| Income tax from gain on disposal of toll related operation |  | (15,342) |
|  |  |  |
|  |  | 81,594 |

The results of the toll related operation for the period from January 1, 2016 to December 29, 2016, which had been included in the consolidated statement of profit or loss and other comprehensive income, were as follows:

|  |  |
| --- | --- |
|  | For the Period from |
|  | 1/1/2016 to 12/29/2016 |
|  | Rmb'000 |
|  |  |
| Revenue | 654,227 |
| Cost of sales | (693,470) |
| Other income | 122,605 |
| Administrative expenses | (20,432) |
| Other expenses | (11,372) |
|  |  |
| Profit before tax | 51,558 |
| Income tax expense | (11,615) |
| Profit for the period | 39,943 |
|  |  |
| Profit for the year ended December 31, 2016 from discontinued operating include the following: |  |
|  |  |
| Loss on disposal of property, plant and equipment | 2,003 |
| Auditor's remuneration | 144 |

During the year ended December 31, 2016, Development Co contributed Rmb82,622,000 to the Group's net operating cash inflows, paid Rmb41,542,000 in respect of investing activities, and paid Rmb28,716,000 in respect of financing activities.

The carrying amounts of the assets and liabilities of Development Co at the date of disposal were disclosed in Note 49.

12. OTHER COMPREHENSIVE INCOME

Tax effect relating to other comprehensive income is as follows:

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **Year ended 12/31/2017** | Year ended 12/31/2016 |  |  |  |  |
|  |  |  |  |  |  |  |  |
|  |  |  |  | **Net-of-** |  |  | Net-of- |
|  |  | **Before-tax** | **Tax** | **income-tax** | Before-tax | Tax | income-tax |
|  |  | **amount** | **impact** | **amount** | amount | amount | amount |
|  |  | **Rmb'000** | **Rmb'000** | **Rmb'000** | Rmb'000 | Rmb'000 | Rmb'000 |
|  |  |  |  |  |  |  |  |
| Fair value gain on AFS financial assets     arising during the year |  | **276,849** | **(69,212)** | **207,637** | 114,883 | (28,721) | 86,162 |
| Reclassification adjustments for the     cumulative gain included upon     disposal of AFS financial assets |  | **(105,560)** | **26,390** | **(79,170)** | (64,791) | 16,198 | (48,593) |
| Other comprehensive expense     arising from associates |  | **(2,672)** | **-** | **(2,672)** | (205) | - | (205) |
| Share of exchange differences of     a subsidiary |  | **(605)** | **-** | **(605)** | 511 | - | 511 |
|  |  |  |  |  |  |  |  |
| Total |  | **168,012** | **(42,822)** | **125,190** | 50,398 | (12,523) | 37,875 |

13. DIRECTORS', SUPERVISORS' AND SENIOR MANAGEMENTS' EMOLUMENTS

The emoluments paid or payable to each of the 9 (2016: 9) directors and 5 (2016: 6) supervisors are as follows:

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | Zhan | Cheng | Luo | Wang | Dai | Zhou |  | Pei | Lee Wai | Yao | Wu | Zhang | Shi | Lu | He | Wu | Zhan |  |
|  | Xiaozhang@ | Tao@ | Jianhu@ | Dongjie^ | Benmeng^ | Jianping^ | Zhou Jun\* | Ker-wei\* | Tsang\* | Huiliang# | Yongmin# | Guohua# | Ximin# | Xinghai# | Meiyun# | Qingwang# | Huagang# | Total |
|  | Rmb'000 | Rmb'000 | Rmb'000 | Rmb'000 | Rmb'000 | Rmb'000 | Rmb'000 | Rmb'000 | Rmb'000 | Rmb'000 | Rmb'000 | Rmb'000 | Rmb'000 | Rmb'000 | Rmb'000 | Rmb'000 | Rmb'000 | Rmb'000 |
|  |  | (note v) | (note v) |  |  | (note viii) |  |  |  |  | (note iii) | (note i) | (note ii) |  | (note iv) | (note vii) | (note vi) |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| **2017** |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Salaries, allowances and benefits in kind | **300** | **406** | **406** | **1** | **3** | **6** | **-** | **226** | **226** | **4** | **-** | **-** | **-** | **-** | **4** | **2** | **-** | **1,584** |
| Bonuses paid and payable | **448** | **496** | **496** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **1,440** |
| Pension scheme contributions | **24** | **24** | **24** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **72** |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Total emoluments | **772** | **926** | **926** | **1** | **3** | **6** | **-** | **226** | **226** | **4** | **-** | **-** | **-** | **-** | **4** | **2** | **-** | **3,096** |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| 2016 |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Salaries, allowances and  benefits in kind | 225 | 469 | 469 | 3 | 3 | 6 | 1 | 210 | 214 | 7 | - | 2 | 4 | - | - | - | - | 1,613 |
| Bonuses paid and payable | 521 | 459 | 459 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 1,439 |
| Pension scheme contributions | 22 | 22 | 22 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 66 |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Total emoluments | 768 | 950 | 950 | 3 | 3 | 6 | 1 | 210 | 214 | 7 | - | 2 | 4 | - | - | - | - | 3,118 |

@  Executive directors. The emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group.

^ Non-executive directors. The emoluments shown above were for their services as directors of the Company or its subsidiaries.

\* Independent non-executive directors. The emoluments shown above were for their services as directors of the Company.

# Supervisors. The emoluments shown above were for their services as supervisors of the Company.

Notes:

(i) Resigned on March 17, 2016.

(ii) Resigned on October 21, 2016.

(iii) Resigned on August 18, 2016.

(iv) Appointed on December 28, 2016.

(v) Ms. Luo Jianhu and Cheng Tao are also the senior management of the Company and their emoluments disclosed above include those services rendered by them as senior management.

(vi) Appointed on March 30, 2017.

(vii) Appointed on April 3, 2017.

(viii) Resigned on December 22, 2017.

Bonuses paid to directors and supervisors are performance-rated and are determined by the Remuneration Committee of the Company, which comprises three independent non-executive directors. No directors or supervisors waived any emoluments and no incentive was paid to any directors or supervisors as an inducement to join the Company and no compensation for loss of office was paid to any directors, supervisors, past directors or past supervisors during both years.

The emoluments paid or payable to each of the other 6 (2016: 8) senior managements are as follows:

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | Ding | Zhang | Fang | Zhu | Wang | Zhan | Zheng | Zhang |  |
|  |  | Huikang | Jingzhong | Zhexing | Yimin | Dehua | Huagang | Hui | Xiuhua | Total |
|  |  | Rmb'000 | Rmb'000 | Rmb'000 | Rmb'000 | Rmb'000 | Rmb'000 | Rmb'000 | Rmb'000 | Rmb'000 |
|  |  | note | note |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |
| 2017 |  |  |  |  |  |  |  |  |  |  |
| Salaries, allowances and     benefits in kind |  | **-** | **-** | **335** | **335** | **335** | **335** | **335** | **335** | **2,010** |
| Bonuses paid and payable |  | **-** | **-** | **367** | **367** | **367** | **367** | **367** | **367** | **2,202** |
| Pension scheme contributions |  | **-** | **-** | **24** | **24** | **24** | **24** | **24** | **24** | **144** |
|  |  |  |  |  |  |  |  |  |  |  |
| Total emoluments |  | **-** | **-** | **726** | **726** | **726** | **726** | **726** | **726** | **4,356** |
|  |  |  |  |  |  |  |  |  |  |  |
| 2016 |  |  |  |  |  |  |  |  |  |  |
| Salaries, allowances and     benefits in kind |  | 60 | 74 | 445 | 445 | 445 | 445 | 445 | 445 | 2,804 |
| Bonuses paid and payable |  | 306 | 337 | 342 | 301 | 337 | 337 | 337 | 337 | 2,634 |
| Pension scheme contributions |  | - | 3 | 22 | 22 | 22 | 22 | 22 | 22 | 135 |
|  |  |  |  |  |  |  |  |  |  |  |
| Total emoluments |  | 366 | 414 | 809 | 768 | 804 | 804 | 804 | 804 | 5,573 |

Note: Resigned on February 18, 2016.

The emoluments of each of the senior managements were below HK$1,000,000 (equivalent to Rmb835,900 (2016: Rmb894,510)) in both years. Bonuses paid to senior managements are performance-rated and are determined by the board of Directors.

No senior management waived any emoluments and no incentive was paid to any senior management as an inducement to join the Company and no compensation for loss of office was paid to any senior management, past senior management during both years. Bonuses are determined by reference to the individual performance of the senior managements.

14. EMPLOYEES' EMOLUMENTS

The emoluments of the five highest paid individuals in the Group are as follows:

|  |  |  |
| --- | --- | --- |
|  | Year ended  12/31/2017 | Year ended  12/31/2016 |
|  | Rmb'000 | Rmb'000 |
|  | ----------------- | ----------------- |
| Salaries, allowances and benefits in kind | 4,912 | 4,329 |
| Bonuses paid and payable (Note) | 32,023 | 33,404 |
| Pension scheme contributions | 220 | 165 |
|  | ----------------- | ----------------- |
|  | 37,155 | 37,898 |
|  |  |  |
| Note: The bonuses paid and payable are determined by reference to the performance of the relevant business of the Group for the years ended December 31, 2017 and 2016. |  |  |

No emoluments nor incentive was waived as an inducement to join the Company and no compensation for loss of office was paid to any five highest paid individuals in the Group during both years. Bonuses are determined by reference to the individual performance of the five highest paid individuals in the Group.

The five individuals with the highest emoluments in the Group during the year included five (2016: five) non-director employees.

Their emoluments are within the following bands:

|  |  |  |
| --- | --- | --- |
|  | No. of individuals |  |
|  | Year ended 12/31/2017 | Year ended 12/31/2016 |
|  | ------------- | ------------- |
| HK$6,000,001 to HK$6,500,000 (equivalent to Rmb5,015,401    (2016: Rmb5,367,061) to Rmb5,433,350 2016: Rmb5,814,315)) | - | 2 |
| HK$7,000,001 to HK$7,500,000 (equivalent to Rmb5,851,301    (2016: Rmb6,261,571) to Rmb6,269,250 (2016: Rmb6,708,825)) | 1 | 1 |
| HK$8,000,001 to HK$8,500,000 (equivalent to Rmb6,687,201    (2016: Rmb7,156,081) to Rmb7,105,150 (2016: Rmb7,603,335)) | 1 | - |
| HK$8,500,001 to HK$9,000,000 (equivalent to Rmb7,105,151    (2016: Rmb7,603,336) to Rmb7,523,100 (2016: Rmb8,050,590)) | 2 | - |
| HK$10,500,001 to HK$11,000,000 (equivalent to Rmb8,776,951    (2016: Rmb9,392,356) to Rmb9,194,900 (2016: Rmb9,839,610)) | - | 1 |
| HK$11,500,001 to HK$12,000,000 (equivalent to Rmb9,612,851    (2016: Rmb10,286,866) to Rmb10,030,800 (2016: Rmb10,734,120)) | 1 | - |
| HK$12,000,001 to HK$12,500,000 (equivalent to Rmb10,030,801    (2016: Rmb10,734,121) to Rmb10,448,750 (2016: Rmb 11,181,375)) | - | 1 |

15. DIVIDENDS

|  |  |  |
| --- | --- | --- |
|  | Year ended 12/31/2017 | Year ended 12/31/2016 |
|  | Rmb'000 | Rmb'000 |
|  | ------------- | ------------- |
| Dividends recognised as distribution during the year: |  |  |
| 2017 Interim - Rmb6 cents (2016: 2016 interim Rmb6 cents) per share | 260,587 | 260,587 |
| 2016 Final - Rmb29.5 cents (2016: 2015 Final Rmb28 cents) per share | 1,281,219 | 1,216,072 |
|  | ------------- | ------------- |
|  | 1,541,806 | 1,476,659 |

Final dividend of Rmb30.0 cents per share in respect of the year ended December 31, 2017 (2016: final dividend of Rmb29.5 cents per share in respect of the year ended December 31, 2016) in the total amount of Rmb1,302,934,000 (2016: Rmb1,281,219,000) has been proposed by the Directors and is subject to approval by the shareholders in the annual general meeting.

16. EARNINGS PER SHARE

For continuing operations

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

Earnings figures are calculated as follows:

|  |  |  |
| --- | --- | --- |
|  | Year ended  12/31/2017 | Year ended 12/31/2016 |
|  | Rmb'000 | Rmb'000 |
|  | -------------- | -------------- |
| Profit for the year attributable to owners of the Company | 3,202,130 | 3,037,405 |
| Less: |  |  |
| Profit for the year from discontinued operations | - | (80,114) |
| Earnings for the purpose of basic earnings per share from continuing    operations | 3,202,130 | 2,957,291 |
| Effect of dil tive potential ordinary shares arising from Convertible Bond: |  |  |
| Interest expense | 65,941 | - |
| Exchange loss (net of income tax) | 99,718 | - |
| Gain on decrease in fair value on derivative component | (149,479) | - |
| Earnings for the purpose of diluted earnings per share from continuing    operations | 3,218,310 | 2,957,291 |

Number of shares

|  |  |  |
| --- | --- | --- |
|  | Year ended 12/31/2017 | Year ended 12/31/2016 |
|  | '000 | '000 |
|  | ------------- | ------------- |
| Number of ordinary shares for the purpose of basic earnings per share | 4,343,115 | 4,343,115 |
| Effect of dilutive potential ordinary shares arising from Convertible Bond | 166,746 | - |
| Weighted average number of ordinary shares for    the purpose of diluted earnings per share | 4,509,861 | 4,343,115 |

For continuing and discontinued operations

The calculation of the basic and diluted earnings per share from continuing and discontinued operations attributable to the owners of the Company is based on the following data:

|  |  |  |
| --- | --- | --- |
|  | Year ended  12/31/2017 | Year ended  12/31/2016 |
|  | Rmb'000 | Rmb'000 |
|  | ------------- | ------------- |
| Earnings for the purpose of basic earnings per share  (Profit for the year attributable to owners of the Company) | 3,202,130 | 3,037,405 |
| Effect of dilutive potential ordinary shares arising from Convertible Bond: |  |  |
| Interest expense | 65,941 | - |
| Exchange loss (net of income tax) | 99,718 | - |
| Gain on decrease in fair value on derivative component | (149,479) | - |
|  | ------------- | ------------- |
| Earnings for the purpose of diluted earnings per share | 3,218,310 | 3,037,405 |

For discontinued operations

For the year ended December 31, 2016, basic earnings per share for discontinued operations was Rmb1.85 cents per share, based on profit for the year attributable to owners of the Company from the discontinued operations of Rmb80,114,000 and the denominators detailed above. Diluted earnings per share was the same as basic earnings per share since there were no potential ordinary shares outstanding as at December 31, 2016.

17. PROPERTY, PLANT AND EQUIPMENT

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | Leasehold  land and  buildings | Hotel | Ancillary facilities | Communication  and signaling  equipment | Motor vehicles | Machinery  and equipment | Construction  in progress | Total |
|  | Rmb'000 | Rmb'000 | Rmb'000 | Rmb'000 | Rmb'000 | Rmb'000 | Rmb'000 | Rmb'000 |
| Cost |  |  |  |  |  |  |  |  |
| At January 1, 2016 | 1,591,310 | 549,543 | 1,232,092 | 413,440 | 227,129 | 818,558 | 102,169 | 4,934,241 |
| Additions | 8,334 | - | 5,639 | 19,670 | 11,364 | 48,117 | 231,220 | 324,344 |
| Acquired on acquisition of a subsidiary | 467 | - | 26,740 | 4,506 309 | 484 | 1,326 | 33,832 |  |
| Transfer | 7,643 | - | 49,155 | 362,338 | - | (172,236) | (246,900) | - |
| Transfer from inventory | 15,470 | - | - | - | - | - | - | 15,470 |
| Disposals | (6,300) | - | (8,810) | (48,601) | (40,808) | (137,623) | - | (242,142) |
| Disposal of a subsidiary (Note 49) | (4,311) | - | (307,571) | (27,178) | (13,907) | (48,268) | (829) | (402,064) |
| Disposal of a subsidiary (Note 49) | (4,311) | - | (307,571) | (27,178) | (13,907) | (48,268) | (829) | (402,064) |
| At December 31, 2016 | 1,612,613 | 549,543 | 997,245 | 724,175 | 184,087 | 509,032 | 86,986 | 4,663,681 |
| Additions | 566 | 27,218 | 5,625 | 20,602 | 12,998 | 48,759 | 55,130 | 170,898 |
| Transfer | 35,951 | 15,469 | 16,971 | 43,904 | - | 142 | (112,437) | - |
| Disposals | (11) | - | (5,782) | (4,534) | (13,496) | (77,856) | - | (101,679) |
| At December 31, 2017 | 1,649,119 | 592,230 | 1,014,059 | 784,147 | 183,589 | 480,077 | 29,679 | 4,732,900 |
| DEPRECIATION |  |  |  |  |  |  |  |  |
| At January 1, 2016 | 308,504 | 10,365 | 425,641 | 276,554 | 154,981 | 579,702 | - | 1,755,747 |
| Provided for the year | 64,701 | 17,769 | 64,816 | 50,878 | 14,864 | 51,239 | - | 264,267 |
| Transfer | 1,040 | - | (4,558) | 142,130 | - | (138,612) | - | - |
| Disposals | (6,300) | - | (7,920) | (44,077) | (32,715) | (114,097) | - | (205,109) |
| Disposal of a subsidiary (Note 49) | (1,966) | - | (146,778) | (21,210) | (8,939) | (38,902) | - | (217,795) |
| Disposal of a subsidiary (Note 49) | (1,966) | - | (146,778) | (21,210) | (8,939) | (38,902) | - | (217,795) |
| At December 31, 2016 | 365,979 | 28,134 | 331,201 | 404,275 | 128,191 | 339,330 | - | 1,597,110 |
| Provided for the year | 55,917 | 19,060 | 45,607 | 73,388 | 11,690 | 60,555 | - | 266,217 |
| Disposals | (11) | - | (2,506) | (4,341) | (12,683) | (59,020) | - | (78,561) |
| At December 31, 2017 | 421,885 | 47,194 | 374,302 | 473,322 | 127,198 | 340,865 | - | 1,784,766 |
| CARRYING VALUES |  |  |  |  |  |  |  |  |
| At December 31, 2017 | 1,227,234 | 545,036 | 639,757 | 310,825 | 56,391 | 139,212 | 29,679 | 2,948,134 |
| At December 31, 2016 | 1,246,634 | 521,409 | 666,044 | 319,900 | 55,896 | 169,702 | 86,986 | 3,066,571 |

The property, plant and equipment are located in the PRC.

18. PREPAID LEASE PAYMENTS

|  |  |  |
| --- | --- | --- |
|  | 12/31/2017 | 12/31/2016 |
|  | Rmb'000 | Rmb'000 |
|  | -------------- | -------------- |
| Analysed for reporting purposes as: |  |  |
| Current assets | 2,137 | 1,639 |
| Non-current assets | 65,300 | 52,522 |
|  | -------------- | -------------- |
|  | 67,437 | 54,161 |

The amount represents prepayment of rentals under operating leases for "land use rights" of land situated in the PRC.

19. EXPRESSWAY OPERATING RIGHTS

|  |  |
| --- | --- |
|  | Rmb'000 |
| COST |  |
| At January 1, 2016 | 23,963,062 |
| Acquired on acquisition of a subsidiary (Note 48) | 2,303,560 |
| At December 31, 2016 and 2017 | 26,266,622 |
| Amortisation |  |
| At January 1, 2016 | 10,733,620 |
| Charge for the year | 1,034,202 |
| At December 31, 2016 | 11,767,822 |
| Charge for the year | 1,119,126 |
| At December 31, 2017 | 12,886,948 |
| Carrying values |  |
| At December 31, 2017 | 13,379,674 |
| At December 31, 2016 | 14,498,800 |

The above expressway operating rights were granted by the Zhejiang Provincial Government and Anhui Provincial Government for a period ranging from 25 to 30 years. During the expressway concessionary period, the Group has the rights of operations and management of Shanghai-Hangzhou-Ningbo Expressway, Shangsan Expressway, Jinhua Section of the Ningbo-Jinhua Expressway, Hanghui Expressway and Huihang Expressway and the toll-collection rights thereof. The Group is required to manage and operate the expressways in accordance with the regulations promulgated by the Ministry of Communication and relevant government authorities. Upon the end of the respective concession service periods, the toll expressways and their toll station facilities without residual value, will be returned to the grantors at nil consideration.

20. GOODWILL

|  |  |
| --- | --- |
|  | Rmb'000 |
| Cost and carrying VALUES |  |
| At January 1, 2016, December 31, 2016 and December 31, 2017 | 86,867 |

Particulars regarding impairment testing on goodwill are disclosed in Note 22.

21. OTHER INTANGIBLE ASSETS

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | Customer  bases | Securities/  futures firm  licenses | Trading  seats | Software | Total |
|  | Rmb'000 | Rmb'000 | Rmb'000 | Rmb'000 | Rmb'000 |
| Cost |  |  |  |  |  |
| At January 1, 2016 | 101,147 | 63,083 | 3,480 | 125,691 | 293,401 |
| Additions | - | - | - | 17,889 | 17,889 |
| Disposal of a subsidiary (Note 49) | - | - | - | (154) | (154) |
| At December 31, 2016 | 101,147 | 63,083 | 3,480 | 143,426 | 311,136 |
| Additions | - | - | 1,672 | 37,009 | 38,681 |
| At December 31, 2017 | 101,147 | 63,083 | 5,152 | 180,435 | 349,817 |
| Amortisation |  |  |  |  |  |
| At January 1, 2016 | 66,679 | - | - | 71,503 | 138,182 |
| Charge for the year | 6,266 | - | - | 17,829 | 24,095 |
| Disposal of a subsidiary (Note 49) | - | - | - | (47) | (47) |
| At December 31, 2016 | 72,945 | - | - | 89,285 | 162,230 |
| Charge for the year | 6,266 | - | - | 19,835 | 26,101 |
| At December 31, 2017 | 79,211 | - | - | 109,120 | 188,331 |
| CARRYING VALUES |  |  |  |  |  |
| At December 31, 2017 | 21,936 | 63,083 | 5,152 | 71,315 | 161,486 |
| At December 31, 2016 | 28,202 | 63,083 | 3,480 | 54,141 | 148,906 |

The customer bases of Zheshang Securities and Zheshang Futures Broker Co., Ltd. ("Zheshang Futures") are amortised on a straight-line basis over fifteen years and three years, respectively.

The securities/futures firm licenses of the securities operation are considered by the management of the Group to have indefinite useful lives because they can be renewed at minimal cost even though the current licenses are effective for three years.

The trading seats of the securities operation is considered by the management of the Group to have an indefinite useful life because there is no economic or regulatory limit to their useful life.

Software are amortised on a straight-line basis over three to five years.

Particulars of the impairment testing on intangible assets with indefinite useful lives are disclosed in Note 22.

22. IMPAIRMENT TESTING ON GOODWILL AND INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIVES

For the purposes of impairment testing, goodwill and other intangible assets with indefinite useful lives set out in Notes 20 and 21 have been allocated to four individual cash generating units ("CGUs"), comprising two subsidiaries in toll operation segment and two subsidiaries in securities operation segment. The carrying amounts of goodwill and other intangible assets (net of accumulated impairment losses) as at December 31, 2017 and 2016 allocated to these units are as follows:

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | Goodwill | Securities/futures firm licenses | Trading seats |  |  |  |
|  | 12/31/2017 | 12/31/2016 | 12/31/2017 | 12/31/2016 | 12/31/2017 | 12/31/2016 |
|  | Rmb'000 | Rmb'000 | Rmb'000 | Rmb'000 | Rmb'000 | Rmb'000 |
| Toll operation |  |  |  |  |  |  |
| - Zhejiang Jiaxing Expressway         Co., Ltd. ("Jiaxing Co") | 75,137 | 75,137 | - | - | - | - |
| - Shangsan Co | 10,335 | 10,335 | - | - | - | - |
| Securities operation |  |  |  |  |  |  |
| - Zheshang Securities | - | - | 51,783 | 51,783 | 2,080 | 2,080 |
| - Zheshang Futures | 1,395 | 1,395 | 11,300 | 11,300 | 3,072 | 1,400 |
|  | 86,867 | 86,867 | 63,083 | 63,083 | 5,152 | 3,480 |

During the years ended December 31, 2017 and 2016, the management of the Group determines that there are no impairment of any of its CGUs containing goodwill and other intangible assets with indefinite useful lives.

The basis of the recoverable amounts of the above CGUs and their major underlying assumptions are summarised below:

Jiaxing Co and Shangsan Co

The recoverable amounts of Jiaxing Co and Shangsan Co are determined based on value in use calculations. The key assumptions for the value in use calculations relate to discount rates, growth rates, and expected changes in toll revenue and direct costs during the forecast period. Those calculations use cash flow projections based on financial budgets approved by the management covering a five-year period and a discount rate the management considered appropriate. No growth rate has been assumed beyond the five-year period up to the remaining toll road operating rights which are 11 years (2016: 12 years) and 13 years (2016: 14 years) for Jiaxing Co. and Shangsan Co., respectively. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of Jiaxing Co's and Shangsan Co's goodwill to exceed their aggregate recoverable amounts.

Zheshang Securities & Zheshang Futures

The recoverable amounts of Zheshang Securities & Zheshang Futures are determined based on value in use calculations. The key assumptions for the value in use calculations relate to the discount rate, growth rates and profit margin during the forecast period. Those calculations use cash flow projections based on financial budgets approved by the management covering a five-year period with discount rates management believe appropriate. Growth rate beyond the five-year period is assumed to be 1%. Management believes that any reasonably possible change in any of these assumptions would not cause the carrying amount of Zheshang Securities & Zheshang Futures' other intangible assets to exceed its aggregate recoverable amounts.

23. INTERESTS IN ASSOCIATES

|  |  |  |
| --- | --- | --- |
|  | 12/31/2017 | 12/31/2016 |
|  | Rmb'000 | Rmb'000 |
|  | ------------ | ------------ |
| Unlisted investments in associates, at cost less impairment | 1,358,560 | 1,139,649 |
| Share of post-acquisition profit and other comprehensive expense, net of dividends received | 327,667 | 170,837 |
|  | ------------- | ------------ |
|  | 1,686,227 | 1,310,486 |

At December 31, 2017 and 2016, the Group had interests in the following associates:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Name of entity | Form of business structure | Place of  registration  and operation | Percentage of equity interest  attributable to the Group | Principal activities |  |
|  |  |  | 12/31/2017 | 12/31/2016 |  |
|  |  |  | % | % |  |
| Zhejiang Concord Property Investment    Co., Ltd. ("Zhejiang Concord Property") | Corporate | The PRC | 45 | 45 | Investment and real    estate development |
| Zhejiang Communications Investment    Group Finance Co., Ltd. ("Zhejiang    Communications Finance") | Corporate | The PRC | 35 | 35 | Finance and    investment |
| Zheshang Fund Management Co., Ltd.   ("Zheshang Fund") (Note i) | Corporate | The PRC | 25 | 25 | Asset fund    management |
| Yangtze United Financial Leasing Co., Ltd.   ("Yangtze United Financial Leasing")    (Note ii) | Corporate | The PRC | 13 | 13 | Provision of financial     leasing services |
| Zhejiang Zheshang Innovation Capital    Management Co., Ltd. ("Zheshang    Innovation Capital Management") | Corporate | The PRC | 40 | 40 | Investment    management and    consulting |
| Zhejiang Big Data Exchange Center Co.,    Ltd. ("Zhejiang Big Data") (Note iii) | Corporate | The PRC | 19.8 | 19.8 | Big data asset    transaction |
| Ningbo Equity Exchange Co., Ltd.    ("Ningbo Equity Exchange") | Corporate | The PRC | 40 | 40 | Listing, registration,    custody, settlement    service for equity    product |
| Taiping Science and Technology Insurance    Co., Ltd. ("Taiping Insurance") (Note iv) | Corporate | The PRC | 15 | 15 | Science and    technology    related insurance |
| Hangzhou XingYuanJuJin Investment    Management LP ("XingYuan    Investment') (Note v) | Partnership | The PRC | 5.05 | 5.05 | Investment    management |
| Pujiang JuJinFengAn Investment    Management LP ("FengAn Investment")    (Note v) | Partnership | The PRC | 17.86 | - | Investment    management |
| Zheshang FoF for Industry Transformation    and Upgrading LP ("Zheshang FoF")    (Note vi) | Partnership | The PRC | 24.99 | 24.99 | Investment    management    and consulting |

All of the above associates are accounted for using the equity method in these consolidated financial statements.

Notes:

(i) The Group is able to exercise significant influence over Zheshang Fund because it has the power to appoint one out of four directors of that company under the provisions stated in the Articles of Association of that company.

On August 14, 2014, Zheshang Securities, together with one of the shareholders of Zheshang Fund, Yangshengtang Co., Ltd., auctioned off their respective 25% equity interest (totalling 50%) in Zheshang Fund. The hammer price reached at Rmb414,000,000 offered by Tonglian Capital Management Co., Ltd. ("Tonglian Capital"), another shareholder of Zheshang Fund which is independent to the Group, and Zheshang Securities will receive a consideration of Rmb207,000,000 accordingly.

As at December 31, 2017, the disposal transaction has not been completed and the refundable deposit of Rmb165,600,000 (2016: Rmb165,600,000) in respect of such transfer reversed by Zheshang Securities was included in other payables in Note 36.

The Directors consider the disposal required approval by China Securities Regulatory Commission and equity transfer registration, which was a lengthy process and they are not able to estimate the timing when and whether such approval would be granted. The amount of deposit received would be refundable to Tonglian Capital if the transfer eventually cannot be completed.

(ii) The Group is able to exercise significant influence over Yangtze United Financial Leasing because it has the power to appoint one out of eight directors of that company under the provisions stated in the Articles of Association of that company.

(iii) Zheshang Captial Management Co., Ltd. (''Zheshang Capital Management"), a subsidiary of Group, contributed capital of Rmb19,800,000 for 19.8% shareholding of Zhejiang Big Data. The Group is able to exercise significant influence over Zhejiang Big Data because it has the power to appoint one out of five directors of that company under the provisions stated in the Articles of Association of that company.

(iv) The Group is able to exercise significant influence over Taiping Insurance because it has the power to appoint one out of eleven directors of that company under the provisions stated in the Articles of Association of that company.

(v) XingYuan Investment and FengAn Investment were established on January 7, 2016 and April 24, 2017, respectively, as limited partnerships. Dong Fang Ju Jin (as defined in Note 57) is the general partner of XingYuan Investment and FengAn Investment who holds 0.05% and 0.1786% partnership shares, respectively, and Zheshang Capital Management is one of their limited partners who holds 5% and 17.6786% partnership shares, respectively. The Group is able to exercise significant influence over XingYuan Investment and FengAn Investment because it has voting rights in the investment committee of XingYuan Investment and FengAn Investment. Rmb10,100,000 and Rmb2,911,000 were contributed by the Group for the partnership shares in XingYuan Investment and FengAn Investment in 2016 and 2017, respectively.

(vi) The Company hold 24.99% partnership shares and is able to exercise significant influence. Rmb200,000,000 was contributed to Zheshang FoF by the Company in 2017.

The summarised financial information in respect of the Group's material associates at the end of the reporting period is set out below. This represents amounts shown in the associate's financial statements prepared in accordance with HKFRSs:

Zhejiang Communications Finance

|  |  |  |  |
| --- | --- | --- | --- |
|  |  | **12/31/2017** | 12/31/2016 |
|  |  | **Rmb'000** | Rmb'000 |
|  |  |  |  |
| Current assets |  | **19,575,483** | 12,102,365 |
| Non-current assets |  | **11,250,792** | 6,307,941 |
| Current liabilities |  | **28,241,765** | 16,144,368 |
|  |  |  |  |
|  |  | **Year ended** | Year ended |
|  |  | **12/31/2017** | 12/31/2016 |
|  |  | **Rmb'000** | Rmb'000 |
|  |  |  |  |
| Revenue |  | **817,525** | 315,685 |
| Profit for the year |  | **321,398** | 122,565 |
| Other comprehensive expense for the year |  | **(2,826)** | - |
| Total comprehensive income for the year |  | **318,572** | 122,565 |
| Dividends received from the associate during the year |  | **-** | - |

Reconciliation of the above summarised financial information to the carrying amount of the interest in Zhejiang Communications Finance recognised in the consolidated financial statements:

|  |  |  |  |
| --- | --- | --- | --- |
|  |  | **12/31/2017** | 12/31/2016 |
|  |  | **Rmb'000** | Rmb'000 |
|  |  |  |  |
| Net asset of the associate |  | **2,584,510** | 2,265,938 |
| Proportion of the Group's ownership interest in Zhejiang Communications     Finance |  | **35%** | 35% |
| Carrying amount of the Group's interest in Zhejiang     Communications Finance |  | **904,579** | 793,079 |

Yangtze United Financial Leasing

|  |  |  |  |
| --- | --- | --- | --- |
|  |  | **12/31/2017** | 12/31/2016 |
|  |  | **Rmb'000** | Rmb'000 |
|  |  |  |  |
| Current assets |  | **846,378** | 1,049,557 |
| Non-current assets |  | **21,926,541** | 14,794,597 |
| Current liabilities |  | **19,868,790** | 13,605,278 |
| Non-current liabilities |  | **500,000** | 100,000 |
|  |  |  |  |
|  |  | **Year ended** | Year ended |
|  |  | **12/31/2017** | 12/31/2016 |
|  |  | **Rmb'000** | Rmb'000 |
|  |  |  |  |
| Revenue |  | **1,389,035** | 775,746 |
| Profit for the year |  | **265,253** | 134,147 |
| Dividends received from the associate during the year |  | **-** | - |

Reconciliation of the above summarised financial information to the carrying amount of the interest in Yangtze United Financial Leasing recognised in the consolidated financial statements:

|  |  |  |  |
| --- | --- | --- | --- |
|  |  | **12/31/2017** | 12/31/2016 |
|  |  | **Rmb'000** | Rmb'000 |
|  |  |  |  |
| Net asset of the associate |  | **2,404,129** | 2,138,876 |
| Proportion of the Group's ownership interest in    Yangtze United Financial Leasing |  | **13%** | 13% |
|  |  |  |  |
|  |  | **312,537** | 278,054 |

Aggregate information of associates that are not individually material

|  |  |  |  |
| --- | --- | --- | --- |
|  |  | **12/31/2017** | 12/31/2016 |
|  |  | **Rmb'000** | Rmb'000 |
|  |  |  |  |
| The Group's share of profit, net of dividends received |  | **12,530** | 9,728 |
| The Group's share of other comprehensive expense |  | **(1,683)** | (205) |
| The Group's share of total comprehensive income,     net of dividends received |  | **10,847** | 9,523 |
|  |  |  |  |
| Aggregate carrying amount of the Group's interests in these associates |  | **469,111** | 239,353 |

24. INTEREST IN A JOINT VENTURE

|  |  |  |  |
| --- | --- | --- | --- |
|  |  | **12/31/2017** | 12/31/2016 |
|  |  | **Rmb'000** | Rmb'000 |
|  |  |  |  |
| Unlisted investment in a joint venture, at cost less impairment |  | **373,470** | 373,470 |
| Share of post-acquisition loss |  | **(70,405)** | (88,073) |
|  |  |  |  |
|  |  | **303,065** | 285,397 |

At December 31, 2017 and 2016, the Group had interest in the following joint venture:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | Form of | Place of |  |  |  |
|  | business | registration | Percentage of equity interest |  |  |
| Name of entity | structure | and operation | attributable to the Group | Principal activities |  |
|  |  |  | **12/31/2017** | 12/31/2016 |  |
|  |  |  | **%** | % |  |
|  |  |  |  |  |  |
| Zhejiang Shaoxing Shengxin     Expressway Co., Ltd.     ("Shengxin Co") | Corporate | The PRC | **50** | 50 | Management of the Shaoxing     section of the Ningbo-Jinhua     Expressway |

The summarised financial information in respect of the Group's interest in Shengxin Co which is accounted for using the equity method at the end of the reporting period is set out below. This represents amounts shown in the joint venture's financial statements prepared in accordance with HKFRSs:

Shengxin Co

|  |  |  |  |
| --- | --- | --- | --- |
|  |  | **12/31/2017** | 12/31/2016 |
|  |  | **Rmb'000** | Rmb'000 |
|  |  |  |  |
| Current assets |  | **64,152** | 65,467 |
| Non-current assets |  | **2,326,551** | 2,500,949 |
| Current liabilities |  | **43,541** | 41,127 |
| Non-current liabilities |  | **1,741,031** | 1,954,495 |
| The above amounts of assets and liabilities include the following: |  |  |  |
| Cash and cash equivalents |  | **55,679** | 58,221 |
| Non-current financial liabilities     (excluding trade and other payables and provisions) |  | **1,683,000** | 1,892,000 |
|  |  |  |  |
|  |  | **For the** | For the |
|  |  | **year ended** | year ended |
|  |  | **12/31/2017** | 12/31/2016 |
|  |  | **Rmb'000** | Rmb'000 |
|  |  |  |  |
| Revenue |  | **399,335** | 364,515 |
| Profit for the year |  | **35,337** | 19,594 |
| Dividend received from the joint venture |  | **-** | - |
| The above profit for the year includes the following: |  |  |  |
| Depreciation and amortisation |  | **(180,867)** | (180,977) |
| Interest income |  | **663** | 810 |
| Interest expense |  | **(79,240)** | (88,376) |
| Income tax expense |  | **(4,464)** | (4,464) |

The summarised financial information in respect of the Group's interest in Shengxin Co which is accounted for using the equity method at the end of the reporting period is set out below. This represents amounts shown in the joint venture's financial statements prepared in accordance with HKFRSs: (Continued)

Reconciliation of the above summarised financial information to the carrying amount of the interest in Shengxin Co recognised in the consolidated financial statements:

|  |  |  |  |
| --- | --- | --- | --- |
|  |  | **12/31/2017** | 12/31/2016 |
|  |  | **Rmb'000** | Rmb'000 |
|  |  |  |  |
| Net asset of the joint venture |  | **606,131** | 570,794 |
| Proportion of the Group's ownership interest in the joint venture |  | **50%** | 50% |
|  |  |  |  |
| Carrying amount of the Group's interest in Shengxin Co |  | **303,065** | 285,397 |

25. AVAILABLE-FOR-SALE INVESTMENTS

AFS investments comprise:

|  |  |  |  |
| --- | --- | --- | --- |
|  |  | **12/31/2017** | 12/31/2016 |
|  |  | **Rmb'000** | Rmb'000 |
|  |  |  |  |
| Non-current assets: |  |  |  |
| Unlisted equity securities investments, at cost (Note i) |  | **21,294** | 48,594 |
| Listed equity securities investments, at fair value (Note ii) |  | **694,418** | 315,878 |
| Other investments (Note iii) |  | **-** | 1,430,503 |
| Less: provision for impairment loss |  | **(3,997)** | (3,997) |
|  |  |  |  |
|  |  | **711,715** | 1,790,978 |
|  |  |  |  |
| Current assets: |  |  |  |
| Equity securities |  | **264,537** | 297,492 |
| Funds |  | **402,144** | 92,804 |
| Corporate bonds |  | **6,500** | 36,500 |
| Other investments (Note iii) |  | **1,169,019** | 956,567 |
| Less: provision for impairment loss (Note iv) |  | **(41,365)** | (40,443) |
|  |  |  |  |
|  |  | **1,800,835** | 1,342,920 |
|  |  |  |  |
|  |  | **2,512,550** | 3,133,898 |

As at December 31, 2017, the Group has entered into securities lending arrangement with clients that resulted in the transfer of listed AFS investments with total fair value of Rmb3,511,000 (2016: Rmb1,958,000) to external clients, which did not result in derecognition of the financial assets. Details of the collaterals were set out in Note 30.

Notes:

(i) Unlisted equity securities investments represent investments in unlisted equity securities issued by private entities established in the PRC. They are measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimated is so significant that the Directors are of the opinion that their fair values cannot be measured reliably.

(ii) Listed equity securities investments represent stocks listed in PRC with lock-up period for 3 years since the subscription. The financial instruments was measured at fair value based on a valuation model taking into account the relevant features including the restrictions.

(iii) Except for the investment described below, others comprise of financial products and trust products where funds are mainly invested in listed securities or open-ended funds and the Group's return of investment is tied to the result of such investments.

As at December 31, 2016, balance of AFS financial assets included the unlisted equity investment in a special account managed by China Securities Finance Corporation Limited (the "CSFCL"). Pursuant to the agreement the Company entered into with the CSFCL, the Company contributed to a special account managed by the CSFCL in 2015. The Company is entitled to the profit or loss derived from the special account in proportion to the funding portion contributed. The Company determined the total fair value of the investment according to the evaluation report provided by the CSFCL. The investment was fully disposed during the current year.

(iv) Included in the balance as at December 31, 2017, Rmb34,865,000 (2016: Rmb33,942,000) is the cumulative amount of impairment recognised in relation to AFS equity instruments measured at fair value.

26. TRADE RECEIVABLES

|  |  |  |  |
| --- | --- | --- | --- |
|  |  | **12/31/2017** | 12/31/2016 |
|  |  | **Rmb'000** | Rmb'000 |
|  |  |  |  |
| Trade receivables comprise: |  |  |  |
|  |  |  |  |
| Fellow subsidiaries |  | **10,207** | 8,068 |
| Third parties |  | **236,608** | 268,656 |
|  |  |  |  |
| Total trade receivables |  | **246,815** | 276,724 |
| Less: Allowance for doubtful debts |  | **(2,228)** | (1,406) |
|  |  |  |  |
|  |  | **244,587** | 275,318 |

The Group has no credit period granted to its trade customers of toll operation business. The Group's trade receivable balance for toll operation is toll receivables from the respect expressway fee settlement centre of Zhejiang Province and Anhui Province, which are normally settled within 3 months. All of these trade receivables were neither past due nor impaired in both years.

In respect of the Group's asset management service, security commission and financial advisory service operated by Zheshang Securities, trading limits are set for customers. The Group seeks to maintain tight control over its outstanding accounts receivable in order to minimise credit risk. Overdue balances are regularly monitored by the management.

The following is an aged analysis of trade receivables net of allowance for doubtful debts presented based on the invoice date at the end of the reporting period, which approximated the respective revenue recognition dates:

|  |  |  |  |
| --- | --- | --- | --- |
|  |  | **12/31/2017** | 12/31/2016 |
|  |  | **Rmb'000** | Rmb'000 |
|  |  |  |  |
| Within 3 months |  | **222,020** | 263,822 |
| 3 months to 1 year |  | **20,468** | 9,409 |
| 1 to 2 years |  | **2,010** | 1,484 |
| Over 2 years |  | **89** | 603 |
|  |  |  |  |
|  |  | **244,587** | 275,318 |

Movement of allowance for doubtful debts

|  |  |  |  |
| --- | --- | --- | --- |
|  |  | **12/31/2017** | 12/31/2016 |
|  |  | **Rmb'000** | Rmb'000 |
|  |  |  |  |
| At the beginning of the year |  | **1,406** | 1,292 |
| Impairment recognised for the year |  | **947** | 449 |
| Amount reversed during the year |  | **(125)** | (244) |
| Disposal of a subsidiary |  | **-** | (91) |
|  |  |  |  |
| At the end of the year |  | **2,228** | 1,406 |

The Group determines the allowance for impaired debts based on the evaluation of collectability and aged analysis of accounts and on the management's judgement including the assessment of change in credit quality and the past collection history of each client. The Directors consider the credit risk of the balance to be minimal.

27. LOANS TO CUSTOMERS ARISING FROM MARGIN FINANCING BUSINESS

|  |  |  |  |
| --- | --- | --- | --- |
|  |  | **12/31/2017** | 12/31/2016 |
|  |  | **Rmb'000** | Rmb'000 |
|  |  |  |  |
| Loans to margin clients |  | **7,893,616** | 7,952,333 |
| Less: Allowance for doubtful debts |  | **(42,007)** | (42,301) |
|  |  |  |  |
|  |  | **7,851,609** | 7,910,032 |

The Group has provided customers with margin financing and security lending for securities transactions, the credit facility limits to margin clients are determined by the discounted market value of the pledged securities accepted by the Group or the market value of cash collaterals.

All of the loans to margin clients which are secured by the underlying pledged securities are interest bearing. The Group maintains a list of approved stocks for margin lending at a specified loan to collateral ratio. Any excess in the lending ratio will trigger a margin call which the customers have to make good of the shortfall. The Group has the right to process forced liquidation if the customer fails to make good of the shortfall within a short period of time.

As at December 31, 2017, loans to customers under the margin financing and securities lending activities carried out in the PRC were secured by the customers' stock securities and cash collaterals. The undiscounted market value of the stock security collaterals was amounted to Rmb22,140,435,000 (2016: Rmb27,105,442,000). Cash collateral of Rmb491,032,000 (2016: Rmb1,298,722,000) received from clients was included in accounts payable to customers arising from securities business in Note 34. As of December 31, 2017 and 2016, no individual customer with fair value of pledged securities fell below the carry amount of its respective margin loan.

No aged analysis is disclosed as in the opinion of the Directors, the aged analysis does not give additional value in view of the nature of business of securities margin financing.

Movement in the allowance for doubtful debts

|  |  |  |  |
| --- | --- | --- | --- |
|  |  | **12/31/2017** | 12/31/2016 |
|  |  | **Rmb'000** | Rmb'000 |
|  |  |  |  |
| Allowance for doubtful debts at the beginning of the year |  | **42,301** | 55,570 |
| Amount reversed during the year |  | **(294)** | (13,269) |
|  |  |  |  |
| At end of the year |  | **42,007** | 42,301 |

The directors of the Group are of the opinion that the aging analysis does not give additional value in view of the nature of the business. As a result, no ageing analysis is disclosed. The Group determines the allowance for impaired debts based on the evaluation of collectability and the management's judgment including the assessment of change in credit quality, collateral and the past collection history of each client. The concentration of credit risk is limited due to the customer base, being large and unrelated.

28. OTHER RECEIVABLES AND PREPAYMENTS

|  |  |  |  |
| --- | --- | --- | --- |
|  |  | **12/31/2017** | 12/31/2016 |
|  |  | **Rmb'000** | Rmb'000 |
|  |  |  |  |
| Entrusted loan and interest receivable from a related party (Note 56(ii)) |  | **78,300** | 423,613 |
| Interest receivables |  | **449,848** | 298,741 |
| Prepayments |  | **73,173** | 77,563 |
| Advances in relation to asset management ***plans*** |  | **229,070** | 1,973,221 |
| Receivables from Zhejiang Expressway Maintenance Co., Ltd.    ("Maintenance Co") in relation to disposal of maintenance    equipment (Note 56(i)(b)) | **24,021** | 34,471 |  |
| Others |  | **56,814** | 47,490 |
|  |  |  |  |
|  |  | **911,226** | 2,855,099 |

29. HELD FOR TRADING INVESTMENTS

Held for trading investments include:

|  |  |  |  |
| --- | --- | --- | --- |
|  |  | **12/31/2017** | 12/31/2016 |
|  |  | **Rmb'000** | Rmb'000 |
|  |  |  |  |
| Listed securities in the PRC, at fair value: |  |  |  |
| Equity securities |  | **76,734** | 68,996 |
| Open-end equity funds |  | **300,502** | 1,279,339 |
| Bonds in the PRC, at fair value:     Listed in Shanghai/Shenzhen Stock Exchange with fixed interest        ranging from 0.2% to 9.5% (2016: 0.2% to 11.8%) per annum | **5,569,010** | 4,686,320 |  |
| Unlisted with fixed interest ranging from 2.7% to 8.6%     (2016: 2.6% to 8.6%) per annum | **6,622,448** | 2,109,477 |  |
|  |  |  |  |
|  |  | **12,568,694** | 8,144,132 |

30. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

|  |  |  |  |
| --- | --- | --- | --- |
|  |  | **12/31/2017** | 12/31/2016 |
|  |  | **Rmb'000** | Rmb'000 |
|  |  |  |  |
| Analysed by collateral type: |  |  |  |
| Bonds |  | **5,147,924** | 1,865,992 |
| Stock securities |  | **4,645,568** | 2,099,337 |
|  |  |  |  |
|  |  | **9,793,492** | 3,965,329 |
|  |  |  |  |
| Analysed by market: |  |  |  |
| Inter bank market |  | **2,687,848** | 1,340,492 |
| Shanghai/Shenzhen Stock Exchange |  | **7,105,644** | 2,624,837 |
|  |  |  |  |
|  |  | **9,793,492** | 3,965,329 |

The collaterals include both equity and debt securities listed in the PRC. As at December 31, 2017, the fair value of equity securities and debt securities held as collaterals was Rmb11,098,959,000 (2016: Rmb6,394,960,000) and Rmb4,523,618,000 (2016: Rmb1,871,182,000), respectively.

31. BANK BALANCES AND CLEARING SETTLEMENT FUND HELD ON BEHALF OF CUSTOMERS

For the Group's securities operation carried out by Zheshang Securities, the Group receives and holds money deposited by customers (including other institutions). These customers' money is maintained in one or more segregated bank accounts. The Group has recognised the corresponding accounts payable to respective customers and other institutions.

Bank balances and clearing settlement fund held on behalf of customers carry interest at market rates which range from 0.35% to 6% (2016: 1.55% to 2.37%) per annum.

Bank balances and clearing settlement fund held on behalf of customers that are denominated in currencies other than the functional currency of the respective group entities are set out below:

|  |  |  |  |
| --- | --- | --- | --- |
|  |  | **HKD** | USD |
|  |  | **Rmb'000** | Rmb'000 |
|  |  |  |  |
| As at December 31, 2017 |  | **18,093** | 97,592 |
| As at December 31, 2016 |  | **20,669** | 108,693 |

32. BANK BALANCES, CLEARING SETTLEMENT FUND, DEPOSITS AND CASH

|  |  |  |  |
| --- | --- | --- | --- |
|  |  | **12/31/2017** | 12/31/2016 |
|  |  | **Rmb'000** | Rmb'000 |
|  |  |  |  |
| Time deposits with original maturity over three months |  | **20,000** | 165,000 |
| Unrestricted bank balances and cash |  | **5,583,691** | 7,160,804 |
| Time deposits with original maturity of less than three months |  | **5,123** | 37,941 |
|  |  |  |  |
| Cash and cash equivalents |  | **5,588,814** | 7,198,745 |
|  |  |  |  |
|  |  | **5,608,814** | 7,363,745 |

Bank balances carry interest at the average market rate is 0.35% (2016: 0.35%) per annum. Time deposits carry interest at fixed rates ranging from 0.80% to 2.06% (2016: 0.20% to 2.25%) per annum.

Bank balances, clearing settlement fund, deposits and cash that are denominated in currencies other than the functional currency of the respective group entities are set out below:

|  |  |  |  |
| --- | --- | --- | --- |
|  |  | **HKD** | USD |
|  |  | **Rmb'000** | Rmb'000 |
|  |  |  |  |
| As at December 31, 2017 |  | **46,096** | 1,560,278 |
| As at December 31, 2016 |  | **13,692** | 36,574 |

33. PLACEMENTS FROM OTHER FINANCIAL INSTITUTIONS

|  |  |  |  |
| --- | --- | --- | --- |
|  |  | **12/31/2017** | 12/31/2016 |
|  |  | **Rmb'000** | Rmb'000 |
| CSFCL (secured) |  | **-** | 700,000 |

As at December 31, 2016, the placements carried interest at a fixed rate of 3.00% per annum are repayable within 1 year from the end of the reporting period. The placements were secured by a cash deposit of Rmb51,494,000 and debt and equity securities with total fair value of Rmb123,219,000 as at December 31, 2016. The amount has been repaid by the Group upon its maturity during the year ended December 31, 2017.

34. ACCOUNTS PAYABLE TO CUSTOMERS ARISING FROM SECURITIES BUSINESS

The amounts mainly represent money held on behalf of clients at the banks and clearing houses by the Group.

The amounts also include payables for securities/futures business as well as cash collaterals from customers for securities lending and/or margin financing arrangement.

The majority of the accounts payable balance is repayable on demand except where certain accounts payable to brokerage clients represent margin deposits received from clients for their trading activities under normal course of business. No aged analysis is disclosed as in the opinion of the Directors, an aged analysis does not give any additional value in view of the nature of the business.

As at December 31, 2017, Rmb491,032,000 (2016: Rmb1,298,722,000) cash collaterals have been received from clients for securities lending or margin financing arrangement, of which under normal course of business. Only the excess amounts over the required margin deposits stipulated are repayable on demand.

Accounts payable to customers arising from securities business that are denominated in currencies other than the functional currency of the respective group entities are set out below:

|  |  |  |  |
| --- | --- | --- | --- |
|  |  | **HKD** | USD |
|  |  | **Rmb'000** | Rmb'000 |
|  |  |  |  |
| As at December 31, 2017 |  | **18,093** | 97,592 |
| As at December 31, 2016 |  | **20,669** | 108,693 |

35. TRADE PAYABLES

Trade payables mainly represent the construction payables for the improvement projects of toll expressways. The following is an aged analysis of trade payables presented based on the invoice date:

|  |  |  |  |
| --- | --- | --- | --- |
|  |  | **12/31/2017** | 12/31/2016 |
|  |  | **Rmb'000** | Rmb'000 |
|  |  |  |  |
| Within 3 months |  | **267,464** | 339,391 |
| 3 months to 1 year |  | **73,433** | 117,706 |
| 1 to 2 years |  | **112,374** | 190,561 |
| 2 to 3 years |  | **70,812** | 38,879 |
| Over 3 years |  | **104,509** | 97,763 |
|  |  |  |  |
|  |  | **628,592** | 784,300 |

36. OTHER PAYABLES AND ACCRUALS

|  |  |  |  |
| --- | --- | --- | --- |
|  |  | **12/31/2017** | 12/31/2016 |
|  |  | **Rmb'000** | Rmb'000 |
|  |  |  |  |
| Other liabilities: |  |  |  |
| Accrued payroll and welfare |  | **1,190,986** | 1,454,992 |
| Advance from rental and other customers |  | **44,879** | 33,079 |
| Toll collected on behalf of other toll roads |  | **9,543** | 9,149 |
| Retention payable |  | **98,713** | 77,746 |
| Deposit received for disposal of an associate (Note 23(i)) |  | **165,600** | 165,600 |
| Other investors' interests in consolidated limited partnership |  | **421,782** | 178,180 |
| Payables to fund management companies for clients |  | **130,731** | 8,830 |
| Consideration payable for acquisition of Huihang Co     (as defined in Note 48) |  | **-** | 28,500 |
| Others 219,270 199,811 |  |  |  |
|  |  | **2,281,504** | 2,155,887 |
| Other accruals |  | **233,895** | 275,261 |
|  |  |  |  |
|  |  | **2,515,399** | 2,431,148 |

37. BANK AND OTHER BORROWINGS

|  |  |  |  |
| --- | --- | --- | --- |
|  |  | **12/31/2017** | 12/31/2016 |
|  |  | **Rmb'000** | Rmb'000 |
|  |  |  |  |
| Bank loans, unsecured |  | **-** | 2,101,395 |
| Loan from related parties, unsecured (Note 56(i), 56(ii)) |  | **480,000** | 15,000 |
|  |  |  |  |
|  |  | **480,000** | 2,116,395 |
|  |  |  |  |
| Carrying amount repayable: |  |  |  |
| Within one year |  | **420,000** | 2,116,395 |
| More than two years but not more than five years |  | **60,000** | - |
|  |  |  |  |
|  |  | **480,000** | 2,116,395 |
| Less: Amounts due within one year |  | **(420,000)** | (2,116,395) |
|  |  |  |  |
|  |  |  |  |
| Amounts shown under non-current liabilities |  | **60,000** | - |
|  |  |  |  |
|  |  | **12/31/2017** | 12/31/2016 |
|  |  | **Rmb'000** | Rmb'000 |
|  |  |  |  |
| The bank and other borrowings comprise: |  |  |  |
| Fixed-rate borrowings |  | **60,000** | 1,714,500 |
| Variable-rate borrowings |  | **420,000** | 401,895 |
|  |  |  |  |
|  |  | **480,000** | 2,116,395 |

The range of effective interest rates (which are also agreed to contracted interest rates) on the Group's borrowings are as follows:

|  |  |  |  |
| --- | --- | --- | --- |
|  |  | **12/31/2017** | 12/31/2016 |
|  |  | **Rmb'000** | Rmb'000 |
|  |  |  |  |
| Effective interest rate: |  |  |  |
| Fixed-rate borrowings |  | **3.00%** | 3.92%-4.35% |
| Variable-rate borrowings |  | **4.22%** | 2.23%-3.92% |

Except that the Group's borrowings of $432,527,000 were dominated in Hong Kong Dollars as at December 31, 2016, the Group's other borrowings were all dominated in the functional currency of the group entities as at December 31, 2017 and 2016.

38. SHORT-TERM FINANCING NOTE PAYABLE

|  |  |  |  |
| --- | --- | --- | --- |
|  |  | **12/31/2017** | 12/31/2016 |
|  |  | **Rmb'000** | Rmb'000 |
|  |  |  |  |
| Unsecured: |  |  |  |
| Short-term loan note (Note i) |  | **-** | 1,500,000 |
| Beneficial certificates (Note ii) |  | **762,800** | 3,328,340 |
|  |  |  |  |
|  |  | **762,800** | 4,828,340 |

Notes:

(i) During the year ended December 31, 2016, the Company issued short-term loan notes at the principle amount of Rmb700,000,000 and Rmb800,000,000, which beared fixed interest rates of 2.62% and 2.78% per annum, respectively. These amounts had been repaid in full upon maturity during the year ended December 31, 2017.

(ii) During the year ended December 31, 2017, there were Rmb762,800,000 (2016: Rmb5,428,340,000) principals received from investors for subscription of beneficial certificates issued by Zheshang Securities, which bear interest rates ranging from 2.0% to 5.3% (2016: 1.0% to 6.0%) per annum, and Rmb3,328,340,000 (2016: Rmb2,116,100,000) was matured and repaid. As at December 31, 2017, the remaining beneficial certificates and its interests are repayable upon maturity.

39. FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

|  |  |  |  |
| --- | --- | --- | --- |
|  |  | **12/31/2017** | 12/31/2016 |
|  |  | **Rmb'000** | Rmb'000 |
|  |  |  |  |
| Analysed as collateral type: |  |  |  |
| Bonds |  | **8,263,414** | 5,186,743 |
| Other rights and interests in debt instruments |  | **2,260,000** | 2,300,000 |
|  |  |  |  |
|  |  | **10,523,414** | 7,486,743 |
|  |  |  |  |
| Analysed by market: |  |  |  |
| Shanghai/Shenzhen Stock Exchange |  | **4,018,588** | 3,119,475 |
| Inter-bank market |  | **4,244,826** | 2,067,268 |
| Over the counter |  | **2,260,000** | 2,300,000 |
|  |  |  |  |
|  |  | **10,523,414** | 7,486,743 |

As of December 31, 2017, the above financial assets sold under repurchase agreements include those repurchase agreements entered into with qualified investors, with maturities within 1 year.

Sales and repurchase agreements are transactions in which the Group sells a security and simultaneously agrees to repurchase it (or an asset that is substantially the same) at a fixed price on a future date. Since the repurchase prices are fixed, the Group is still exposed to substantially all the credit risks and market risks and rewards of those securities sold. These securities are not derecognised from the financial statements but regarded as "collateral" for the liabilities because the Group retains substantially all the risks and rewards of these securities. The cash proceed received is recognised as financial liability.

As at December 31, 2017, the Group enters into repurchase agreements with certain counterparties. The proceeds from selling such securities are presented as financial assets sold under repurchase agreements. Because the Group sells the contractual rights to the cash flows of the securities, it does not have the ability to use the transferred securities during the term of the arrangement.

The following tables provides a summary of carrying amounts and fair values related to transferred financial assets that are not derecognised in their entirety and the associated liabilities as at December 31, 2017 and December 31, 2016.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  |  |  |  | Loans to |  |
|  |  |  |  | customers |  |
|  |  |  | Financial | arising from |  |
|  |  | Held for | assets held | margin |  |
|  |  | trading | under resale | financing |  |
|  |  | investments | agreements | business | Total |
|  |  | Rmb'000 | Rmb'000 | Rmb'000 | Rmb'000 |
|  |  |  |  |  |  |
| **As at december 31, 2017** |  |  |  |  |  |
| Carrying amount of transferred assets |  | 7,228,533 | 1,887,301 | 2,382,625 | 11,498,459 |
| Carrying amount of associated liabilities |  | (6,429,268) | (1,834,146) | (2,260,000) | (10,523,414) |
|  |  |  |  |  |  |
| Net position |  | 799,265 | 53,155 | 122,625 | 975,045 |
|  |  |  |  |  |  |
| **As at december 31, 2016** |  |  |  |  |  |
| Carrying amount of transferred assets |  | 4,382,376 | 918,296 | 2,495,669 | 7,796,341 |
| Carrying amount of associated liabilities |  | (4,294,522) | (892,221) | (2,300,000) | (7,486,743) |
|  |  |  |  |  |  |
| Net position |  | 87,854 | 26,075 | 195,669 | 309,598 |

40. BONDS PAYABLE

|  |  |  |  |
| --- | --- | --- | --- |
|  |  | **12/31/2017** | 12/31/2016 |
|  |  | **Rmb'000** | Rmb'000 |
|  |  |  |  |
| Subordinated bonds with redemption option (Note i) |  | **2,500,000** | 4,000,000 |
| Subordinated bonds without redemption option (Note ii) |  | **6,850,000** | 4,900,000 |
| Long term beneficial certificates (Note iii) |  | **800,000** | 800,000 |
|  |  |  |  |
|  |  | **10,150,000** | 9,700,000 |
|  |  |  |  |
| Less: subordinated bonds due within 1 year |  | **(500,000)** | (3,000,000) |
| Less: beneficial certificates due within 1 year |  | **(800,000)** | - |
|  |  |  |  |
|  |  | **(1,300,000)** | (3,000,000) |
|  |  |  |  |
| Amounts shown under non-current liabilities |  | **8,850,000** | 6,700,000 |

Notes:

i) This balance represented 2 (2016: 3) subordinated bonds due by year 2020 to 2021 (2016: 2019 to 2021) issued by Zheshang Securities carried fixed interest rate ranging from 3.63% to 4.90% (2016: 3.63% to 5.80%) per annum, with redemption option of the Group exercisable at the second or third anniversary since the date of issue. If the redemption option is not exercised, the interest rate would be increased to a fixed rate of 6.63% (2016: 6.63% to 8.80%) per annum for the remaining period till maturity.

As at December 31, 2017, these subordinated bonds carried at fixed interest rates ranging from 3.63% to 4.9% (2016: 3.63% to 5.80%) per annum.

ii) This balance represented 5 (2016: 5) subordinated bonds due by year 2018 to 2021 (2016: 2017 to 2021) issued by Zheshang Securities, without redemption option, with a fixed interest rates ranging from 3.08% to 6.30% (2016:

3.08% to 6.30%) per annum.

iii) Long term beneficial certificates due by 2018 issued by Zheshang Securities bear fixed interest rates rated ranging from 3.70% to 3.79% per annum.

41. DERIVATIVE FINANCIAL ASSETS/LIABILITIES

Derivative financial assets of Rmb4,587,000 and derivative financial liabilities of Rmb3,941,000 has been recognised for the fair values of commodity options as at December 31, 2017.

Derivative financial assets of Rmb10,931,000 and derivative financial liabilities of Rmb413,000 has been recognised for the fair values of those foreign exchange forward transaction and commodity options as at December 31, 2016.

42. CONVERTIBLE BOND

On April 21, 2017, the Company issued a zero coupon convertible bond due 2022 in an aggregate principal amount of Euro365,000,000 (the "Convertible Bond"). The Convertible Bond is listed on the Stock Exchange.

The principal terms of the Convertible Bond are set out below:

(1) Conversion right

The Convertible Bond will, at the option of the holder (the "Bondholders"), be convertible (unless previously redeemed, converted or purchased and cancelled) on or after June 1, 2017 up to April 11, 2022 into fully paid ordinary shares with a par value of Rmb1.00 each at an initial conversion price (the "Conversion Price") of HK$13.10 per H share and a fixed exchange rate of HK$8.2964 to Euro1.00 (the "Fixed Exchange Rate"). The Conversion Price is subject to the anti-dilutive adjustments and certain events including mainly: share consolidation, subdivision or re-classification, capitalisation of profits or reserves, capital distributions, rights issues of shares or options over shares, rights issues of other securities and issues at less than current market price. The latest Conversion Price is HK$12.54 per H share.

(2) Redemption

(i) Redemption at maturity

Unless previously redeemed, converted or purchased and cancelled as provided herein, the Company will redeem each Convertible Bond at 100 percent of its outstanding principal amount on April 21, 2022 (the "Maturity Date").

(ii) Redemption at the option of the Company

The Company may, having given not less than 30 nor more than 60 days' notice, redeem the Convertible Bond in whole and not some only at 100 percent of their outstanding principal amount as at the relevant redemption date:

(a) at any time after April 21, 2020 but prior to the Maturity Date, provided that no such redemption may be made unless the closing price of an H share translated into Euro at the prevailing rate applicable to each Stock Exchange business day, for any 20 Stock Exchange business days within a period of 30 consecutive Stock Exchange business days, the last of such Stock Exchange business day shall occur not more than 10 days prior to the date upon which notice of such redemption is given, was, for each such 20 Stock Exchange business days, at least 130 percent of the Conversion Price (translated into Euro at the Fixed Exchange Rate); or

(b) if at any time the aggregate principal amount of the Convertible Bond outstanding is less than 10 percent of the aggregate principal amount originally issued.

(iii) Redemption at the option of the Bondholders

The Company will, at the option of the Bondholders, redeem whole or some of that holder's bond on April 21, 2020 (the "Put Option Date") at 100 percent of their outstanding principal amount on the Put Option Date.

The Convertible Bond comprises two components:

(a) Debt component was initially measured at fair value amounted to approximately Euro297,801,000 (equivalent to Rmb2,190,578,000). It is subsequently measured at amortised cost by applying effective interest rate method after considering the effect of the transaction costs. The effective interest rate used is 4.28%.

(b) Derivative component comprises conversion right of the Bondholders, redemption option of the Company, and redemption option of the Bondholders.

Transaction costs totalling Rmb16,725,000 that relate to the issue of the Convertible Bond are allocated to the (including conversion right and redemption options) components in proportion to their respective fair values. Transaction costs amounting to approximately Euro419,000 (equivalent to Rmb3,079,000) relating to the derivative component were charged to profit or loss immediately. Transaction costs amounting to approximately Euro1,855,000 (equivalent to Rmb13,646,000) relating to the debt component are included in the carrying amount of the debt portion and amortised over the period of the Convertible Bond using the effective interest method.

The derivative component was measured at fair value with reference to valuation carried out by a firm of independent professional valuers.

The movement of the debt and derivative components of the Convertible Bond for the year is set out as below:

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | Debt component | Derivative Components | Total |  |  |  |
|  |  | Euro'000 | Rmb'000 | Euro'000 | Rmb'000 | Euro'000 | Rmb'000 |
|  |  |  |  |  |  |  |  |
| Convertible Bond issued on    April 21, 2017 | 297,801 | 2,190,578 | 67,199 | 494,302 | 365,000 | 2,684,880 |  |
| Issue cost | (1,855) | (13,646) | - | - | (1,855) | (13,646) |  |
| Exchange realignment | - | 132,958 | - | - | - | 132,958 |  |
| Interest charge | 8,558 | 65,941 | - | - | 8,558 | 65,941 |  |
| Gain on decrease in fair value | - | - | (23,004) | (149,479) ' | (23,004) | (149,479) |  |
|  |  |  |  |  |  |  |  |
| Total |  | 304,504 | 2,375,831 | 44,195 | 344,823 | 348,699 | 2,720,654 |

No conversion or redemption of the Convertible Bond has occurred up to December 31, 2017. The detailed key inputs the valuer uses to calculate the fair value of the derivative component refer to Note 52(c).

43. DEFERRED TAXATION

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

|  |  |  |  |
| --- | --- | --- | --- |
|  |  | **12/31/2017** | 12/31/2016 |
|  |  | **Rmb'000** | Rmb'000 |
|  |  |  |  |
| Deferred tax assets |  | **355,803** | 362,681 |
| Deferred tax liabilities |  | **(394,434)** | '(378,147) |
|  |  |  |  |
|  |  | **(38,631)** | (15,466) |

The following are the major deferred tax liabilities and assets recognised and movements thereon during the current and prior years:

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  |  |  | Difference in tax |  |  |  |
|  |  | Changes | and accounting |  | Temporary |  |
|  |  | in fair | depreciation of |  | differences |  |
|  |  | value of held | property plant | Fair value | of accrued |  |
|  |  | for trading and | and equipment | adjustment | expenses |  |
|  |  | available-for-sale | and expressway | of long | and impairment |  |
|  |  | investments | operating rights | term assets | losses | Total |
|  |  |  |  |  |  |  |
|  |  | Rmb'000 | Rmb'000 | Rmb'000 | Rmb'000 | Rmb'000 |
|  |  |  |  |  |  |  |
| At January 1, 2016 |  | 83,550 | 23,350 | 95,595 | (269,893) | (67,398) |
| Acquired on acquisition of a subsidiary |  | - | - | 125,258 | - | 125,258 |
| Credit to profit or loss |  | (3,846) | (18,744) | (9,784) | (23,867) | (56,241) |
| Charge to other comprehensive income |  | 12,523 | - | - | - | 12,523 |
| Disposal of a subsidiary |  | - | - | - | 1,324 | 1,324 |
|  |  |  |  |  |  |  |
| At December 31, 2016 |  | 92,227 | 4,606 | 211,069 | (292,436) | 15,466 |
| (Credit) charge to profit or loss |  | (27,729) | (24,155) | (14,402) | 46,629 | (19,657) |
| Charge to other comprehensive income |  | 42,822 | - | - | - | 42,822 |
|  |  |  |  |  |  |  |
| At December 31, 2017 |  | 107,320 | (19,549) | 196,667 | (245,807) | 38,631 |

As at December 31, 2017, the Group had unused tax losses of approximately Rmb227,964,000 (2016: Rmb388,004,000). No deferred taxation asset has been recognised due to the unpredictability of future profit streams. Such unrecognised tax losses will expire within 2021.

44. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

|  |  |  |  |
| --- | --- | --- | --- |
|  |  | **12/31/2017** | 12/31/2016 |
|  |  | **Rmb'000** | Rmb'000 |
|  |  |  |  |
| Financial liabilities held for trading: |  |  |  |
| - Bonds borrowing 223,234 196,363 |  | **223,234** | 196,363 |
| Financial liabilities designated at fair value through profit or loss: |  |  |  |
| - Financial liabilities arising from consolidation of       structured entities (Note) | **150,193** | 97,295 |  |
|  |  |  |  |
|  |  | **373,427** | 293,658 |

Note:

Financial liabilities arising from consolidation of structured entities represents the third party unit holders' interests in the consolidated structure schemes and funds which are reflected as a liability since they can be put back to the Group for cash. Interests in all consolidated structured entities directly held by the Group amounted to fair value of Rmb115,627,000 and Rmb36,661,000 at December 31, 2017 and 2016, respectively.

The Group has designated these liabilities as FVTPL, as in the opinion of the management, such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise.

45. SHARE CAPITAL

|  |  |  |  |
| --- | --- | --- | --- |
|  |  | Number of |  |
|  |  | shares | Share capital |
|  |  | 12/31/2016 | 12/31/2016 |
|  |  | and 2017 | and 2017 |
|  |  | '000 | Rmb'000 |
|  |  |  |  |
| Registered, issued and fully paid: |  |  |  |
| Domestic shares of Rmb1 each |  | 2,909,260 | 2,909,260 |
| H Shares of Rmb1 each |  | 1,433,855 | 1,433,855 |
|  |  |  |  |
|  |  | 4,343,115 | 4,343,115 |

The domestic shares are not currently listed on any stock exchange.

The H Shares have been listed on the Stock Exchange since May 15, 1997. The H shares were admitted to the Official List on May 5, 2000 and their dealings on the London Stock Exchange commenced on the same day.

All the domestic shares and H Shares rank pari passu with each other as to dividends and voting rights.

46. NON-CONTROLLING INTERESTS

|  |  |  |
| --- | --- | --- |
|  |  | Rmb'000 |
|  |  |  |
| Balance at January 1, 2016 |  | 5,261,991 |
| Share of total comprehensive income |  | 789,326 |
| Disposal of a subsidiary |  | (8,731) |
| Capital reduction by non-controlling interests |  | (5,000) |
| Dividend declared to non-controlling interests |  | (178,816) |
|  |  |  |
| At December 31, 2016 |  | 5,858,770 |
|  |  |  |
| Share of total comprehensive income |  | 856,875 |
| Increase due to Spin-off and Offering |  | 1,943,382 |
| Dividend declared to non-controlling interests |  | (109,176) |
|  |  |  |
| At December 31, 2017 |  | 8,549,851 |

The summarised financial information in respect of the Group's subsidiary that has material non-controlling interests, namely Shangsan Co and its subsidiaries and Yuhang Co (as defined in Note 57) at the end of the reporting period are set out below. The summarised financial information below represents amounts before intragroup elimination.

Shangsan Co and its subsidiaries

|  |  |  |  |
| --- | --- | --- | --- |
|  |  | **12/31/2017** | 12/31/2016 |
|  |  | **Rmb'000** | Rmb'000 |
|  |  |  |  |
| Current assets |  | **51,893,532** | 51,271,695 |
| Non-current assets |  | **4,146,760** | 5,387,726 |
| Current liabilities |  | **30,683,157** | 36,070,840 |
| Non-current liabilities |  | **9,000,315** | 8,304,014 |
| Equity attributable to owners of the Company |  | **8,410,241** | 6,967,869 |
| Non-controlling interests |  | **7,946,579** | 5,316,698 |
|  |  |  |  |
|  |  | **For the** | For the |
|  |  | **year ended** | year ended |
|  |  | **12/31/2017** | 12/31/2016 |
|  |  | **Rmb'000** | Rmb'000 |
|  |  |  |  |
| Revenue |  | **4,735,530** | 5,287,538 |
|  |  |  |  |
| Expenses |  | **(2,982,545)** | (3,425,204) |
|  |  |  |  |
| Profit for the year |  | **1,752,985** | 1,862,334 |
| Other comprehensive income for the year |  | **128,083** | 37,870 |
|  |  |  |  |
| Total comprehensive income for the year |  | **1,881,068** | 1,900,204 |
|  |  |  |  |
| Profit attributable to owner of the Company |  | **1,036,344** | 1,106,203 |
| Profit attributable to non-controlling interests |  | **716,641** | 756,131 |
|  |  |  |  |
|  |  | **1,752,985** | 1,862,334 |
|  |  |  |  |
| Total comprehensive income attributable to owner of the Company |  | **1,096,455** |  |
| Total comprehensive income attributable to non-controlling interests |  | **784,613** | 774,253 |
|  |  |  |  |
|  |  | **1,881,068** | 1,900,204 |
|  |  |  |  |
| Dividends paid to non-controlling shareholders |  | **(98,115)** | (45,947) |
| Net cash used in operating activities |  | **(4,606,648)** | (1,238,549) |
| Net cash from (used in) investing activities |  | **920,489** | (901,876) |
| Net cash from financing activities |  | **75,645** | 4,016,689 |
| Net cash (outflow) inflow |  | **(3,610,514)** | 1,876,264 |

Yuhang Co

|  |  |  |  |
| --- | --- | --- | --- |
|  |  | **12/31/2017** | 12/31/2016 |
|  |  | **Rmb'000** | Rmb'000 |
|  |  |  |  |
| Current assets |  | **114,948** | 147,804 |
| Non-current assets |  | **819,186** | 853,514 |
| Current liabilities |  | **72,119** | 242,973 |
| Non-current liabilities |  | **7,323** | 7,679 |
| Equity attributable to owners of the Company |  | **435,894** | 382,840 |
| Non-controlling interests |  | **418,798** | 367,826 |
|  |  |  |  |
|  |  | **For the** | For the |
|  |  | **year ended** | year ended |
|  |  | **12/31/2017** | 12/31/2016 |
|  |  | **Rmb'000** | Rmb'000 |
|  |  |  |  |
| Revenue |  | **305,606** | 383,760 |
| Expenses |  | **(179,014)** | (372,246) |
| Profit for the year |  | **126,592** | 11,514 |
|  |  |  |  |
| Profit and total comprehensive income |  |  |  |
| - attributable to owner of the Company |  | **64,562** | 5,872 |
| - attributable to non-controlling interests |  | **62,030** | 5,642 |
|  |  |  |  |
|  |  | **126,592** | 11,514 |
|  |  |  |  |
| Dividends paid to non-controlling shareholders |  | **(11,058)** | (9,215) |
|  |  |  |  |
| Net cash from operating activities |  | **214,436** | 234,319 |
|  |  |  |  |
| Net cash used in investing activities |  | **(77,903)** | (47,629) |
|  |  |  |  |
| Net cash used in financing activities |  | **(92,620)** | (180,434) |
|  |  |  |  |
| Net cash inflow |  | **43,913** | 6,256 |

47. RETIREMENT BENEFITS SCHEMES

The employees of the Group are members of the state-managed retirement benefits scheme operated by the PRC government. To supplement this existing retirement benefits scheme, the Group adopted a corporate annuity scheme in accordance with relevant rules and regulations. The Group is required to contribute a certain percentage of payroll costs to these retirement benefits schemes to fund the benefits. The only obligation of the Group with respect to these retirement benefits schemes is to make the specified contributions.

No forfeited contributions are available to reduce the contribution payable in future years.

48. ACQUISITION OF A SUBSIDIARY

For the year ended December 31, 2016

On September 14, 2016, the Group acquired 100% equity interest in Huangshan Yangtse Huihang Expressway Co., Ltd. (" Huihang Co") for cash consideration of Rmb570,000,000, among which Rmb541,500,000 and Rmb28,500,000 were paid in 2016 and 2017, respectively. This acquisition had been accounted for using acquisition method. No goodwill was recognised as a result of the acquisition, as consideration transferred equals to the fair value of net assets acquired. Huihang Co was engaged in toll operation business. Huihang Co was acquired so as to continue the expansion of the Group's toll operations.

Acquisition-related costs amounting to Rmb584,000 had been excluded from the consideration transferred and have been recognised as an expense for the year ended December 31, 2016, within the administrative expenses line item in the consolidated statement of profit or loss and other comprehensive income.

Assets acquired and liabilities recognised at date of acquisition were as follows:

|  |  |  |
| --- | --- | --- |
|  |  | Rmb'000 |
|  |  |  |
| Property, plant and equipment |  | 33,832 |
| Expressway operating rights |  | 2,303,560 |
| Inventories |  | 31 |
| Trade receivables |  | 2,516 |
| Other receivables and prepayments |  | 2,087 |
| Bank balances and cash - Cash and cash equivalents |  | 236 |
| Trade payables |  | (10,756) |
| Other taxes payable |  | (644) |
| Other payables and accruals |  | (490,604) |
| Bank borrowings |  | (1,145,000) |
| Deferred tax liabilities |  | (125,258) |
|  |  |  |
|  |  | 570,000 |

The fair value of trade receivables and other receivables and the gross contractual amounts of those trade receivables and other receivables acquired at the date of acquisition amounted to Rmb4,024,000. The best estimate at acquisition date of the contractual cash flows not expected to be collected was nil.

Net cash outflow arising on acquisition

|  |  |  |
| --- | --- | --- |
|  |  | Rmb'000 |
|  |  |  |
| Consideration paid in cash |  | (541,500) |
| Less: Cash and cash equivalents acquired |  | 236 |
|  |  |  |
|  |  | (541,264) |

Included in the profit for the year ended December 31, 2016 was loss of Rmb29,189,000 attributable to the additional business generated by Huihang Co. Revenue for the year 2016 included Rmb42,992,000 generated from Huihang Co.

Had the acquisition been completed on January 1, 2016, total group revenue for the year ended December 31,

2016 would have been Rmb9,829,566,000, and the amount of the profit for the year 2016 would have been Rmb3,765,880,000. The pro-forma information was for illustrative purposes only and was not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on January 1, 2016, nor was it intended to be a projection of future results.

In determining the "pro-forma" revenue and profit of the Group had Huihang Co been acquired at the beginning of the year 2016, the Directors had calculated amortisation of expressway operating rights acquired on the basis of the fair values arising in the initial accounting for the business combination rather than the carrying amounts recognised in the pre-acquisition financial statements.

49. DISPOSAL OF A SUBSIDIARY

For the year ended December 31, 2016

On October 17, 2016, the Company entered into an agreement with Zhejiang Communications Investment Co., Ltd. ("Zhejiang Communications Investment"), a fellow subsidiary of the Communications Group, pursuant to which the Company sold 100% equity interest in Development Co to Zhejiang Communications Investment at a cash consideration of Rmb249,660,000. The disposal was completed on December 29, 2016.

|  |  |  |
| --- | --- | --- |
|  |  | Rmb'000 |
| **Consideration received:** |  |  |
| Cash received |  | 249,660 |
|  |  |  |
|  |  | 29/12/2016 |
|  |  | Rmb'000 |
|  |  |  |
| **Analysis of assets and liabilities over which control was lost:** |  |  |
| Property, plant and equipment |  | 184,269 |
| Prepaid lease payments |  | 3,584 |
| Other intangible assets |  | 107 |
| Deferred tax assets |  | 1,324 |
| Inventories |  | 4,216 |
| Trade receivables |  | 3,805 |
| Other receivables and prepayments |  | 17,245 |
| Bank balances and cash |  |  |
| - Cash and cash equivalents |  | 141,028 |
| Trade payables |  | (14,522) |
| Tax liabilities |  | (3,353) |
| Other taxes payables |  | (3,172) |
| Other payables and accruals |  | (133,133) |
|  |  |  |
| Net assets disposed of |  | 201,398 |
|  |  |  |
| **Gain on disposal of a subsidiary:** |  |  |
| Consideration received |  | 249,660 |
| Less: Net assets disposed of |  | (201,398) |
| Add: Non-controlling interest |  | 8,731 |
|  |  |  |
| Gain on disposal |  | 56,993 |
|  |  |  |
| **Net cash inflow arising on disposal:** |  |  |
| Cash received |  | 249,660 |
| Less: bank balances and cash disposed of |  | (141,028) |
|  |  |  |
|  |  | 108,632 |

50. COMMITMENTS

|  |  |  |  |
| --- | --- | --- | --- |
|  |  | **12/31/2017** | 12/31/2016 |
|  |  | **Rmb'000** | Rmb'000 |
|  |  |  |  |
| Authorised but not contracted for: |  |  |  |
| - Purchase of machinery and equipment |  | **290,121** | 312,150 |
| - Acquisition and construction of properties |  | **162,019** | 242,400 |
| - Equity investments |  | **360,000** | - |
|  |  |  |  |
|  |  | **812,140** | 554,550 |

51. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt, which includes the borrowings disclosed in Notes 37, 38, 39, 40 and 42, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital, reserves and retained profits.

The Directors review the capital structure on a regular basis. As part of this review, the Directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the Directors, the Group will balance its overall capital structure through the payment of dividends and new share issues as well as the issue of new debt or the redemption of existing debt.

52. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

|  |  |  |  |
| --- | --- | --- | --- |
|  |  | **12/31/2017** | 12/31/2016 |
|  |  | **Rmb'000** | Rmb'000 |
|  |  |  |  |
| **Financial assets** |  |  |  |
| AFS investments |  |  |  |
| - at cost |  | **17,297** | 44,597 |
| - at fair value |  | **2,495,253** | 3,089,301 |
| Fair value through profit or loss |  |  |  |
| Held for trading investments |  | **12,568,694** | 8,144,132 |
| Derivative financial assets |  | **4,587** | 10,931 |
| Loans and receivables (including cash and cash equivalents) |  | **39,371,562** | 42,374,225 |
|  |  |  |  |
| **Financial liabilities** |  |  |  |
| Fair value through profit or loss |  |  |  |
| Derivative financial liabilities |  | **3,941** | 413 |
| Financial liabilities at fair value through profit or loss |  | **373,427** | 293,658 |
| Convertible Bond - derivative component |  | **344,823** | - |
|  |  |  |  |
| Amortised cost |  | **40,491,420** | 45,984,544 |

(b) Financial risk management objectives and policies

The Group's major financial instruments include AFS investments, held for trading investments, trade receivables, other receivables, loans to customers arising from margin financing business, financial assets held under resale agreements, bank balances, clearing settlement fund, deposits and cash, bank balances and clearing settlement fund held on behalf of customers, trade payables, other payables, placements from other financial institutions, accounts payable to customers arising from securities business, derivative financial assets, derivative financial liabilities, bank and other borrowings, short-term financing note payable, financial assets sold under repurchase agreements, financial liabilities at fair value through profit or loss, bonds payable, convertible bond and financial guarantee. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (interest rate risk, currency risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to loans to customers arising from margin financing business, fixed-rate entrusted loans, financial assets held under resale agreements, fixed-rate time deposits, placement from other financial institutions, fixed-rate bank and other borrowings, fixed rate short-term financing note payable, financial assets sold under repurchase agreements, bonds payable, debt component of convertible bond and financial liabilities at fair value through profit or loss (see notes 27, 28, 30, 32, 33, 37, 38, 39, 40, 42 and 44 for details).

The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank balances and clearing settlement fund held on behalf of customers, bank balances, clearing settlement fund, deposits and bank and other borrowings (see Notes 31, 32 and 37 for details).

The Group currently does not have an interest rate risk hedging policy as the management considers the Group is not exposed to significant interest rate risk. The management will continue to monitor interest rate risk exposure and consider hedging against it should the need arise.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments, comprising variable-rate bank balances and clearing settlement fund held on behalf of customers, bank balances, clearing settlement fund, deposits and bank and other borrowings at the end of the reporting period.

The analysis is prepared assuming the balances outstanding at the end of the reporting period were outstanding for the whole year. A 30 basis points (2016: 30 basis points) increase or decrease represents the management's assessment of the reasonably possible change in interest rates.

If interest rates had been 30 basis points (2016: 30 basis points) higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended December 31, 2017 would have increased/decreased by Rmb45,459,000 (2016: Rmb60,478,000). This was mainly attributable to the Group's exposure to interest rates on its variable-rate bank balances.

(ii) currency risk

Several subsidiaries of the Group have foreign currency denominated monetary assets and liabilities, which expose the Group to foreign currency risk.

The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities at the end of the reporting date are as follows:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  |  | Assets | Liabilities |  |  |
|  |  | **12/31/2017** | 12/31/2016 | **12/31/2017** | 12/31/2016 |
|  |  | **Rmb'000** | Rmb'000 | **Rmb'000** | Rmb'000 |
|  |  |  |  |  |  |
| Hong Kong dollar (" HKD") |  | **64,189** | 34,361 | **18,093** | 407,564 |
| United States dollar (" USD") |  | **1,657,870** | 145,266 | **97,593** | 108,693 |
| Euro dollar (" EUR") (Note) |  | **-** | - | **2,720,654** | - |

Note: Amount represented both the debt and derivative component of the Convertible Bond issued by the Company.

Sensitivity analysis

The Group is mainly exposed to USD and EUR relative to Rmb. The following table details the Group's sensitivity to a 10% (2016: 5%) increase and decrease in Rmb against the relevant foreign currencies. 10% (2016: 5%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents the management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 10% (2016: 5%) change in foreign currency rates. A positive number below indicates an increase in post-tax profit where Rmb strengthen 10% (2016: 5%) against the relevant currency. For a 10% (2016: 5%) weakening of Rmb against the relevant currency, there would be an equal and opposite impact on the profit and other equity and the balances below would be negative. The impact of HKD is not presented, since the outstanding monetary items denominated in HKD is not significant and their impact is immaterial.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  |  | USD impact | EUR impact |  |  |
|  |  | **12/31/2017** | 12/31/2016 | **12/31/2017** | 12/31/2016 |
|  |  | **Rmb'000** | Rmb'000 | **Rmb'000** | Rmb'000 |
| Profit or loss |  | **(117,021)** | (1,372) | **204,049** | - |

In the management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

(iii) Other price risk

The Group is exposed to equity and debt security price risk in relation to its held for trading, AFS listed investments, derivative financial assets and liabilities and financial liabilities at fair value through profit or loss.

The Group currently does not have a price risk hedging policy and the management will continue to monitor price risk exposure and consider hedging against it should the need arise.

Sensitivity analysis

For financial instruments other than derivative component of Convertible Bond

The sensitivity analyses below have been determined based on the exposure to equity and debt security price risks at the reporting date.

If the prices of the respective equity and debt instruments had been 5% (2016: 5%) higher/lower,

post-tax profit for the year ended December 31, 2017 would have increased/decreased by Rmb471,326,000 (2016: Rmb305,405,000) as a result of the changes in fair value of held for trading investments.investment valuation reserve would have increased/decreased by Rmb93,572,000 (2016: Rmb115,849,000) for the Group as a result of the changes in fair value of AFS listed investments, or the investment revaluation reserve would decrease by the same amount and the Group would consider any potential impairment effect, if necessary.

For derivative component of Convertible Bond

The Group are required to estimate the fair values of the derivative component of Convertible Bond issued by the Company at the end of each reporting period, which therefore exposed the Group to equity price risk. The fair value adjustment will be affected either positively or negatively, amongst others, by the changes in risk-free rate, the Company's share price, share price volatility and foreign currency exchange rate. Details of the Convertible Bond issued by the Company are set out in Note 42.

The sensitivity analyses below have been determined based on the exposure to the Company's share price, volatility and foreign currency exchange rate at the reporting date only as the Directors consider that the change in risk-free rate may not have significant financial impact on the fair values of derivative component of Convertible Bond. The exposure to foreign currency exchange rate of the Convertible Bond had been covered in Note 52(b)(ii) already.

Conversion option derivatives of Convertible Bond.

1) Changes in share price

If the share price of the Company had been 10% higher/lower while all other input variables of the valuation models were held constant, the Group's profit for the year would have (decreased)/increased as follows:

|  |  |  |  |
| --- | --- | --- | --- |
|  |  | **Year ended** | Year ended |
|  |  | **12/31/2017** | 12/31/2016 |
|  |  | **Rmb'000 Rmb'000** |  |
|  |  |  |  |
| Higher by 10% |  | **(61,770)** | NA |
| Lower by 10% |  | **51,085** | NA |

2) Changes in volatility

If the volatility to the valuation model had been 10% higher/lower while all other variables were held constant, the Group's profit for the year would have (decreased)/increased as follows:

|  |  |  |  |
| --- | --- | --- | --- |
|  |  | **Year ended** | Year ended |
|  |  | **12/31/2017** | 12/31/2016 |
|  |  | **Rmb'000** | Rmb'000 |
|  |  |  |  |
| Higher by 10% |  | **(35,954)** | NA |
| Lower by 10% |  | **37,153** | NA |

Credit risk

As at December 31, 2017, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties provided by the Group is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position and the amount of contingent liability in relation to financial guarantee issued by the Group as disclosed in Note 55.

The Group reviews the recoverable amount of each individual trade debt and entrusted loan receivables at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the Directors consider that the Group's credit risk is significantly reduced.

The Group has no credit period granted to its trade customers of toll operation businesses. All the Group's trade receivable balance for toll operation business are toll receivables from the government-operated organisation.

The Group also provides clients with margin financing business, and have financial assets held under resale agreements which are secured by clients' securities or deposits held as collateral.

In respect of the margin financing and securities lending business of the Group's securities operation, which was carried out by Zheshang Securities, Zheshang Securities has appointed a group of authorised persons who are charged with the responsibility of determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. Each client has a maximum credit limit based on the quality of collateral held and the financial background of the client. In addition, Zheshang Securities reviews the recoverable amount of each individual loan at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. Margin calls are made when the trades of margin clients exceed their respective limits. Any such excess is required to be made good within the next trading day. Failure to meet margin calls will result in the liquidation of the customers' position. Zheshang Securities seeks to maintain strict control over its outstanding receivables. It will also adhere to the Group's policies and procedures to conduct periodic credit assessment and manage any concentration in the following exposures and perform regular reporting to the management:

(i) exposures to a particular client/counterparty or group of related clients/counterparties; and

(ii) exposures to a particular investment product.

The Investment Committee of Zheshang Securities is also responsible for the credit risk arising from its proprietary trading operation, including the investments in AFS investments and held for trading investments. The Investment Committee assesses the financial performance of the issuers to ensure that the issuers can satisfy the repayment of the principal and interest as they fall due. It has set portfolio size limits and single issuer limits to limit Zheshang Securities' exposure to the credit risk. Zheshang Securities also monitors the credit rating and market news of the issuers for any indication of potential credit deterioration.

The credit risk on liquid funds is limited because the counterparties are state-owned banks or banks with high credit ratings assigned by international credit-rating agencies.

As at December 31, 2017, other than the concentration of credit risk on trade receivables, entrusted loan receivables and financial guarantee contract amounting to Rmb244,587,000 (2016: Rmb275,318,000), Rmb78,300,000 (2016: Rmb423,613,000), and Rmb842,643,000 (2016: Rmb947,275,000), respectively, of which these balances were only limited and concentrated to a few counterparties, the Group does not have any other significant concentrations of credit risk.

There are also no concentration risks on its margin financing business and financial assets held under resale agreements as at December 31, 2017 and 2016 respectively as the Group has a large number of clients who are dispersed.

The Group's concentration of credit risk by geographical location is mainly in the PRC.

Liquidity risk

Most of the bank balances, clearing settlement fund, deposits and cash at December 31, 2017 and 2016 were denominated in Rmb which is not a freely convertible currency in the international market. The exchange rate of Rmb is regulated by the PRC government and the remittance of these Rmb funds out of the PRC is subject to foreign exchange controls imposed by the PRC government.

The Group closely monitors its cash position resulting from its operations and maintains a level of cash and cash equivalents deemed adequate by the management to enable the Group to meet in full its financial obligations as they fall due for the foreseeable future.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. Liquidity risk analysis below excludes derivative component of Convertible Bond as the settlement of which does not involve cash settlement. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| *Liquidity tables* |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |
|  |  | Weighted | On demand or |  |  |  |  | Total | Carrying |
|  |  | average | Less than | 3 months- |  |  |  | undiscounted | amount at |
|  |  | interest rate | 3 months | 1 year | 1-3years | 3-5 years | +5 years | cash flows | 31/12/2017 |
|  |  | % | Rmb'000 | Rmb'000 | Rmb'000 | Rmb'000 | Rmb'000 | Rmb'000 | Rmb'000 |
|  |  |  |  |  |  |  |  |  |  |
| **2017** |  |  |  |  |  |  |  |  |  |
| **Non-derivative financial liabilities** |  |  |  |  |  |  |  |  |  |
| Accounts payable to customers arising from securities business |  | - | 14,933,719 | - | - | - | - | 14,933,719 | 14,933,719 |
| Trade payables |  | - | 628,592 | - | - | - | - | 628,592 | 628,592 |
| Other payables |  | - | 637,064 | - | - | - | - | 637,064 | 637,064 |
| Bank and other borrowings |  |  |  |  |  |  |  |  |  |
| - fixed rate |  | 3.00 | - | 1,800 | 63,600 | - | - | 65,400 | 60,000 |
| - variable rate |  | 4.22 | 4,370 | 433,206 | - | - | - | 437,576 | 420,000 |
| Short-term financing note payable |  | 5.01 | 101,182 | 676,842 | - | - | - | 778,024 | 762,800 |
| Financial assets sold under repurchase agreements |  | 4.25 | 8,494,317 | 1,899,899 | 86,001 | 90,239 | 36,521 | 10,606,977 | 10,523,414 |
| Bonds payable |  | 4.60 | 1,133,566 | 650,371 | 5,615,440 | 3,986,620 | - | 11,385,997 | 10,150,000 |
| Convertible Bond |  |  |  |  |  |  |  |  |  |
| - debt component |  | 4.28 | - | - | - | 2,847,840 | - | 2,847,840 | 2,375,831 |
| Financial guarantee |  | - | 842,643 | - | - | - | - | 842,643 | - |
| Financial liabilities at fair value through profit or loss |  | - | 223,234 | 150,193 | - | - | - | 373,427 | 373,427 |
|  |  |  |  |  |  |  |  |  |  |
|  |  |  | 26,998,687 | 3,812,311 | 5,765,041 | 6,924,699 | 36,521 | 43,537,259 | 40,864,847 |
|  |  |  |  |  |  |  |  |  |  |
| **2016** |  |  |  |  |  |  |  |  |  |
| **Non-derivative financial liabilities** |  |  |  |  |  |  |  |  |  |
| Placements from other financial institutions |  | 3.00 | 710,675 | - | - | - | - | 710,675 | 700,000 |
| Accounts payable to customers arising from securities business |  | - | 20,073,435 | - | - | - | - | 20,073,435 | 20,073,435 |
| Trade payables |  | - | 784,300 | - | - | - | - | 784,300 | 784,300 |
| Other payables |  | - | 295,331 | - | - | - | - | 295,331 | 295,331 |
| Bank and other borrowings |  |  |  |  |  |  |  |  |  |
| - fixed rate |  | 3.93 | 16,856 | 1,740,727 | - | - | - | 1,757,583 | 1,714,500 |
| - variable rate |  | 2.29 | 2,304 | 404,438 | - | - | - | 406,742 | 401,895 |
| Short-term financing note payable |  | 4.51 | 1,390,932 | 3,572,430 | - | - | - | 4,963,362 | 4,828,340 |
| Financial assets sold under repurchase agreements |  | 3.97 | 5,388,337 | 1,889,902 | 529,515 | - | - | 7,807,754 | 7,486,743 |
| Bonds payable |  | 4.61 | 1,779,000 | 1,718,520 | 1,569,728 | 5,992,040 | - | 11,059,288 | 9,700,000 |
| Financial guarantee |  | - | 947,275 | - | - | - | - | 947,275 | - |
| Financial liabilities at fair value through profit or loss |  | - | 206,387 | 87,271 | - | - | - | 293,658 | 293,658 |
|  |  |  |  |  |  |  |  |  |  |
|  |  |  | 31,594,832 | 9,413,288 | 2,099,243 | 5,992,040 | - | 49,099,403 | 46,278,202 |

The amounts included above for financial guarantee contracts are the maximum amounts the Group could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on expectations at the end of the reporting period, the Group considers that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

The amounts included above for variable interest rate instruments for non-derivative financial liabilities are subject to change if changes in variable interest rates differ to those estimates of the interest rates determined at the end of the reporting period.

As at December 31, 2017 and 2016, the Group has not entered into any master netting arrangements with counterparties. The collaterals of which, such as financial assets held under resale agreement, held-for-trading investments, loans to customers arising from margin financing business, placements from other financial institutions and financial assets sold under repurchase agreements, financial liabilities at fair value through profit or loss, etc., are disclosed in the corresponding notes, which are generally not on the net basis in financial position. However, the risk exposure associated with favourable contracts is significantly reduced by the collaterals received by the Group which could be recovered to the extent if a default occurs, in respect of the outstanding receivable amounts from the counterparty.

The analysis above does not include the cash flow of derivatives, which do not have material impact on the cash flow of the Group.

(c) Fair value measurements of financial instruments

This note provides information about how the Group determines fair values of various financial assets and financial liabilities.

Fair value measurements recognised in the statement of financial position that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  | Basis of fair value |  | Relationship of |
|  |  | Fair value as | Fair value as |  | measurement/valuation | Significant | unobservable |
|  |  | at 31/12/2017 | at 31/12/2016 | Fair value | technique(s) and key | unobservable | inputs to |
| Financial Assets | Classified as | Rmb'000 | Rmb'000 | hierarchy | input(s) | input(s) | fair value |
|  |  |  |  |  |  |  |  |
| 1) Equity investments listed in      exchange | Held for trading     investments | 76,734 | 68,996 | Level 1 | Quoted bid prices in an active market. | N/A | N/A |
|  |  |  |  |  |  |  |  |
| 2) Equity securities traded in      inactive market | AFS investments | 179,274 | 272,392 | Level 2 | Recent transaction prices. | N/A | N/A |
|  |  |  |  |  |  |  |  |
|  |  | 751,530 | 315,878 | Level 3 | Discounted cash flow.     The fair value is     determined with     reference to the     quoted market prices     with an adjustment of     discount for lack of     marketability. | Discounted  for lack of  marketability. | The higher the  discount, the  lower the fair  value. |
|  |  |  |  |  |  |  |  |
| 3) Listed funds | Held for trading investments | 300,502 | 1,279,339 | Level 1 | Quoted bid prices in an     active market. | N/A | N/A |
|  |  |  |  |  |  |  |  |
|  | AFS investments | 63,881 | 89,993 | Level 1 | Quoted bid prices in an     active market. | N/A | N/A |
|  |  |  |  |  |  |  |  |
| 4) Unlisted fund investments | AFS investments | 59,970 | - | Level 2 | Based on the net     asset values of the     equity investment,     with reference to     observable market     price. | N/A | N/A |
|  |  |  |  |  |  |  |  |
|  |  | 271,579 | - | Level 3 | Net asset of the fund     which is determined     by the fair value     of underlying     investments. | The fair value  of underlying  investments | The higher  the fair value  of underlying  investments, the  higher the fair  value. |
|  |  |  |  |  |  |  |  |
| 5) Debt investments listed in      exchange and debt investment      in interbank market | Held for trading     investments | 5,569,010 | 4,597,320 | Level 1 | Quoted bid prices in an     active market. | N/A | N/A |
|  |  |  |  |  |  |  |  |
|  | Held for trading I     nvestments | 6,622,448 | 2,198,477 | Level 2 | Discounted cash flow.     Future cash flows     are estimated based     on applying the     interest yield curves     of different types of     bonds as the key     parameter. | N/A | N/A |
|  |  |  |  |  |  |  |  |
|  | AFS investments | - | 30,000 | Level 2 | Discounted cash flow.     Future cash flows     are estimated based     on applying the     interest yield curves     of different types of     bonds as the key     parameter. | N/A | N/A |
|  |  |  |  |  |  |  |  |
| 6) Investments in structured      products | AFS investments | 868,579 | 857,148 | Level 2 | The fair value was based     on the net value     of the underlying     assets. The net asset     value of the products     was calculated by     observable (quoted)     prices of underlying     investment portfolio     and adjustments of     related expenses. | N/A | N/A |
|  |  |  |  |  |  |  |  |
|  |  | 46,214 | 133,387 | Level 3 | Discounted cash flows.     Future cash flows are     estimated based on     expected applicable     yield of the underlying     investment portfolio     and adjustment of     related expenses. | Future cash  flows and  discount rate | The higher the  future cash  flows, the higher  the fair value.  The higher the  discounted rate,  the lower the  fair value |
|  |  |  |  |  |  |  |  |
| 7) Investments in trust products | AFS investments | 254,226 | 10,000 | Level 3 | Discounted cash flows.     Future cash flows are     estimated based on     expected applicable     yield of the underlying     investment portfolio     and adjustment of     related expenses. | Future cash  flows and  discount rate | The higher the  future cash  flows, the higher  the fair value.  The higher the  discounted rate,  the lower the  fair value. |
|  |  |  |  |  |  |  |  |
| 8) Unlisted equity investment at fair value | AFS investments | - | 1,380,503 | Level 2 | Calculated based on     the fair value of the     underlying investments     which are listed     equity securities, after     making adjustments of r     elated expenses. | N/A | N/A |
|  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |
|  |  |  |  |  | Basis of fair value |  | Relationship of |
|  |  | Fair value as | Fair value as |  | measurement/valuation | Significant | unobservable |
|  |  | at 31/12/2017 | at 31/12/2016 | Fair value | technique(s) and key | unobservable | inputs to |
| Financial Liabilities | Classified as | Rmb'000 | Rmb'000 | hierarchy | input(s) | input(s) | fair value |
|  |  |  |  |  |  |  |  |
| 1) Investments in interbank market | Fair value through profit or     loss | 223,234 | 196,363 | Level 2 | Discounted cash flow.     Future cash flows are     estimated based     on applying the     interest yield curves     of different types of     bonds as the key     parameter. | N/A | N/A |
|  |  |  |  |  |  |  |  |
| 2) Investments in asset      management scheme | Fair value through profit or     loss | 150,193 | 97,295 | Level 2 | Shares of the net assets     of the products,     determined with     reference to the net     asset value of the     products, calculated     by observable (quoted)     prices of underlying     Investment portfolio     and adjustments of     related expenses. | N/A | N/A |
|  |  |  |  |  |  |  |  |
| 3) Derivative component of     Convertible Bond | Derivative component of     Convertible Bond | 344,823 | - | Level 3 | Binomial option pricing     model Expected     volatility: 31.82%     Dividend yield:     nil Risk-free rate:     1.54% Share price:     HK$8.59 (equivalent     to Rmb7.18) Exercise     price: HK$12.54     (equivalent to Rmb10.48) | Expected  volatility of  31.82%, taking  into account the  actual historical  share price of  the Company  over the same  time period as  the Convertible  Bond's  remaining time  to maturity | The higher  the expected  volatility, the  higher the fair  value |
|  |  |  |  |  |  |  |  |

There were no transfer between Level 1 and Level 2 during the year.

As at December 31, 2017

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  |  | **Level 1** | **Level 2** | **Level 3** | **Total** |
|  |  | **Rmb'000** | **Rmb'000** | **Rmb'000** | **Rmb'000** |
|  |  |  |  |  |  |
| **Held for trading investments** |  |  |  |  |  |
| - Equity securities |  |  |  |  |  |
| a. Manufacturing |  | **48,500** | **-** | **-** | **48,500** |
| b. Financial services |  | **4,039** | **-** | **-** | **4,039** |
| c. information technology service |  | **9,101** | **-** | **-** | **9,101** |
| d. Transportation, storage and portal service |  | **1,223** | **-** | **-** | **1,223** |
| e. Energy and water services |  | **793** | **-** | **-** | **793** |
| f. Real Estate |  | **7,061** | **-** | **-** | **7,061** |
| g. Water conservancy, environment and          public facilities management |  | **790** | **-** | **-** | **790** |
| h. Culture, sports and entertainment |  | **-** | **-** | **-** | **-** |
| i. Wholesaling |  | **1,512** | **-** | **-** | **1,512** |
| j. Others |  | **3,715** | **-** | **-** | **3,715** |
|  |  |  |  |  |  |
|  |  | **76,734** | **-** | **-** | **76,734** |
|  |  |  |  |  |  |
| - Open-ended fund |  | **300,502** | **-** | **-** | **300,502** |
|  |  |  |  |  |  |
| - Bonds |  | **5,569,010** | **6,622,448** | **-** | **12,191,458** |
|  |  |  |  |  |  |
| Sub-total |  | **5,946,246** | **6,622,448** | **-** | **12,568,694** |
|  |  |  |  |  |  |
| **AFS investments** |  |  |  |  |  |
| - Equity |  |  |  |  |  |
| a. Manufacturing |  | **-** | **71,612** | **57,112** | **128,724** |
| b. Information technology service |  | **-** | **38,144** | **694,418** | **732,562** |
| c. Financial services |  | **-** | **7,067** | **-** | **7,067** |
| d. Transportation, storage and postal service |  | **-** | **3,221** | **-** | **3,221** |
| e. Construction |  | **-** | **4,137** | **-** | **4,137** |
| f. Energy service |  | **-** | **-** | **-** | **-** |
| g. Wholesaling |  | **-** | **15,326** | **-** | **15,326** |
| h. ***Agriculture***, forestry, fishing and         Animal husbandry |  | **-** | **-** | **-** | **-** |
| i. Others |  | **-** | **39,767** | **-** | **39,767** |
|  |  |  |  |  |  |
|  |  | **-** | **179,274** | **751,530** | **930,804** |
|  |  |  |  |  |  |
| - Fund |  | **63,881** | **59,970** | **271,579** | **395,430** |
| - Debt investments |  | **-** | **-** | **-** | **-** |
| **-** Structured products |  | **-** | **868,579** | **46,214** | **914,793** |
| - Trust products |  | **-** | **-** | **254,226** | **254,226** |
|  |  |  |  |  |  |
| Sub-total |  | **63,881** | **1,107,823** | **1,323,549** | **2,495,253** |
|  |  |  |  |  |  |
| **Financial liabilities at fair value    through profit or loss** |  |  |  |  |  |
| - Bonds |  | **-** | **223,234** | **-** | **223,234** |
| - Asset management scheme |  | **-** | **150,193** | **-** | **150,193** |
|  |  |  |  |  |  |
| Sub-total |  | **-** | **373,427** | **-** | **373,427** |
|  |  |  |  |  |  |
| **Derivative component of     Convertible Bond** |  | **-** | **-** | **344,823** | **344,823** |

As at December 31, 2016

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  |  | Level 1 | Level 2 | Level 3 | Total |
|  |  | Rmb'000 | Rmb'000 | Rmb'000 | Rmb'000 |
| **Held for trading investments** |  |  |  |  |  |
| - Equity securities |  |  |  |  |  |
| a. Manufacturing |  | 40,680 | - | - | 40,680 |
| b. Financial services |  | 8,991 | - | - | 8,991 |
| c. Information technology service |  | 4,718 | - | - | 4,718 |
| d. Transportation, storage and portal service |  | 2,227 | - | - | 2,227 |
| e. Energy and water services |  | 7,075 | - | - | 7,075 |
| f. Real Estate |  | 108 | - | - | 108 |
| g. Water conservancy, environment and public facilities management |  | 59 | - | - | 59 |
| h. Culture, sports and entertainment |  | 58 | - | - | 58 |
| i. Wholesaling |  | 5,076 | - | - | 5,076 |
| j. Others |  | 4 | - | - | 4 |
|  |  |  |  |  |  |
|  |  | 68,996 | - | - | 68,996 |
|  |  |  |  |  |  |
| - Open-ended fund |  | 1,279,339 | - | - | 1,279,339 |
|  |  |  |  |  |  |
| - Bonds |  | 4,597,320 | 2,198,477 | - | 6,795,797 |
|  |  |  |  |  |  |
| Sub-total |  | 5,945,655 | 2,198,477 | - | 8,144,132 |
|  |  |  |  |  |  |
| **AFS investments** |  |  |  |  |  |
| - Equity |  |  |  |  |  |
| a. Manufacturing |  | - | 118,619 | - | 118,619 |
| b. Information technology service |  | - | 79,133 | 315,878 | 395,011 |
| c. Financial services |  | - | 7,134 | - | 7,134 |
| d. Transportation, storage and postal service |  | - | 8,170 | - | 8,170 |
| e. Construction |  | - | 8,693 | - | 8,693 |
| f. Energy service |  | - | 2,554 | - | 2,554 |
| g. Wholesaling |  | - | 20,428 | - | 20,428 |
| h. ***Agriculture***, forestry, fishing and Animal husbandry |  | - | 2,603 | - | 2,603 |
| i. Others |  | - | 1,405,561 | - | 1,405,561 |
|  |  |  |  |  |  |
|  |  | - | 1,652,895 | 315,878 | 1,968,773 |
|  |  |  |  |  |  |
| - Fund |  | 89,993 | - | - | 89,993 |
| - Debt investments |  | - | 30,000 | - | 30,000 |
| - Structured products |  | - | 857,148 | 133,387 | 990,535 |
| - Trust products |  | - | - | 10,000 | 10,000 |
|  |  |  |  |  |  |
| Sub-total |  | 89,993 | 2,540,043 | 459,265 | 3,089,301 |
|  |  |  |  |  |  |
| **Financial liabilities at fair value through profit or loss** |  |  |  |  |  |
| - Bonds |  | - | 196,363 | - | 196,363 |
| - Asset management scheme |  | - | 97,295 | - | 97,295 |
|  |  |  |  |  |  |
| Sub-total |  | - | 293,658 | - | 293,658 |

The following table represents the changes in Level 3 AFS investments during the years ended December 31, 2017 and 2016. For the changes in Level 3 derivative component of Convertible Bond during the year ended December 31, 2017, please refer to Note 42.

For the year ended December 31, 2017

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  |  | **Structured** | **Trust** | **Restricted** |  |  |
|  |  | **products** | **products** | **shares** | **Funds** | **Total** |
|  |  | **Rmb'000** | **Rmb'000** | **Rmb'000** | **Rmb'000** | **Rmb'000** |
|  |  |  |  |  |  |  |
| At beginning of the year |  | **133,387** | **10,000** | **315,878** | **-** | **459,265** |
| Addition |  | **45,100** | **250,000** | **27,500** | **258,881** | **581,481** |
| Disposal |  | **(132,580)** | **(10,000)** | **-** | **-** | **(142,580)** |
| Total gain recognised in other comprehensive income |  | **307** | **4,226** | **134,807** | **12,698** | **152,038** |
| Recognised in other fair value changes |  | **-** | **-** | **273,345** | **-** | **273,345** |
|  |  |  |  |  |  |  |
| At end of the year |  | **46,214** | **254,226** | **751,530** | **271,579** | **1,323,549** |

For the year ended December. 31, 2016

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  |  | Structured | Trust | Restricted |  |  |
|  |  | products | products | shares | Funds | Total |
|  |  | Rmb'000 | Rmb'000 | Rmb'000 | Rmb'000 | Rmb'000 |
|  |  |  |  |  |  |  |
| At beginning of the year |  | 141,418 | 10,000 | 202,441 | - | 353,859 |
| Addition |  | 27,500 | - | - | - | 27,500 |
| Disposal |  | (34,000) | - | - | - | (34,000) |
| Total (loss) gain recognised in other comprehensive (expense) income |  | (1,531) | - | 37,301 | - | 35,770 |
| Recognised in other fair value changes |  | - | - | 76,136 | - | 76,136 |
|  |  |  |  |  |  |  |
| At end of the year |  | 133,387 | 10,000 | 315,878 | - | 459,265 |

Except as detailed in the following table, the Directors consider that the carrying amounts of financial assets and financial liabilities at amortised costs recognised in the consolidated statement of financial position approximate their fair values.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  |  | **As at 31/12/2017** | As at 31/12/2016 |  |  |
|  |  | **Carrying** | **Fair** | Carrying | Fair |
|  |  | **amount** | **value** | amount | value |
|  |  | **Rmb'000** | **Rmb'000** | Rmb'000 | Rmb'000 |
|  |  |  |  |  |  |
| Debt component of Convertible Bond |  | **2,375,831** | **2,402,383** | NA | NA |

The fair value of the debt component of Convertible Bond as at December 31, 2017 is under level 3 category and was determined by the Directors with reference to the valuation performed by a frim of independent professional valuers. The fair value of the debt component of Convertible Bond is determined by discounted cash flow using the inputs including estimated cash flows over the remaining terms of the Convertible Bond and discount rate that reflected the credit risk of the Company.

53. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash liabilities arising financing activities are those for which cash flows were or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  | Accrued issue | Short-term |  |  |
|  |  |  |  |  |  | cost for | financing | Accrued share |  |
|  |  | Dividends | Bank and | Bonds | Convertible | Convertible | note | issue cost in |  |
|  |  | payable | other borrowings | payable | Bond | Bond | payable | respect of Spin-off |  |
|  |  | Note 15 | Note 37 | Note 40 | Note 42 | Note 42 | Note 38 | and Offering | Total |
|  |  | Rmb'000 | Rmb'000 | Rmb'000 | Rmb'000 | Rmb'000 | Rmb'000 | Rmb'000 | Rmb'000 |
|  |  |  |  |  |  |  |  |  |  |
| At January 1, 2017 |  | 261,046 | 2,116,395 | 9,700,000 | - | - | 4,828,340 | - | 16,905,781 |
| Financing cash flows |  | (1,646,610) | (1,627,269) | 450,000 | 2,684,880 | (16,725) | (4,065,540) | (59,866) | (4,281,130) |
| Non-cash changes |  |  |  |  |  |  |  |  |  |
| Fair value      adjustment |  | - | - | - | (149,479) | - | - | - | (149,479) |
| Exchange      realignment |  | (4,179) | (9,126) | - | 132,958 | - | - | - | 119,653 |
| Interest expense |  | - | - | - | 65,941 | - | - | - | 65,941 |
| Dividends     declared to     owners of the     Company and     non-controlling    interests |  | 1,650,982 | - | - | - | - | - | - | 1,650,982 |
| Upon completion     of Spin-off and     Offering |  | - | - | - | - | - | - | 59,866 | 59,866 |
| Issue cost relating     to derivative     component of     Convertible Bond |  | - | - | - | - | 3,079 | - | - | 3,079 |
|  |  |  |  |  |  |  |  |  |  |
| At December 31, 2017 |  | 261,239 | 480,000 | 10,150,000 | 2,734,300 | (13,646) | 762,800 | - | 14,374,693 |

54. OPERATING LEASES

The Group as lessee

|  |  |  |  |
| --- | --- | --- | --- |
|  |  | **Year ended** | Year ended |
|  |  | **12/31/2017** | 12/31/2016 |
|  |  | **Rmb'000** | Rmb'000 |
|  |  |  |  |
| Minimum lease payments |  | **70,917** | 93,725 |
| Contingent rental expenses |  | **-** | 323 |
|  |  |  |  |
|  |  | **70,917** | 94,048 |

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

|  |  |  |  |
| --- | --- | --- | --- |
|  |  | **12/31/2017** | 12/31/2016 |
|  |  | **Rmb'000** | Rmb'000 |
|  |  |  |  |
| Within one year |  | **42,266** | 51,256 |
| In the second to fifth year inclusive |  | **58,657** | 53,749 |
| Over five years |  | **745** | - |
|  |  |  |  |
|  |  | **101,668** | 105,005 |

Operating lease payments mainly represent rentals payable by the Group for the operating branches of Zheshang Securities and Zheshang Futures. They are negotiated for an average term of three to ten years. The above commitment represented the minimum lease payments payable to lessors only and do not include any contingent rent elements.

The Group as lessor

The Group leased their service areas and communication ducts and part of spare office premises under operating lease arrangements. Leases are negotiated for terms ranging from 1 to 25 years and rentals are fixed annually.

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments:

|  |  |  |  |
| --- | --- | --- | --- |
|  |  | **12/31/2017** | 12/31/2016 |
|  |  | **Rmb'000** | Rmb'000 |
|  |  |  |  |
| Within one year |  | **26,849** | 30,247 |
| In the second to fifth year inclusive |  | **58,815** | 50,651 |
| After five years |  | **20,661** | 19,766 |
|  |  |  |  |
|  |  | **106,325** | 100,664 |

For certain of the Group's service areas, the rental income are variable and being calculated at the higher of a pre-agreed percentage of revenue of the relevant service areas made by the lessees or the minimum lease payments. The commitment above represented the minimum lease payments from lessees only and do not include any contingent rent elements.

55. CONTINGENT LIABILITIES

|  |  |  |  |
| --- | --- | --- | --- |
|  |  | **12/31/2017** | 12/31/2016 |
|  |  | **Rmb'000** | Rmb'000 |
|  |  |  |  |
| Guarantees given to bank, in respect of a joint venture (Note) | **842,643** | 947,275 |  |

Note: The Group provided a financial guarantee to Shengxin Co, a 50% owned joint venture of the Group, in favour of a bank for 50% of its outstanding bank borrowings and interest. As at December 31, 2017, the bank borrowings of Shengxin Co and accrued interest amounted to Rmb1,683,000,000 (2016: Rmb1,892,000,000) and Rmb2,287,000 (2016: Rmb2,549,000), respectively. The Directors consider that the fair value of the guarantee is insignificant at initial recognition and default by the guaranteed party is not probable as at December 31, 2017 and 2016.

56. RELATED PARTY TRANSACTIONS AND BALANCES

Other than disclosed elsewhere in the consolidated financial statements, during the year, the Group also entered into the following significant transactions with related parties:

(i) Transactions and balances with government related parties

The Group operates in an economic environment currently predominated by entities directly or indirectly owned or controlled by the PRC government (" government-related entities"). In addition, the Group itself is part of a larger group of companies under the Communications Group which is controlled by the PRC government. However, due to the business nature, in respect of the Group's toll road and securities business, the Directors are of the opinion that it is impracticable to ascertain the identity of counterparties and accordingly whether the transactions are with other government-related entities in the PRC. Details of other significant transactions with Communications Group are summarised below:

Entrusted loans

Pursuant to the entrusted loan contracts entered into between Hanghui Expressway Co., Ltd (" Hanghui Co") and Communications Group on August 10, 2015, Communications Group agreed to provide Hanghui Co with entrusted loans amounting to Rmb570,000,000 at a fixed interest rate of 4.55% per annum, with maturity date of August 10, 2018. The entrusted loan had been early repaid in full in 2016.

Pursuant to the entrusted loan contracts entered into between the Company and Zhejiang Highway Logistic Company Limited (" Logistic Co") on September 28, 2017, Logistic Co agreed to provide the Company with entrusted loans amounting to Rmb60,000,000 at a fixed interest rate of 3.00% per annum, with maturity date of September 28, 2020.

|  |  |  |  |
| --- | --- | --- | --- |
|  |  | **For the** | For the |
|  |  | **year ended** | year ended |
|  |  | **12/31/2017** | 12/31/2016 |
|  |  | **Rmb'000** | Rmb'000 |
|  |  |  |  |
| Interest expenses incurred |  | **475** | 16,353 |

Management and Administrative services

The Company has entered into agreements with the Communications Group and its subsidiary, Hangzhou Santongdao South Line Engineering Co., Ltd (" Santongdao Co"), pursuant to which, the Company would provide the management and administrative services for three toll roads, including Shenjiahuhang Expressway, Shensuzhewan Expressway and South Line of Qianjiang Channel. According to the agreements, the Company would charge the Communications Group and Santongdao Co management fee on actual cost basis. During this year, a total management fee of Rmb1,199,000 (2016: Rmb1,130,000) has been charged.

Other transactions

|  |  |  |  |
| --- | --- | --- | --- |
|  |  | **For the** | For the |
|  |  | **year ended** | year ended |
|  |  | **12/31/2017** | 12/31/2016 |
|  |  | **Rmb'000** | Rmb'000 |
|  |  |  |  |
| Toll road service area leasing income earned (Note a) | **9,876** | 9,564 |  |
| Toll road service area management fee paid (Note a) | **2,809** | 3,100 |  |
| Property leasing income earned |  | **5,614** | 5,280 |
| Road maintenance service expenses incurred | **343,527** | 303,513 |  |
| Gain from disposal of maintenance equipment (Note b) | **-** | 8,090 |  |
| Information system related development expenses incurred | **38,608** | 18,537 |  |
| Operation information services expenses incurred | **9,267** | 9,267 |  |
| Toll road related inspection services expense incurred | **9,478** | 10,561 |  |
| Purchase of petroleum products (Note c) | **-** | 401,203 |  |
| Petrol stations leasing income earned (Note c) | **-** | 33,357 |  |
| Financial advisory service income earned | **12,075** | - |  |

Notes:

(a) Pursuant to the leasing and operation agreement entered into between Jinhua Co (as defined in Note 57) and Zhejiang Communications Investment, Jinhua Co leased the toll road service area to Zhejiang Communications Investment and Zhejiang Communications Investment managed the operation of the service area and the advertising business in respect of the toll road service area. Such business began from January 1, 2011 and will be expired at the same time with the operating right in 2030.

Pursuant to the leasing and operation agreements entered into between Hanghui Co and Zhejiang Communications Investment, Hanghui Co leased the toll road service area to Zhejiang Communications Investment and Zhejiang Communications Investment managed the operation of the service area. Such business began from January 1, 2011 and will be expired at the same time with the operating right for respective expressway sections in 2029 to 2031.

(b) Pursuant to the disposal agreements entered into between the Company and Maintenance Co, the Group disposed certain maintenance equipment with net book value of approximately Rmb26,537,000 to Maintenance Co at a cash consideration of Rmb35,533,000 in 2016. Disposal gain of Rmb8,090,000 was recorded after deduction of relevant transaction costs and expenses for the year ended December 31, 2016.

(c) These transactions were entered into between Development Co. and Zhejiang Expressway Petroleum Development Co., Ltd. As the Company had sold the 100% equity interest in Development Co to Zhejiang Communications Investment on December 29, 2016, no amount is recorded for the year ended December 31, 2017, accordingly.

Others

The Group has entered into various significant transactions, including deposit placements, borrowings and other general banking facilities, with certain banks and financial institution which are government-related entities in its ordinary course of business. In view of the nature of those banking transactions, the Directors are of the opinion that separate disclosure would not be meaningful.

(ii) Transactions and balances with associates and other non-government related parties

Financial service provided by Zhejiang Communications Finance

The Group entered into a financial services agreement with Zhejiang Communications Finance. Pursuant to the agreement, Zhejiang Communications Finance agreed to provide the Group with the deposit services, the loan and financial leasing services, the clearing services and other financial services.

Loan advanced from Zhejiang Communications Finance

In prior years, Zhejiang Communications Finance provided Huihang Co with several short-term loans with aggregated amount of Rmb15,000,000 at fixed interest rates of 3.915% per annum, with maturities in 2017. All these loans were repaid in the current year.

During the year, Zhejiang Communications Finance provided Hanghui Co with short-term loan which bears variable interest rates of 3.915% to 4.2195% with aggregated amount of Rmb1,580,000,000. The short-term loans totalling Rmb1,160,000,000 had been repaid during the current year and the outstanding loan balance was amounted to Rmb420,000,000 as at December 31, 2017.

|  |  |  |  |
| --- | --- | --- | --- |
|  |  | **12/31/2017** | 12/31/2016 |
|  |  | **Rmb'000** | Rmb'000 |
|  |  |  |  |
| Outstanding loan payable balances:      repayable within one year | **420,000** | 15,000 |  |
|  |  |  |  |
|  |  |  |  |
|  |  | **For the** | For the |
|  |  | **year ended** | year ended |
|  |  | **12/31/2017** | 12/31/2016 |
|  |  | **Rmb'000** | Rmb'000 |
|  |  |  |  |
| Interest expenses incurred |  | **18,529** | 12,463 |

Deposits to Zhejiang Communications Finance

|  |  |  |  |
| --- | --- | --- | --- |
|  |  | **12/31/2017** | 12/31/2016 |
|  |  | **Rmb'000** | Rmb'000 |
|  |  |  |  |
| Bank balances and cash - Cash and cash equivalents | **1,301,639** | 867,892 |  |
|  |  |  |  |
|  |  | **For the** | For the |
|  |  | **year ended** | year ended |
|  |  | **12/31/2017** | 12/31/2016 |
|  |  | **Rmb'000** | Rmb'000 |
|  |  |  |  |
| FInterest income earned |  | **6,612** | 8,149 |

Sales of asset management schemes to Zhejiang Communication Finance

Zheshang Securities Asset Management Co., Ltd (" Asset Management"), an indirect subsidiary of the Company, had entered into certain asset management agreements which Zhejiang Communications Finance in 2016 and 2017. The Group did not consolidate these asset management schemes. During the year ended December 31, 2017, the management fee and performance fee income earned by the Group from managing these asset management schemes amounted to Rmb4,401,000 and Rmb3,848,000 (2016: Rmb6,807,000 and Rmb582,000).

Short-term loan advanced to Zhejiang Canal Concord Property Co., Ltd. (" Zhejiang Canal Concord")

|  |  |  |  |
| --- | --- | --- | --- |
|  |  | **12/31/2017** | 12/31/2016 |
|  |  | **Rmb'000** | Rmb'000 |
|  |  |  |  |
| Outstanding loan receivable balances | **77,650** | 420,000 |  |
| Interest receivables |  | **650** | 3,613 |
|  |  |  |  |
|  |  | **78,300** | 423,613 |
|  |  |  |  |
| Analysed for reporting purpose as: Current assets (Note 28) | **78,300** | 423,613 |  |
|  |  |  |  |
|  |  | **For the** | For the |
|  |  | **year ended** | year ended |
|  |  | **12/31/2017** | 12/31/2016 |
|  |  | **Rmb'000** | Rmb'000 |
|  |  |  |  |
| Interest income earned |  | **11,125** | 20,911 |

During the year, the Group advanced additional entrusted loans to Zhejiang Canal Concord, a subsidiary of Zhejiang Concord Property, totalling Rmb210,000,000 (2016: Rmb540,000,000) and received settlement of loan principals and interests amounting to Rmb552,350,000 (2016: Rmb720,000,000) and Rmb14,754,000 (2016: Rmb54,317,000), respectively. The amounts were unsecured and repayable in accordance with the terms of entrusted loan agreements entered into between the Group and Zhejiang Canal Concord. The amounts carried interests at an effective interest rate of 3.915% (2016: ranging from 3.915% to 8.00%) per annum. All entrusted loans in both years were guaranteed by Zhejiang World Trade Property Development Co., Ltd., which is the controlling shareholder of Zhejiang Concord Property, an independent third party of the Group, in full.

(iii) Key management emoluments

The remuneration of the directors, supervisors and key management personnel during the year was Rmb7,454,000 (2016: Rmb8,691,000) including retirement benefit scheme contribution of Rmb216,000 (2016: Rmb201,000) which is determined by the performance of the individuals and the market trends.

57. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | Date and | Registered and |  |  |  |  |  |
|  |  | place of | paid-in capital/ | Percentage of equity interest |  |  |  |  |
| Name of subsidiary | registration | share capital | attributable to the Company |  |  |  |  |  |
|  |  |  | Rmb | Direct | Indirect | Principal activities |  |  |
|  |  |  |  | **12/31/2017** | 12/31/2016 | **12/31/2017** | 12/31/2016 |  |
|  |  |  |  | **%** | % | **%** | % |  |
|  |  |  |  |  |  |  |  |  |
| Zhejiang Yuhang Expressway Co., Ltd.     ("Yuhang Co") | Note 1 | 75,223,000 | **51** | 51 | **-** | - | Management of the     Yuhang Section of the     Shanghai-Hangzhou     Expressway |  |
|  |  |  |  |  |  |  |  |  |
| Jiaxing Co | Note 2 | 1,859,200,000 | **99.9995** | 99.9995 | **-** | - | Management of the Jiaxing     Section of the     Shanghai-Hangzhou     Expressway |  |
|  |  |  |  |  |  |  |  |  |
| Shangsan Co | Note 3 | 2,400,000,000 | **73.625** | 73.625 | **-** | - | Management of the Shangsan     Expressway |  |
|  |  |  |  |  |  |  |  |  |
| Zhejiang Expressway Vehicle Towing     and Rescue Services Co., Ltd.     ("Towing Co") | Note 4 | 8,000,000 | **100** | 100 | **-** | - | Provision of vehicle towing,     repair and emergency     rescue services |  |
|  |  |  |  |  |  |  |  |  |
| Zheshang Securities | Note 5 | 3,333,333,400 | **-** | - | **\*46.9321** | \*52.1467 | Operation of securities business |  |
|  |  |  |  |  |  |  |  |  |
| Zheshang Futures | Note 6 | 500,000,000 | **-** | - | **\*\*46.9321** | \*\*52.1467 | Operation of securities business |  |
|  |  |  |  |  |  |  |  |  |
| Zheshang Capital Management | Note 7 | 170,000,000 | **-** | - | **\*\*46.9321** | \*\*52.1467 | Operation of securities business |  |
|  |  |  |  |  |  |  |  |  |
| Asset Management | Note 8 | 500,000,000 | **-** | - | **\*\*46.9321** | \*\*52.1467 | Provision of asset management     service |  |
|  |  |  |  |  |  |  |  |  |
| Ningbo Dongfang Jujin Investment     Management Co., Ltd     ("Dongfang Jujin") | Note 9 | 1,000,000 | **-** | - | **\*\*46.9321** | \*\*52.1467 | Provision of investment     management and advisory     services |  |
|  |  |  |  |  |  |  |  |  |
| Ningbo Dongfang Jujin Jiahua Investment     Management Center     (Limited Partnership)     ("Dongfang Jujin Jiahua") | Note 10 | 29,150,000 | **-** | - | **\*\*14.7317** | \*\*16.3688 | Provision of investment     management and advisory     and private equity investments |  |
|  |  |  |  |  |  |  |  |  |
| Zhejiang Zheqi Co., Ltd.     ("Zhejiang Zheqi") | Note 11 | 200,000,000 | **-** | - | **\*\*46.9321** | \*\*52.1467 | Trading of future |  |
|  |  |  |  |  |  |  |  |  |
| Zhejiang Jinhua Yongjin Expressway Co.,     Ltd. ("Jinhua Co") | Note 12 | 1,900,000,000 | **100** | 100 | **-** | - | Management of the Jinhua     Section of the Ningbo-Jinhua     Expressway |  |
|  |  |  |  |  |  |  |  |  |
| Hanghui Co | Note 13 | 1,812,280,000 | **88.674** | 88.674 | **-** | - | Management of the Zhejiang     Section of the Hangzhou-Ruili     Expressway |  |
|  |  |  |  |  |  |  |  |  |
| Hangzhou Jujin Jiawei Investment     Management (Limited Partnership) ("Jujin     Jiawei") | Note 14 | 206,103,000 | **-** | - | **\*\*21.1323** | \*\*23.4817 | Provision of investment     management and advisory     and private equity investments |  |
|  |  |  |  |  |  |  |  |  |
| Zheshang International Financial Holding     Co., Limited | Note 15 | 8,011,000 | **-** | - | **\*\*46.9321** | \*\*52.1467 | Trading of future |  |
|  |  |  |  |  |  |  |  |  |
| Huihang Co | Note 16 | 1,950,000,000 | **100** | 100 | **-** | - | Management of the Anhui     Section of the Hangzhou-Ruili E     xpressway |  |

\* The company is a subsidiary of Shangsan Co, a non-wholly-owned subsidiary of the Company, and, accordingly, is accounted for as a subsidiary by virtue of the Group's control over it. On June 26, 2017, Zheshang Securities has completed the Spin-off and Offering on the Shanghai Stock Exchange, resulting in the dilution of the equity interest attributed to the Company. Details please refer to Note iii to the consolidated statement of changes in equity.

\*\* These companies and partnership entities are subsidiaries of Zheshang Securities, a non-wholly-owned subsidiary of Shangsan Co, and accordingly, are accounted for as subsidiaries by virtue of the Group's control over them.

Note 1: Yuhang Co was established on June 7, 1994 in the PRC as a joint stock limited company and was subsequently restructured into a limited liability company under its current name on November 28, 1996. The Company is able to control over Yuhang Co because it has the power to appoint five out of nine directors of that company and under the provisions stated in the Articles of Association of that company, the passing of ordinary resolutions at the board meetings required one-half of the directors attending the meetings.

Note 2: Jiaxing Co was established on June 30, 1994 in the PRC as a joint stock limited company and was subsequently restructured into a limited liability company under its current name on November 29, 1996.

Note 3: Shangsan Co was established on January 1, 1998 in the PRC as a limited liability company. Note 4: Towing Co was established on July 31, 2003 in the PRC as a limited liability company.

Note 5: Zheshang Securities was established on May 9, 2002 in the PRC as a limited liability company.

Note 6: Zheshang Futures was established on September 7, 1995 in the PRC as a limited liability company.

Note 7: Zheshang Capital Management was established on February 9, 2012 in the PRC as a limited liability company. The registered capital of Zheshang Capital Management has been increased from Rmb100,000,000 to Rmb170,000,000 during the year ended December 31, 2016.

Note 8: Asset Management was established on July 22, 2013 in the PRC as a limited liability company.

Note 9: Dongfang Jujin was established on March 25, 2014 in the PRC as a limited liability company.

Note 10: Dongfang Jujin Jiahua was established on April 11, 2014 in the PRC as a limited partnership. Pursuant to the partnership agreement, Dongfang Jujin is a general partner, while Zheshang Capital Management and other two individuals are limited partners of the partnership. The Directors consider that the Group has the practical ability to direct the relevant activities of Dongfang Jujin Jiahua unilaterally, and it is therefore classified as a subsidiary of the Group.

Note 11: Zhejiang Zheqi was established on April 9, 2013 in the PRC as a limited liability company, and its paid-in share capital was increased by Rmb100,000,000 to Rmb200,000,000 during the year ended December 31, 2014.

Note 12: Jinhua Co was established in February 2002 in the PRC as a limited liability company. Jinhua Co became a wholly owned subsidiary and directly held by the Company during the year ended December 31, 2013.

Note 13: Hanghui Co was established in December 2008 in the PRC as a limited liability company. During the year ended December 31, 2015, the Company acquired the 80.614% equity interests in Hanghui Co from Communications Group, and Hanghui Co then became a subsidiary and directly held by the Company as at December 31, 2015. In December 2015, the equity interest held by the Group increased to 88.674% as the Company has made a capital contribution to Hanghui Co.

Note 14: Jujin Jiawei was established on April 15, 2015 in the PRC as a limited partnership. Pursuant to the partnership agreement, Dongfang Jujin is a general partner, while Zheshang Capital Management and other three individuals are limited partners of the partnership. The Directors consider that the Group has the practical ability to direct the relevant activities of Jujin Jiawei unilaterally, and it is therefore classified as a subsidiary of the Group.

Note 15: Zheshang International Financial Holding Co., Limited (previously known as Zheshang Futures (Hong Kong) Co., Limited) was established on April 23, 2015 in Hong Kong as a limited liability company.

Note 16: Huihang Co was established in September 2000 in the PRC as a limited liability company. During the year ended December 31, 2016, the Company acquired the 100% equity interests in Huihang Co from an independent third party, and Hanghui Co then became a subsidiary and directly held by the Company as at December 31, 2016.

Except that Zheshang International Financial Holding Co., Limited is operating in Hong Kong, all of the Company's other subsidiaries are operating in Mainland China. As at December 31, 2017, Zheshang Securities has issued subordinated bonds, corporate bonds and beneficial certificates at the total principal amount of Rmb3,500,000,000, nil and Rmb762,800,000 (2016: Rmb5,500,000,000, Rmb3,400,000,000 and Rmb4,128,340,000), respectively.

58. INTERESTS IN UNCONSOLIDATED STRUCTURED ENTITIES

The Group served as the investment manager of structured entities (including collective asset management schemes and investment funds), therefore had power over them during the years ended December 31, 2017 and

2016. Except for the structured entities the Group has consolidated as disclosed in Note 44, in the opinion of the Directors, the variable returns the Group exposed to over these collective asset management schemes and investment funds in which the Group has interests are not significant. The Group therefore did not consolidate these structured entities.

The total assets of unconsolidated funds and asset management schemes managed by the Group amounted to Rmb171,366,885,000 and Rmb138,379,856,000 as at December 31, 2017 and 2016, respectively. The Group classified the investments in unconsolidated funds and asset management schemes as AFS financial investments and held for trading as appropriate. As at December 31, 2017 and 2016, the carrying amounts of the Group's interests in unconsolidated funds and asset management schemes are Rmb1,744,411,000 and Rmb2,597,101,000, respectively.

59. SUMMARY OF FINANCIAL INFORMATION OF THE COMPANY

|  |  |  |  |
| --- | --- | --- | --- |
|  |  | **12/31/2017** | 12/31/2016 |
|  |  | **Rmb'000** | Rmb'000 |
|  |  |  |  |
| NON-CURRENT ASSETS |  |  |  |
| Property, plant and equipment |  | **489,863** | 532,374 |
| Prepaid lease payments |  | **15,728** | 1,405 |
| Expressway operating rights |  | **3,191,903** | 3,537,136 |
| Other intangible assets |  | **10,386** | 663 |
| Interests in subsidiaries |  | **11,271,077** | 11,821,077 |
| Interests in associates |  | **1,195,221** | 1,000,776 |
| Interest in a joint venture |  | **373,470** | 373,470 |
|  |  |  |  |
|  |  | **16,547,648** | 17,266,901 |
|  |  |  |  |
| CURRENT ASSETS |  |  |  |
| Inventories |  | **-** | 750 |
| Trade receivables |  | **42,651** | 34,024 |
| Other receivables |  | **161,783** | 500,077 |
| Prepaid lease payments |  | **592** | 95 |
| Held for trading investment |  | **-** | 80,000 |
| Amount due from subsidiaries |  | **1,234,205** | 1,524,639 |
| Dividend receivable |  | **-** | 217,625 |
| Derivative financial asset |  | **-** | 10,562 |
| Bank balances and cash |  |  |  |
| - Cash and cash equivalents |  | **2,345,458** | 746,679 |
|  |  |  |  |
|  |  | **3,784,689** | 3,114,451 |
|  |  |  |  |
| CURRENT LIABILITIES |  |  |  |
| Trade payables |  | **88,181** | 72,253 |
| Tax liabilities |  | **188,317** | 122,437 |
| Other taxes payable |  | **8,529** | 7,797 |
| Other payables and accruals |  | **199,783** | 246,488 |
| Amount due to subsidiaries |  | **2,859,792** | 2,524,533 |
| Bank borrowings |  | **-** | 2,031,895 |
| Dividend payable |  | **260,587** | 260,587 |
| Short-term financing note payable |  | **-** | 1,500,000 |
|  |  |  |  |
|  |  | **6,765,990** | 3,605,189 |
|  |  |  |  |
| NET CURRENT ASSETS (LIABILITIES) |  | **179,500** | (3,651,539) |
| TOTAL ASSETS LESS CURRENT LIABILITIES |  | **16,727,148** | 13,615,362 |
|  |  |  |  |
| NON-CURRENT LIABILITIES |  |  |  |
| Bank and other borrowings |  | **60,000** | - |
| Convertible Bond |  | **2,720,654** | - |
| Deferred tax liabilities |  | **82,647** | 89,214 |
|  |  |  |  |
|  |  | **2,863,301** | 89,214 |
|  |  |  |  |
|  |  | **13,863,847** | 13,526,148 |
|  |  |  |  |
| CAPITAL AND RESERVES |  |  |  |
| Share capital |  | **4,343,115** | 4,343,115 |
| Reserves |  | **9,520,732** | 9,183,033 |
|  |  |  |  |
|  |  | **13,863,847** | 13,526,148 |

Movement of share capital and reserve of the Company was set out below.

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  | Investment |  |  |  |  |
|  |  | Share | Share | Statutory | valuation | Dividend | Special | Retained |  |
|  |  | capital | premium | reserves | reserve | reserve | reserves | profits | Total |
|  |  | Rmb'000 | Rmb'000 | Rmb'000 | Rmb'000 | Rmb'000 | Rmb'000 | Rmb'000 | Rmb'000 |
|  |  |  |  |  |  |  |  |  |  |
| At December 31, 2015 | 4,343,115 | 3,645,726 | 2,364,430 | (5) | 1,216,072 | 18,666 | 1,651,508 | 13,239,512 |  |
| Total comprehensive income for the year | - | - | - | 5 | - | - | 1,763,290 | 1,763,295 |  |
| Interim dividend | - | - | - | - | - | - | (260,587) | (260,587) |  |
| Final dividend | - | - | - | - | (1,216,072) | - | - | (1,216,072) |  |
| Proposed final dividend | - | - | - | - | 1,281,219 | - | (1,281,219) | - |  |
|  |  |  |  |  |  |  |  |  |  |
| At December 31, 2016 | 4,343,115 | 3,645,726 | 2,364,430 | - | 1,281,219 | 18,666 | 1,872,992 | 13,526,148 |  |
|  |  |  |  |  |  |  |  |  |  |
| Total comprehensive income for the year | - | - | - | - | - | - | 1,879,505 | 1,879,505 |  |
| Interim dividend | - | - | - | - | - | - | (260,587) | (260,587) |  |
| Final dividend | - | - | - | - | (1,281,219) | - | - | (1,281,219) |  |
| Proposed final dividend | - | - | - | - | 1,302,934 | - | (1,302,934) | - |  |
|  |  |  |  |  |  |  |  |  |  |
| **At December 31, 2017** | **4,343,115** | **3,645,726** | **2,364,430** | **-** | **1,302,934** | **18,666** | **2,188,976** | **13,863,847** |  |

Independent Auditor 's Report

(Issued by a Third Country Auditor registered with The UK Financial Reporting Council)

Deloitte

(Issued by a Third Country Auditor registered with The UK Financial Reporting Council)

TO THE MEMBERS OF ZHEJIANG EXPRESSWAY CO., LTD.

(Incorporated in the People's Republic of China with limited liability)

Opinion

We have audited the consolidated financial statements of Zhejiang Expressway Co., Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 83 to 208, which comprise the consolidated statement of financial position as at December 31, 2017, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

|  |  |  |
| --- | --- | --- |
| **Key audit matter** |  | **How our audit addressed the key audit matter** |
| *Impairment of AFS equity instruments measured at fair value* |  |  |
|  |  |  |
| We identified the impairment of AFS equity  instruments measured at fair value, which included  equity securities, funds, and other investments, as  a key audit matter as the Group applied significant  judgement in determining the impairment of AFS  equity instruments measured at fair value of  Rmb2,495,253,000 as at December 31, 2017. |  | Our procedures in relation to the impairment  assessment of AFS equity instruments measured at  fair value included: |
| ·  Understanding the processes and controls in  determining impairment of AFS equity instruments  measured at fair value; |  |  |
|  |  | · Challenging and assessing the management  judgement in determining the criteria of  impairment; |
|  |  | · Checking, on a sample basis, the data used by the  management, including quoted market prices and  the duration for the continued decline of the fair  value below the cost, against market data; and |
| For those AFS equity instruments measured at  fair value, the Group applied significant judgement  in assessing whether there is objective evidence  of impairment. As disclosed in note 4, for listed  AFS equity investments and other equity related  investments measured at fair value, a significant  or prolonged decline in fair value below cost is  considered to be the objective evidence of impairment.  The cumulative amount of impairment recognised  up to December 31, 2017 was Rmb34,865,000 as  disclosed in Note 25. |  | · Checking the management's calculations of the  impairment allowance for AFS equity instruments  measured at fair value. |
|  |  |  |
| *Determination of consolidation scope* |  |  |
|  |  |  |
| We identified the determination of consolidation scope  as a key audit matter as the Group held a number  of interests in structured entities including collective  asset management schemes and investment funds  where the Group was involved as an investment  manager. The Group applied significant judgement in  determining whether such investments fall within the  consolidation scope under HKFRS 10 "Consolidated  Financial Statements". The effect of consolidation or  not of these structured entities would have significant  impact on the consolidated financial statements of the  Group. |  | Our procedures in relation to the management's  determination of consolidation scope included: |
|  |  | · Understanding the process and controls of the  management in determining the consolidation  scope as set out in HKFRS10 of interests in  structured entities; |
| As disclosed in note 4, for collective asset  management schemes and investment funds where  the Group involved as a manager, the Group assessed  whether the combination of investments it was  together with its remuneration and credit enhancement  creates exposure to variability of returns from the  activities of the collective asset management schemes  and investment funds that was of such significance  that it indicated that the Group is a principal. The  collective asset management schemes and investment  funds were consolidated if the Group acted in the role  of principal. |  | · Checking the information used by the management  in accessing the consolidation criteria of significant  structured entities against the related supporting,  including sales and purchase agreements and  other related service agreements of investments in  structured entities newly acquired or with changes  in investment holdings or terms during the year;  and |
|  |  |  |
| Details of consolidated structured entities and  unconsolidated structured entities were set out  in notes 44 and 58 to the consolidated financial  statements, respectively. |  | · Challenging and assessing the management  judgement in applying HKFRS 10 to each of the  significant structured entities and the conclusion  about whether or not the consolidation criteria are  met. |

Other Information

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the ***planned*** scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Tse Ming Fai.

Deloitte Touche Tohmatsu Certified Public Accountants LLP

Certified Public Accountants

(Registered as a Third Country Auditor with the UK Financial Reporting Council)

Shanghai, China

March 16, 2018

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| --- | --- |
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| ZHAN Xiaozhang (Resigned on April 2, 2018) |  |
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[***Council of the European Union: COMMISSION STAFF WORKING DOCUMENT Impact Assessment Accompanying the document Proposal for a Directive of the European Parliament and of the Council amending Directive 2006/1/EC on the use of vehicles hired without drivers for the carriage of goods by road ST 9669 2017 ADD 2***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5P52-B081-JDG9-Y4XR-00000-00&context=1516831)

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**Body**

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9669/17 ADD 2 JL/el DGE 2A EN Council of the European Union Brussels, 1 June 2017 (OR. en) 9669/17 ADD 2 TRANS 213 CODEC 924 IA 99 Interinstitutional File: 2017/0113 (COD) COVER NOTE From: Secretary-General of the European Commission, signed by Mr Jordi AYET PUIGARNAU, Director date of receipt: 1 June 2017 To: Mr Jeppe TRANHOLM-MIKKELSEN, Secretary-General of the Council of the European Union No. Cion doc.: SWD(2017) 196 final Subject: COMMISSION STAFF WORKING DOCUMENT Impact Assessment Accompanying the document Proposal for a Directive of the European Parliament and of the Council amending Directive 2006/1/EC on the use of vehicles hired without drivers for the carriage of goods by road Delegations will find attached document SWD(2017) 196 final. Encl.: SWD(2017) 196 final EN EN EUROPEAN COMMISSION Brussels, 31.5.2017 SWD(2017) 196 final COMMISSION STAFF WORKING DOCUMENT Impact Assessment Accompanying the document Proposal for a Directive of the European Parliament and of the Council amending Directive 2006/1/EC on the use of vehicles hired without drivers for the carriage of goods by road {COM(2017) 282 final} {SWD(2017) 197 final} {SWD(2017) 198 final} {SWD(2017) 199 final} 2 TABLE OF CONTENTS 1. INTRODUCTION ................................................................................................................................ 4 2. PROBLEM DEFINITION ..................................................................................................................... 5 2.1 CONTEXT ................................................................................................................................. 5 2.1.1 LEGAL BACKGROUND .............................................................................................................. 6 2.1.2 EVALUATION OF DIRECTIVE 2006/1/EC ................................................................................. 7 2.2 WHAT IS THE PROBLEM AND WHY IS IT A PROBLEM? .............................................................. 7 2.3 WHAT ARE THE MAIN PROBLEM DRIVERS?

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INTRODUCTION This impact assessment accompanies a legislative proposal that revises Directive 2006/1/EC on the use of vehicles hired without drivers for the carriage of goods by road (henceforth 'the Directive').1 The initiative is part of the Commission's Regulatory Fitness and Performance (REFIT) ***programme*** that aims at making EU laws simpler and less costly.2 It thus aims at clarifying the legal framework for the use of hired vehicles in the EU and at reducing the costs of transport operators using such vehicles in the internal market. This initiative is also part of a broader set of measures to overhaul the legislative framework governing the road transport market in the EU.3 Together with the other initiatives, it aims at making this legislative framework fit for the 2020s (and beyond) by addressing current concerns of stakeholders, removing shortcomings of the existing legislation and simplifying the legal provisions with a view to facilitating their implementation and enforcement. The Directive is closely related to the rules concerning access to the profession of road transport operator4 and those for access to the international road haulage market5. All three legal acts together provide the legal framework in which road hauliers in the EU operate. Hired goods vehicles allow meeting one of the conditions for stable establishment of a transport operator (which is one of the requirements for access to the profession of road transport operator) and the holder of a Community licence is entitled to a certified copy of the licence also for each hired vehicle at its disposal (hired vehicles hence provide access to the international road haulage market) There are also direct cross-references between the legal acts.6 As the other two legal acts are subject to a parallel REFIT initiative7, a suitable framework for the revision of the Directive is being provided. The implementation and enforcement of all three legal acts is in most cases subject to the same operation. Due to the interlinkages between the legal acts, their respective revision in one package of measures ensures coherence between the rules. Moreover, the adoption of the road initiatives in 2017 provides a window of opportunities to address the shortcomings of the Directive that have been identified in the ex-post evaluation and that are described in more detail in the following chapter. 1 OJ L 33, 4.2.2006, p. 82. 2 It is mentioned as REFIT initiative n° 13 in Annex 2 to the Commission Work ***Programme*** 2017; COM(2016) 710 final of 25.10.2016; [*https://ec.europa.eu/info/file/35145/download\_en?token=1iw9fPpk*](https://ec.europa.eu/info/file/35145/download_en?token=1iw9fPpk) 3 An overview of these initiatives and the expected synergies between them is provided in Annex 6. 4 Regulation (EC) No 1071/2009, OJ L 300, 14.11.2009, p. 51. 5 Regulation (EC) No 1072/2009, OJ L 300, 14.11.2009, p. 72. 6 See, for instance, Article 1(5)(d)(iv) of Regulation (EC) No 1072/2009. 7 Cf. initiative n° 10 in Annex 2 to the Commission Work ***Programme*** 2017. 5 2. PROBLEM DEFINITION 2.1 CONTEXT The creation of the Single Market has allowed the European economy to prosper and to reap the benefits of economic integration. It has greatly increased the productivity and competitiveness of the European economy. However, the internal market is still far from being completed, in particular in services. This is not a 'theological' issue: it is a practical one - there are still too many obstacles and barriers which hamper businesses and which burden them with unnecessary bureaucracy. Upgrading and deepening the Single Market is therefore one of the core priorities of the Commission.8 One area in which the Single Market has not yet been completed is the use of hired vehicles. Here, Member States can still restrict the use of hired vehicles in certain market segments and under certain conditions. A 'hired vehicle' means 'any vehicle which, for remuneration and for a determined period, is put at the disposal of an undertaking which engages in the carriage of goods by road for hire and reward or for its own account on the basis of a contract with the undertaking which makes the vehicles available.'9 Vehicle hiring can take a number of forms ranging from (predominantly short-term) 'renting' to (predominantly long-term) 'leasing' (in some cases of which the vehicle in question even appears on the balance sheet of the lessee).10 Goods vehicles are typically rented to meet temporary or seasonal demand peaks or to replace defective vehicles. The leasing of goods vehicles allows operators to better manage their cash flows as they do not have to pay the full purchase price upfront when acquiring a vehicle. Hiring and leasing of goods vehicles thus provides more flexibility to operators and allows them to lower their costs and increase their productivity. Increasing the efficiency and competitiveness of the road transport sector has been a priority of the common transport policy of the European Union for some time. Efficient transport is vital in making the European economy as a whole more competitive.11 It is therefore important to remove any unnecessary restrictions which prevent transport operators carrying goods either on own account or for hire and reward from operating efficiently across the EU. According to information provided by the leasing industry and official statistics, almost 10% of all goods vehicles in the EU are currently rented or leased (some 3.5 million out of a total of 36 million vehicles in 2014). The share of rented or leased vehicles is somewhat higher among heavy goods vehicles (those with a maximum mass above 3.5 tonnes): here, roughly 1 million out of 6 million vehicles (i.e around 16%) are subject to a renting or leasing contract. Among light commercial vehicles (goods vehicles with a maximum mass up to 3.5 tonnes), the share of rented or leased vehicles is only half as high: 2.5 out of 30 million light commercial vehicles in the EU (i.e some 8%) are estimated to be rented or leased.12 8 See also COM(2015) 550 final of 28.10.2015 9 See Article 1 lit (b) of Directive 2006/1/EC. 10 An overview of various types of renting and leasing is provided in Table 2 below. 11 See, for instance, WHITE PAPER. Roadmap to a Single European Transport Area - Towards a competitive and resource efficient transport system. COM(2011) 144 final of 28.3.2011 12 See also Ex-post evaluation of Directive 2006/1/EC on the use of vehicles hired without drivers for the carriage of goods. Final report, SWD(2017)xxx. 6 The leasing industry estimates that the share of rented or leased vehicles among newly registered heavy goods vehicles is at least 40%. At the beginning of their lifetime, many goods vehicles are subject to some rental or leasing scheme - some of which have been defined precisely to promote the introduction of new vehicles and new technologies in the market. After some years, most of them switch into ownership. Restricting the use of hired vehicles hence also hinders the market uptake of new vehicles and new technologies. 2.1.1 LEGAL BACKGROUND The legislative framework governing the use of hired goods vehicles in the EU is provided by Directive 2006/1/EC, which is a codification of Council Directive 84/647/EEC13 as amended by Council Directive 90/398/EEC14. Its provisions have hence not been changed for more than 25 years. The Directive applies to all goods vehicles, be they light commercial vehicles (LCVs; maximum mass up to 3.5 tonnes) or heavy goods vehicles (HGVs; >3.5 tonnes), motorised (rigid truck, road tractor) or non-motorised (trailer or semi-trailer) and to combinations of these (Article 1, lit (a)). It does not apply to passenger vehicles (e.g buses and coaches). It also applies to all forms of hiring, from (predominantly short-term) renting to (predominantly long-term) leasing, as long as the vehicle is put at the disposal of the undertaking hiring it.15 The Directive provides a minimum level of liberalisation as regards the use of hired goods vehicles for both national and international transport operations. It requires Member States to ensure that their undertakings may use, for the carriage of goods by road, hired vehicles under the same conditions as vehicles owned by them as long as the hired vehicles are registered or put into circulation in compliance with the laws in their countries. This general rule is however subject to some specific conditions which have to be met should the use of hired goods vehicles be allowed in international transport operations. Member States cannot forbid the use within their territory, for the purpose of traffic between Member States, of vehicles hired by undertakings established on the territory of another Member State provided the following four conditions are met: 1) the vehicle is registered or put into circulation in compliance with the laws of the Member State where the undertaking hiring it is established; 2) the contract relates solely to the hiring of a vehicle without a driver and is not accompanied by a service contract concluded with the same undertaking covering driving or accompanying personnel; 3) the hired vehicle is at the sole disposal of the undertaking using it during the period of the hire contract; and 4) the hired vehicle is driven by personnel of the undertaking using it. Proof of compliance with these four conditions is to be provided by means of a number of documents which have to be on board the vehicle. 13 OJ L 335, 22.12.1984, p. 72. 14 OJ L 202, 31.7.1990, p. 46. 15 See COM(83) 266 final of 18.5.1983, p. 4, available at   [*http://aei.pitt.edu/32381/1/COM\_(83)\_266\_final.pdf*](http://aei.pitt.edu/32381/1/COM_(83)_266_final.pdf) 7 The Directive also allows Member States to exempt own-account transport operations (i.e manufacturers, trading companies etc. carrying their own goods) with vehicles with a total permissible laden weight of more than 6 tonnes from the scope of the Directive (Article 3(2) of the Directive), i.e Member States can forbid it, if they wish to do so. Member States are free to lay down less restrictive conditions for the use of hired goods vehicles (Article 4), which underlines the character of the Directive as providing a minimum level of liberalisation: Member States cannot forbid the use of hired goods vehicles when the conditions set out in the Directive are fulfilled. They may restrict it otherwise, but they don't have to. 2.1.2 EVALUATION OF DIRECTIVE 2006/1/EC In 2015, the Commission carried out an ex-post evaluation of Directive 2006/1/EC.16 It was supported by an external contractor that ***produced*** a study to this effect.17 The Commission Staff Working Document on the ex-post evaluation18 clearly establishes shortcomings of the Directive both in achieving its own objectives and in its coherence with today's policy priorities. These shortcomings are related to the discretion which the Directive gives Member States in restricting the use of hired vehicles. 2.2 WHAT IS THE PROBLEM AND WHY IS IT A PROBLEM? The following problems with the current Directive have been identified in the course of the evaluation and in earlier attempts to amend the Directive: 1. Own account operators in certain Member States cannot use hired goods vehicles and take advantage of the benefits associated with their use Article 3(2) of the Directive allows Member States to restrict the use of hired goods vehicles with a maximum mass above 6 tonnes for own account transport activities. According to information available to the Commission, four EU Member States currently make use of this possibility: Greece, Italy, Spain and Portugal. As a consequence, own account operators in these four countries cannot benefit from the increased flexibility and the higher productivity associated with the use of hired goods vehicles. The four Member States together account for 11.5% of total road haulage activity on own account in the EU. However, at 23%, their combined share in total road haulage activity for hire and reward in the EU is twice as high. As restrictions on the use of hired goods vehicles for own account transport activities negatively influence the development of the vehicle renting and leasing sector, they also have a negative impact on professional road haulage operators who may not benefit from the advantages of a fully developed and competitive vehicle renting and leasing sector (see also problem 2 below). Own-account operators in countries with restrictions regarding the use of hired heavy goods vehicles have two options: either they buy a vehicle to transport their own goods or they ask a professional haulage operator to carry the goods for hire and reward. Stimulating the demand 16 Agenda ***planning*** 2015/MOVE/111. 17   [*https://ec.europa.eu/transport/sites/transport/files/facts-fundings/evaluations/doc/2016-ex-post-evaluation-of-directive-2006-1-ec-final-report.pdf*](https://ec.europa.eu/transport/sites/transport/files/facts-fundings/evaluations/doc/2016-ex-post-evaluation-of-directive-2006-1-ec-final-report.pdf) 18 SWD(2017)xxx 8 for professional road haulage operators has traditionally been one of the justifications for the restrictions on the use of hired vehicles for own account operators.19 However, instead of outsourcing the transport activity to professional road haulage operators, many own account operators without access to hired goods vehicles use their own vehicles instead. Vehicles owned by own account operators tend to be underutilised. This appears to apply in particular to own account operators in Member States that restrict the use of hired goods vehicles: the share of empty runs during own account operations in Greece, Italy, Spain and Portugal is significantly above the corresponding share in Member States without such restrictions.20 As hired vehicles are generally newer, safer and less polluting than the average fleet21, restricting their use for own account transport operations - which in Greece account for no less than 55% of total vehicle mileage in road freight transport - also has negative impacts on road safety, air quality and the fight against climate change. It is not surprising in this context that Member States with restrictions on the use of hired goods vehicles for own account transport operations are among those with the highest share of old and very old vehicles being used in road transport.22 As the four Member States may already now remove all their restrictions related to the use of hired goods vehicles by own account operators and hence create all the opportunities mentioned above, the question why they don't do so and how they justify the restrictions needs to be addressed. Next to the argument that it would stimulate the professional road haulage sector (see above), another aspect that has been brought to the Commission's attention is that the restrictions would prevent an increase in unfair competition by own account operators. It is argued that by being able to hire vehicles, their access to vehicles would be facilitated. Competition would be unfair because own account operators do not have to respect the same rules as professional operators for hire and reward. The Italian authorities indicated that this was already an issue in their country and they would not want to increase it. It is however questionable whether these arguments are valid. The Commission has not heard from any authority of a Member State which allows the use of hired vehicles for own account operations that it would want to restrict it again because of too much unfair competition. There seems therefore to be no proven link between liberalisation and increased unfair competition. In fact, when own account operators are 'forced' to buy their own vehicle (because they can't hire one) and that vehicle is then underutilised, they would have an incentive to engage in unfair competition with professional road hauliers, if only to increase the utilisation of the vehicle and thus make the purchase worthwhile. As mentioned above, many own account operators choose the option of buying their own vehicle instead of outsourcing the transport activity. It is therefore unclear how the restrictions could stimulate the professional road haulage sector. 19 Cf. Council document 10207/89, p.3 20 See Ex-post evaluation of Directive 2006/1/EC; SWD(2017) xxx. 21 Hired commercial vehicles are on average 4-6 years younger than the overall fleet. See Ex-post evaluation of Directive 2006/1/EC; SWD(2017) xxx. 22 Eurostat data for 2015 suggest that the share of vehicles older than 10 years in total mileage (vehicle-km) is highest in Greece (63%), Cyprus (39%), Bulgaria (38%), Poland (34%), the Czech Republic (30%), Portugal (30%) and Spain (26%); EU average: 17%. For Italy, no full vehicle-km data are available. 9 2. Vehicle hiring markets in Member States with restrictions remain underdeveloped The evaluation of the Directive has revealed that the hired vehicle market is relatively underdeveloped in the four Member States which impose restrictions on the use of hired vehicles for own account operations. An indicator for relative underdevelopment is a comparison of the share of each Member State in EU GDP with the respective share in total turnover in the economic sector 'renting and leasing of trucks' (NACE rev. 2 code: N 77.12). It shows clearly that in Italy, Greece and Portugal, the share in total EU turnover in the sector 'renting and leasing of trucks' is significantly smaller than the respective share in EU GDP. Figure 1 - Share in EU GDP and in total EU turnover in the economic sector 'renting and leasing of trucks' in 2014 Note: No data (on the share in EU turnover of sector N 77.12) available for CZ, EE, IE, ES, LU, MT and NL. Source: Eurostat structural business statistics. As Figure 1 above shows, the absence of restrictions on the use of hired vehicles for own account operations in itself appears not to be a sufficient condition for a strong development of the sector 'renting and leasing of trucks' (as other factors appear to hold back the sector in countries such as Romania, Slovakia or Slovenia where there are no such restrictions). But the absence of restrictions appears to be a necessary condition for a strong development of the sector as no country with restrictions shows a strong performing truck-renting sector. Feedback received from leasing companies suggests that they do not consider entering these markets because of the restrictions. As a consequence, fewer companies are active in the vehicle leasing business in these Member States which in turn reduces competition in the sector. This leads to less choice and higher prices for those who are allowed to use hired goods vehicles. As a result, the competitiveness of transport operators who provide road haulage services for hire and reward risks being compromised - quite the opposite of the intention to stimulate the road haulage sector by restricting the use of hired goods vehicles for 0.0%5.0%10.0%15.0%20.0%25.0%30.0%35.0%40.0%DEUKFRITSEPLBEATDKFIELPTROHUSKHRBGSILTLVCYShare in EU GDP and in EU turnover in 'renting and leasing of trucks' in 2014share in total EU GDPshare in total EU turnover of sectorN 77.12 'renting and leasing of trucks' 10 own account operators. It should be noted in this context that the four countries in question together account for almost a quarter (23%) of total road haulage activity for hire and reward in the EU and a similar share (24%) in employment in the road haulage sector. 3. Patchwork of restrictions and uncertainty concerning the use of hired goods vehicles in different Member States The Commission identified already in 1989 that allowing Member States to restrict the use of hired goods vehicles in certain market segments and under certain conditions resulted in 'unequal application of the Directive' in the 12 Member States of the European Community. To reduce this unequal application of the Directive, it proposed to delete some provisions which allowed Member States to impose restrictions on the use of hired goods vehicles. Experience gathered from stakeholders also suggests that the differing rules related to the use of hired goods vehicles in the Member States of the EU is confusing for operators and may lead to fines in other Member States where the rules differ from the ones known by an operator from his Member State of establishment. The cross-border use of hired goods vehicles is guaranteed by the Directive if the vehicle has been hired in the Member State of establishment of the undertaking hiring it. However, if the vehicle has been hired in another Member State, then Member States may forbid their use for international transport operations on their territory. Spain has been reported in the past to have forbidden the use of hired vehicles if they had not been hired in the country where the undertaking using them was established. For instance, if an operator from Luxembourg had hired a vehicle in nearby Metz (France) and driven to Spain, he would have been fined for using it on Spanish territory.23 Table 1 - Summary of restrictions concerning the use of hired vehicles registered in another Member State Restriction Number of Member States List of Member States Use of vehicles hired in another Member State by national operators No restrictions 8 BG, ES, FR, CY, NL, SI, SK, UK Maximum period after which registration is required 7 AT, PL (1 month), LV, RO (3 months), BE, CZ (6 months), SE (12 months) National registration of (motor) vehicle required (usually within 20 days) 13 DK, DE, EE, IE, EL, HR, IT, LT, LU, HU, MT, PT, FI Use of vehicles hired in another Member State by operators established in that Member State Allowed 28 (allowed in all MS as provided for in Article 2(1) of the Directive) Use of vehicles hired in a third Member State by operators from another Member State Allowed (assuming Community licence in place) 18 BG, DE, EE, EL, FR, HR, IT, CY, LT, HU, MT, NL, AT, RO, SI, FI, SE, UK No information 10 BE, CZ, DK, IE, ES, LV, LU, PL, PT, SK Source: Ex-post evaluation of Directive 2006/1/EC - Final report. 23 The current situation in Spain is somewhat unclear: According to information received by the Commission, the legal framework appears not to have been changed, while 'the infringement' has disappeared from the enforcement manual and appears no longer to be enforced. 11 The main issue brought up in the public consultation was the patchwork of rules that apply to the use of hired goods vehicles in the EU. Two thirds of all respondents (11 out of 17) found the unclear implementation of the existing rules concerning the use of hired goods vehicles an important problem. Three quarters (19 out of 25) thought that the presence of different restrictions across EU Member States related to the use of hired goods vehicles above 6 tonnes by own account operators would create a complicated legal framework that caused uncertainty for firms and transport operators. No fewer than 84% of all respondents (21 out of 25) thought that the complicated legal framework related to the use of a goods vehicle that has been hired in another Member State was causing uncertainty for firms. In some Member States, the rules which apply to the use - on their territory - of vehicles hired by a national operator abroad differ from those that apply to the use of vehicles hired by a foreign operator outside his country of establishment. In the former case, the rules depend on the period that an operator may use a vehicle registered abroad before it has to be re-registered in his country of establishment. In the latter case, most Member States appear to require the certified copy of a valid Community licence (which is anyway required to be able to provide international road haulage services in the EU24). 4. Undertakings active in the vehicle rental / leasing business and transport operators cannot make the most efficient use of their fleet (e.g by moving vehicles around to respond to temporary demand peaks) Existing restrictions concerning the use of vehicles registered in another Member State can also be an obstacle to the flexibility of operations and the capacity to cope with seasonal fl

uctuations, both for vehicle hiring firms and for hauliers. For vehicle hiring firms, the main issue is that they cannot use their vehicles registered in one Member State to meet supply gaps and seasonal demand in other Member States. Establishment in another country just to meet seasonal demand peaks is not always an economically viable option. Yet, even if they were established in several Member States, they would have to keep additional spare capacity in each Member State in order to be able to meet seasonal variations. This point has been made by the leasing industry on several occasions, in the public consultation and during the stakeholder interviews. An alternative to keeping additional spare capacity would be de-registering the vehicles in the Member State where they happen to be registered and re-registering them in the Member State where they are needed. However, this would entail a significant administrative burden and costs estimated at around EUR 400 per vehicle.25 Particularly in the context of short-term rental for a few days or months, the de-registration and re-registration of vehicles is most probably not a viable option. From the point of view of transport operators, the presence of such restrictions means that they face limitations in their options of hiring vehicles from other Member States that may better meet their needs or that would cost less to hire abroad than in the Member State where they are established. The representatives of haulage operators that responded to the open public consultation considered that the restrictions represented important limitations to the flexibility of transport operations and the competitiveness of the sector. 24 See Regulation (EC) No 1072/2009, OJ L 300, 14.11.2009, p. 72. 25 Cf. SWD (2012) 81 final of 4.4.2012, p. 20. 12 Right now, not much cross-border hiring activity has been reported by the stakeholders, although it would be allowed in some countries up to a certain period of time (e.g in Belgium for up to 6 months). Only 11% (14 out of 130) of the respondents to the SME panel questionnaire indicated that they had experience in hiring a goods vehicle abroad. One of the reasons given for this low level of cross-border hiring is the legal uncertainty created by the patchwork of rules in the EU (see point 3 above). In case there were clear rules on the use of vehicles in the internal market which have been hired in another Member State, all 50% of the respondents who had a clear view indicated they would consider starting or increasing their use of such vehicles (the other half of respondents said they didn't know). In the absence of any clear data, it is very difficult to describe the magnitude of the problem. Demand for cross-border hiring is assumed to be short-term only - it would hence not affect (predominantly long-term) financial leasing, but only (predominantly short-term) vehicle renting and operational leasing. Assuming that 1% of all hired vehicles subject to vehicle renting and operational leasing contracts would be hired in another Member State once the use of such vehicles in the internal market was guaranteed by EU legislation (at least for a certain period of time), this would affect some 18,000 vehicles today and around 32,000 vehicles in 2030 (assuming an average annual growth rate of 3.8%, see below). If these vehicles were no longer required to undergo the de-registration and re-registration procedure costing EUR 400 per vehicle, it would save the operators some EUR 12.8 million in 2030. As with problem 1 identified above, the question comes up why not all Member States do already today allow the use of vehicles which have been hired in another Member State. The current Directive would allow any less restrictive rules. However, many Member States fear that by allowing the use of a vehicle hired (and registered) in another Member State, they would incentivise tax optimisation through large-scale out-flagging of the fleet of their operators to Member States with lower vehicle taxes. The vehicles would hence be registered in a lower-tax Member State and hired back by operators based in the higher-tax Member State. The fear of losing tax revenues has already been brought up in the discussions in the Council of a proposal that intended to liberalise the cross-border hiring market in 1995.26 In 2012, the Commission adopted a proposal for a regulation simplifying the transfer of motor vehicles registered in another Member State within the Single Market.27 It foresees among others that the use of a vehicle registered in another Member State shall not be restricted for up to 6 months before it has to be registered in the Member State where the holder of the registration certificate has moved his normal residence. The adoption of the regulation by the co-legislators is currently on hold.28 If it was adopted as such by the co-legislators, the use of a vehicle hired in another Member State should also be possible for up to 6 months. This would however likely only apply to the Member State where the undertaking hiring the vehicle is established. It would not guarantee the use of the hired vehicle in a third Member State. For that reason, an amendment of Directive 2006/1/EC may in such an event be even more necessary to provide legal clarity for operators aiming to use the hired vehicle across the EU. 26 COM(95) 2 final of 13.2.1995 27 COM(2012) 164 final of 4.4.2012 28 The European Parliament adopted its first-reading position in July 2013; the Council has however not adopted a position on it yet - more than 5 years after transmission of the file to the co-legislators. See here: [*http://eur-lex.europa.eu/procedure/EN/2012\_82*](http://eur-lex.europa.eu/procedure/EN/2012_82). 13 2.3 WHAT ARE THE MAIN PROBLEM DRIVERS? As indicated in the problem tree (see Figure 4-1 in Annex 4), there are three underlying problem drivers: Problem driver 1: The use of hired vehicles with a maximum mass above 6 tonnes can be restricted for own account operations Problem driver 2: The use of goods vehicles that have been hired outside the Member State where the undertaking hiring it is established can be restricted. Problem driver 3: The rules related to the use of vehicles hired in another Member State differ from one Member State to another. Problem driver 1 directly affects problem n° 1 described above as own account operators in Member States with restrictions cannot use hired goods vehicles with a maximum mass above 6 tonnes and are thus prevented from benefitting from the advantages associated with the use of hired goods vehicles. It also affects problem n° 2 above as restrictions on the use of hired goods vehicles for own account operators reduce the potential market for the vehicle hiring/leasing sector. The market reduction thus imposed can be quite significant (up to 55% in Greece). Problem driver 1 also directly affects problem n° 3 above, as it allows Member States to impose their own restrictions, independent of other Member States. Problem driver 2 directly affects problem n° 4 above as Member States are not obliged to allow on their territory the use of goods vehicles which either domestic operators have hired in another Member State or which foreign operators have hired outside their own country. As the use of goods vehicles hired (and therefore registered) in another Member State can be forbidden, both vehicle hiring/leasing companies and transport operators cannot move their vehicles to where they are most needed. Instead they may have to keep spare vehicles in each Member State to cope with additional temporary demand. These vehicles risk not being used as efficiently as possible which lowers the productivity of the undertakings concerned. Problem driver 3, directly related to problem n° 3 above, is not uncommon whenever Member States are able to adopt their own rules. To the extent that the rules related to the use of goods vehicles that have been hired in another Member State (or for professional transport operators: goods vehicles hired in a Member State other than the one that has issued the Community licence) differ from one Member State to another, operators are faced with a patchwork of rules which creates uncertainty and generates additional compliance costs. 2.4 WHO IS AFFECTED BY THE PROBLEM, IN WHAT WAYS, AND TO WHAT EXTENT? WHOSE BEHAVIOUR WOULD HAVE TO CHANGE TO IMPROVE THE SITUATION? The current restrictions on the use of hired vehicles have a direct or indirect impact on the following stakeholders: Own account operators (i.e companies coming from a range of economic sectors that carry their own goods around) in the 4 Member States with restrictions that have no/limited access to a functioning and competitive market of hired goods vehicles and the relevant services and which, as a result, do not have the flexibility provided by hired goods vehicles and hence may face higher operating costs and a reduced capacity to renew their fleet. 14 Road haulage operators for hire and reward are restricted in terms of their capacity to use vehicles registered in another Member State. Furthermore, to the extent that restrictions imposed on the hiring of goods vehicles for own account operations limit the overall development of the hired vehicles market, transport operators are also affected. Since the majority of road haulage enterprises are SMEs, limited access to the hired vehicles market may limit their capacity to respond to demand fluctuations, to improve their cash flow and to spread the additional cost of newer technologies over time. Furthermore, hire and reward operators involved in international transport operations that make use of hired vehicles may also be affected by the presence of different restrictions across the EU concerning the use of hired vehicles registered in another Member State. They face a legal patchwork which can create uncertainty and can lead to penalties in some Member States. Vehicle hiring firms across the EU are restricted in accessing specific national markets. They cannot access and satisfy existing or dormant demand and cannot make the most efficient use of their vehicle fleet to meet seasonal variations. They also face a complicated legal framework with different restrictions in each Member State that require resources to ensure compliance. Around 6,500 enterprises are active in the renting and leasing of trucks in the EU, the majority of which are SMEs with only a few large multinational enterprises. Some 33,000 enterprises are active in renting and leasing of cars and light motor vehicles, part of which (those involved in the leasing of vans) may also be affected. National authorities are not particularly affected by the legislation in its current form since the monitoring and enforcement costs are generally limited across the EU. Loss of tax revenues from hired vehicles (acquisition and circulation taxes) was not identified as an important issue in the ex-post evaluation, but possible changes leading to increasing use of vehicles registered in another Member State may have implications on the level of national tax revenues. Indirectly, firms making use of transport services may also be affected to the extent that they cannot benefit from reduced costs of transport operations. However, the ex-post evaluation did not identify this as an important group affected by the existing restrictions. Finally, society in general is potentially affected by worse air quality due to an on average older vehicle fleet being used in Member States with restrictions (the fleet of hired goods vehicles tends to be newer, greener and cleaner than the overall fleet). This is likely to be marginal in terms of impact on air quality, but is worth acknowledging nonetheless. 2.5 WHAT IS THE EU DIMENSION OF THE PROBLEM? The problems mentioned above are mainly due to the possibility of Member States to adopt their own rules and restrictions with regard to the use of hired goods vehicles in specific market segments or, for international operations, in case some conditions are not met. In this context it is important to recall that the provision of road transport services is to a significant extent a transnational business; one third of all international road haulage activities in the EU are international transport activities. In the absence of harmonised rules at EU level, operators active in international road transport activities are faced with a patchwork of rules which hampers their ability to operate 15 efficiently throughout the EU and makes their life more difficult than it needs to be. Providing a harmonised legal framework across the EU would contribute to solving the issues identified above. 2.6 HOW WOULD THE PROBLEM EVOLVE, ALL THINGS BEING EQUAL? The Directive has not been changed for more than 25 years. Before it was last amended in 1990, 5 of the 12 Member States of the then European Community applied minimum hire periods and 6 of them exempted own account operations from the scope of the Directive.29 The 1990 amendment (Directive 90/398/EEC) abolished the possibility to impose minimum hire periods and limited the exemption of own account transport to the use of vehicles above 6 tonnes. Of the six Member States which restricted the use of hired goods vehicles for own account purposes in 1989, only two (Denmark and Germany) have meanwhile completely abolished these restrictions. The other four (Greece, Italy, Spain and Portugal) are still applying their restrictions to vehicles above 6 tonnes. In the absence of an EU initiative, the rules governing the use of hired vehicles in the Member States of the EU will likely not change any time soon. Transport operators and vehicle renting and leasing firms would continue to face diverging restrictions across Member States. Operators in the four Member States which still restrict the use of vehicles above 6 tonnes for own account operators would continue to be restricted in their economic freedom and would continue to be faced with a relatively underdeveloped vehicle renting and leasing market. Authorities from Italy and Portugal have made clear that they see no need to change the rules. In relation to the use of goods vehicles that have been hired in another Member State, there is again no indication that Member States will introduce changes to existing provisions in the absence of EU action. Possible changes may happen as a result of the proposal for a 'Regulation simplifying the transfer of motor vehicles registered in another Member State within the Single Market'30 which foresees that 'a Member State may only require the registration on its territory of a vehicle registered in another Member State if the holder of the registration certificate has his normal residence on its territory' and grants a 6-month grace period for doing so. It may provide for a similar grace period for the use of a vehicle hired abroad, at least in the Member State where the undertaking hiring it is established. However, the proposal faces strong opposition from some Member States in the Council and is currently on hold (see also point 4 of section 2.2 above). 29 See COM(89) 430 final of 13.9.1989, p. 2. 30 COM(2012) 164 final of 4.4.2012 16 3. THE RIGHT OF THE EU TO ACT 3.1 LEGAL BASIS The legal basis for this initiative is Title VI (Transport) of the Treaty on the Functioning of the EU (TFEU), in particular Article 91 TFEU. It states, inter alia, that the European Parliament and the Council shall lay down common rules applicable to international transport to or from the territory of a Member State, or passing across the territory of one or more Member States, as well as the conditions under which non-resident carriers may operate transport services within a Member State. In accordance with Article 100 TFEU, the provisions of Title VI apply among others to road transport. 3.2 ANALYSIS OF SUBSIDIARITY AND ADDED VALUE OF EU ACTION31 Road transport is increasingly international. The share of international road freight transport activity in total road freight transport activity in what is now the EU-28 has gone up from around 28% in 2000 to almost 36% in 2014.32 The EU can provide a harmonised legal framework in the increasingly integrated internal road transport market. Without EU ***intervention***, Member States would not provide the level playing field that is needed in the internal market. The existing patchwork of national rules can only be overcome through EU action. A harmonised legal framework will reduce compliance and enforcement costs across the EU. As the Directive currently allows Member States to restrict the use of hired vehicles under certain conditions, reducing the scope of Member States to impose restrictions on the use of hired vehicles requires amending the Directive which can only be done at EU level. Although own account operations are mainly national (in terms of tonne-km, only about one eighth of all own account activities in the EU are international)33, opening up the own account market for the use of hired goods vehicles could have effects across economic sectors and across borders as more vehicle leasing companies, some from abroad, will be attracted to the new market, and as national transport operators for hire and reward will benefit from more choice and greater competition in the vehicle leasing market. In an integrated road transport market, changes to the framework conditions under which road hauliers operate in one market are bound to have an impact on road hauliers in other markets. The creation of a level playing field in the EU requires a harmonisation of the framework conditions across Member States. This can only be done at EU level. 31 The analysis of subsidiarity and the proportionality of different policy options is discussed in more detail in section 7.4 32 See EU transport in figures. Statistical Pocketbook 2016, Tables 2.2.4b and 2.2.4c; online available under   [*http://ec.europa.eu/transport/facts-fundings/statistics/pocketbook-2016\_en*](http://ec.europa.eu/transport/facts-fundings/statistics/pocketbook-2016_en) 33 Source: Eurostat transport statistics. 17 4. OBJECTIVES 4.1 GENERAL POLICY OBJECTIIVE The general objective (GO) of the revision of the Directive is to support the further integration of - and the creation of a level playing field in - the EU road transport market in line with the political priority of the Commission for the period 2014-2019 to create a fairer and deeper internal market with a strengthened industrial base. This should increase the efficiency and competitiveness of the road haulage sector which ultimately will translate into a more competitive European economy, more jobs and higher economic growth. 4.2 SPECIFIC OBJECTIVES Specific objective 1 (SO1): Ensure equal access to the market for hired vehicles for transport operators across the EU This specific objective directly addresses problems number 1 and 2 identified in section 1.2 Access to the market for hired vehicles currently depends on the Member State where the transport undertaking is established. For instance, if it wants to carry its own goods in Greece, Italy, Spain and Portugal, the undertaking cannot hire a goods vehicle for that purpose. If it is established in a small Member State, it may not be able to use vehicles hired in a neighbouring bigger Member State with a much larger market for hired vehicles. Specific objective 2 (SO2): Ensure harmonised regulatory framework across the EU As long as Member States are free to restrict the use of hired vehicles, and be it only under certain conditions, the legislative framework differs from one country to another and thus creates a patchwork of rules. This objective hence directly addresses Problem No 3. A harmonised regulatory framework puts all players in the same position and reduces uncertainty among market actors thus also addressing Problem No. 4. Specific objective 3 (SO 3): Enable transport operators to perform their transport activities in the most efficient way possible The use of hired vehicles as opposed to the use of vehicles owned by operators can contribute to a better allocation of resources as operators do not have to spend their capital on vehicles which may then be underused and as hired vehicles tend to have a higher utilisation rate than vehicles owned by operators. In addition the use of hired vehicles can lower costs of operators as hired vehicles are on average younger and better maintained, hence more reliable and more fuel efficient. Hiring vehicles - if needed across borders - allows operators to flexibly adapt their fleet to short-term needs of the market such as temporary or seasonal demand peaks. This SO aims at addressing all four problems identified in section 1.2 Specific objective 4 (SO4): Reduce the negative externalities of road transport from heavy goods vehicles Road transport generates a number of negative effects both on society (e.g accidents, fatalities) and the environment (e.g air pollution, GHG emissions) which the EU wants to reduce: it has adopted numerous legislative acts to make road vehicles cleaner and safer.34 Promoting the use of the cleanest and safest vehicles can contribute to achieving this objective. It also supports the objectives of the Energy Union, in particular the European strategy for low-emission mobility.35 34 See COM(2010) 389 final of 20.7.2010 35 COM(2016) 501 final of 20.7.2016 18 5. OPTIONS This section addresses the possible options for meeting the objectives defined in section 3 above and tackling the problems identified in section 1. Based on a study carried out by external consultants as well as on the stakeholder consultation, the Commission first identified a list of policy measures which have the potential to address the problem drivers described above. In the course of the impact assessment process, the Commission refined this analysis and has looked into different forms of ***intervention*** by considering which issues have a potential of being solved either through soft law measures or through hard law measures. As a consequence, a couple of options were discarded (see section 5.2). 5.1 BASELINE SCENARIO 'NO ACTION AT EU LEVEL' This option does not entail any action at EU level. This option would hence imply no costs or other impacts to be assessed. However, it would not address the problems identified above unless they would disappear by themselves. This is not expected to happen for the reasons given. Nevertheless, to understand the impact of the other policy options, which are assessed against the baseline, it is important to look at what the situation would be like if nothing was done. 5.1.1 BASELINE LEGISLATIVE DEVELOPMENT By definition, the baseline assumes that Directive 2006/1/EC will remain unchanged. Other legislative acts which may have an impact on the use of hired vehicles such as the three Regulations forming the 2009 road package36 may be changed but the provisions related to hired vehicles or making explicit reference to Directive 2006/1/EC are expected not to be touched. Among others, these provisions make sure that hired vehicles are treated in the same way as vehicles owned by operators when it comes to complying with one of the conditions for stable and effective establishment as a transport operator37 and regarding the issuance of certified copies of the Community licence in both road freight and road passenger transport.38 The baseline also assumes that the Proposal for a Regulation on simplifying the transfer of motor vehicles registered in another Member State within the Single Market39 is withdrawn and the current fragmented legislation at national level persists. The proposed Regulation aims at removing the obligation of re-registration of vehicles for a period of up to 6 months when the holder of the registration certificate moves his normal residence to another Member State. It could have implications in a situation where an operator hires a vehicle for up to 6 months in another Member State. Given the lack of progress in the Council,40 it is unlikely that the proposal will ever be adopted. In the (unlikely) event that the Regulation was adopted by the co-legislators, Member States would have to allow the use of vehicles registered abroad for up to 6 months. This would then contradict with the provisions of the Directive which allows Member States to restrict the use of vehicles that have not been hired in the Member State where the undertaking hiring it is established. In other words, it would make an amendment of the Directive even more urgent. 36 Regulations (EC) No 1071/2009, (EC) No 1072/2009 and (EC) No 1073/2009; OJ L 300, 14.11.2009 37 Article 5 of Regulation (EC) No 1071/2009. 38 Article 4 of Regulation (EC) No 1072/2009 (freight transport) and Article 4 of Regulation (EC) No 1073/2009 (passenger transport). 39 COM(2012) 164 final of 4.4.2012 40 More than 5 years after the proposal has been submitted to the two co-legislators, the Council still has not adopted a position on it; see also here:   [*http://eur-lex.europa.eu/procedure/EN/2012\_82*](http://eur-lex.europa.eu/procedure/EN/2012_82) 19 5.1.2 BASELINE MARKET DEVELOPMENT This section looks at the expected evolution of the market for hired vehicles until 2030 without changes to the Directive. When developing the baseline, it is important that all types of vehicles potentially affected by changes to the Directive are covered. The Directive applies to 'motor vehicle[s], trailer[s], semi-trailer[s], or combination[s] of vehicles intended exclusively for the carriage of goods'. As the Directive does not specify a weight limit, all goods vehicles are covered, be they light (light commercial vehicles, vans, with a maximum mass up to 3.5 tonnes) or heavy (heavy goods vehicles with a maximum mass above 3.5 tonnes), motorised (rigid trucks and road tractors) or non-motorised (trailers and semi-trailers). Trailers and semi-trailers can already be freely hired and used all across the EU without restrictions (facilitated by Regulation (EC) No 1072/2009), so there is no need to include them in the baseline. There is a variety of vehicle renting and leasing forms (see Table 2 below). While they are all covered by the Directive, not all of them are relevant for the baseline as some are not affected by the proposed changes to the Directive. As financial leasing is exempted from the restrictions on own account transport in all four Member States with such restrictions41 and as it is long-term (>1 year), it will not be affected by Options 1a (which abolishes the restrictions for own-account operations), 1b (which allows the use by an operator from one Member of a vehicle hired in another Member State for 3-4 months) and 1c (which combines both 1a and 1b). It is not relevant for Option 2 either. By contrast, vehicles subject to renting and operating leasing are clearly relevant for the development of the baseline. Table 2: Typology of typical leasing and rental contract types and whether they are affected by the proposed changed to the Directive Type of truck lease/rental Vehicle on lessee's balance sheet? Contract term Vehicle registra-tion Pre-mature termi-nation? Vehicle insurance Purchase option? Affected by proposed changes in Directive? Financial leasing Yes Transport operator No Option Yes No Financial leasing with services Yes Transport operator No Option Yes No Rental with BuyBack without services No Transport operator No Option No Yes Rental with services No Transport operator No Option Yes Yes Full service operating leasing No Transport operator No Option Yes Yes Pool rental (all inclusive\*, no split) No 1 day - 36 months Supplier / rental company Yes Standard No Yes Note: \* excluding driver and fuel. Source: Ricardo (2017). 41 Ricardo (2017). 20 The base year estimate for the number of hired commercial vehicles in renting and operating leasing has been derived using vehicle stock data from Eurostat and national statistical offices (available for all Member States), data on the stock of leased vehicles from a selection of Member States provided by Leaseurope42 and an extrapolation to the Member States where no information on the leased vehicle stock was available. This extrapolation was based on the share of leased vehicles in the total vehicle stock. As this share is higher in mature markets than in developing markets, the 28 EU Member States were divided in 11 mature markets (BE, DK, DE, FR, IT, LU, NL, AT, FI, SE and UK) and in 17 developing markets (BG, CY, CZ, EE, IE, EL, ES, HR, LV, LT,HU, MT, PL, PT, RO, SI and SK). As a rule, Western and Northern European markets are considered to be mature, while Southern and Eastern European markets still have some significant growth potential.43 The result of this exercise for the whole EU is given in Table 3 below.44 Table 3 - Amount of hired (i.e both rented and leased) goods vehicles in the EU-28 in 2014 Type of vehicle Total stock of goods vehicles in EU-28 Of which total hiring (i.e renting & leasing) Share in total stock (%) Of which renting and operating leasing Share in total hiring (%) Share in total stock (%) Light commercial vehicles (LCVs) (<3.5 tonnes) 29.8 million 2.5 million 8.4% 1.42 million 56.7% 4.7% Heavy goods vehicles (HGVs) (>3.5 tonnes) 6.1 million 1.0 million 15.6% 0.33 million 34.8% 5.4% Total 35.9 million 3.5 million 9.6% 1.75 million 50.7% 4.9% Source: Leaseurope, Eurostat, national statistical offices. Data on overall commercial vehicle leasing (including all types of leasing and renting) in 17 EU Member States and Switzerland, provided by Leaseurope suggest that the number of new leasing contracts has grown at an average annual rate of 3.8% between 2010 and 2015, following a steep fall by around a quarter between 2008 and 2009 in the wake of the financial crisis. Although they could not be cross-checked by information from independent sources, the Leaseurope data for the years 2010 to 2015 are assumed to be reliable. In the absence of any more comprehensive data and estimates, it is assumed that the various types of leasing and renting have grown at the same robust rate since 2010 and will continue to do so in the future.45 The assumed annual average growth rate of 3.8% will lead to an overall increase in the hired vehicle market by 75% until 2030. With the size of the vehicle hiring market growing, more players are expected to enter the market which should increase competition and keep hiring rates in check. This in turn should strengthen the growth potential of the market. While 3.8% is assumed to be the average growth rate across the EU, the growth rate has been assumed to be lower in the 'mature markets' and higher in the 'developing markets'.46 Developing markets 42 Leaseurope is the European Federation of Leasing Company Associations (   [*http://www.leaseurope.org/*](http://www.leaseurope.org/)) 43 An important exception to the rule is Italy: It is a Southern European Member State with a clearly underdeveloped truck renting and operating leasing market (see Figure 1 above). However, for the purpose of this exercise, it had to be listed among the 'mature markets' as the share of hired and leased vehicles in Italy is already somewhat above those in developing markets. 44 Data for individual Member States are given in Tables 4-5 and 4-6 in Annex 4. 45 Cf. Ricardo (2017). 46 The assumption is based on feedback from the leasing industry. 21 have been divided once more into slow-growing markets (CY, EL, ES and PT) and fast-growing markets (the other developing markets identified above). This distinction is relevant for the calculation of the assumed development trajectories for the different market types. Fast-growing markets are expected to converge with mature markets more quickly than slow-growing markets.47 Figure 2: Market growth trajectories Note: In most cases, 2016 is assumed to be year 1; by 2030 year 15 is reached. Source: Ricardo (2017). As a result, under the assumed growth trajectories, the EU28 average share of light commercial vehicles held under rental / operating leasing contracts increases from some 5% in 2016 to around 8% in 2030. For heavy goods vehicles, the EU28 average share of vehicles under rental / operating leasing contracts increases from close to 6% in 2016 to about 9% in 2030. This means that the stock of light commercial vehicles under rental / operating leasing contracts will increase from some 1.5 million in 2016 to 2.6 million in 2030 while the stock of heavy goods vehicles under rental / operating leasing contracts is expected to grow from some 370,000 in 2016 to around 600,000 by 2030.48 5.2 DISCARDED POLICY OPTIONS Extension of the scope of the Directive to the use of vehicles hired with drivers The extension of the scope of the Directive to the use of vehicles hired with drivers has been suggested by some Member States in the discussions in the Council in 1995 on the Commission proposal for a Council Directive on the use of vehicles hired without drivers for the carriage of goods by road (COM(95) 2 final).49 This option has been discarded as it 47 Cf. Ricardo (2017). 48 Please note that the figures given here for 2016 are slightly higher than those given in Table 3 above as the latter refer to 2014 and the market has slightly grown since. 49 See Council document 6354/95. 22 would go beyond what is necessary to address the problems and to achieve the objectives identified above. Moreover, it would not be politically feasible in the current economic climate. There are risks that the liberalisation of the use of vehicles hired with a driver could in certain cases open the way to circumvent the social legislation related to road transport workers in a Member State. The extension would introduce a legally complex activity. Outsourcing the transport activity to a professional transport operator for hire and reward would be a less complex alternative. Complete liberalisation of the use of hired vehicles A complete liberalisation of the use of hired vehicles in the sense of allowing their use for all forms of carriage of goods (and passengers) by road at all times and everywhere in the internal market, without any restrictions related to the place of registration or the time period for renting would require over-riding all Member State legislation on vehicle registration rules. It would be a disproportionate measure as it would go beyond what is needed to solve the problems and to achieve the objectives identified above. Moreover, it would be politically unfeasible as Member States would fear losing revenues from vehicle taxation. Extension of the scope of the Directive to the use of hired buses and coaches The idea of providing similar rules as those that exist for the use of hired goods vehicles to the use of hired buses and coaches goes back to the Commission's 1992 White Paper.50 It was taken up by the Commission in the amended proposal for a Council Directive on the use of vehicles hired without drivers for the carriage of goods by road in 199651 where it said in a recital that it would envisage 'submitting a proposal for liberalizing the use of vehicles hired without drivers for the transport of passengers in other Member States'. However, no such proposal has been submitted to this day. When the initiative was launched to amend the Directive in 2016, the extension of the scope of the Directive to the use of hired buses and coaches was originally considered as one conceivable policy option. The consultation of stakeholders, of the public and of the SME panel, however, concluded that neither appeared there to be a problem (the sector was managing quite well without EU rules) nor was there a market for the hiring of buses and coaches without drivers. Whenever bus and coach operators are in need of additional buses and coaches, they usually subcontract to other bus and coach operators. Also in case of a breakdown of a vehicle abroad, operators usually contact partner companies and ask them to help out (usually hiring both coach and driver) until a replacement vehicle is available.52 It has therefore been decided to discard this option. In view of the recent and expected growth in the international transport of passengers by bus and coach in the wake of the recent liberalisation of the long-distance coach market in Germany and France and of the upcoming initiative of the Commission that foresees among others the EU-wide opening of long-distance coach services53, it may be appropriate to monitor the evolution of the market for hired buses and coaches in the coming years. 50 The future development of the common transport policy. A global approach to the construction of a Community framework for sustainable mobility; COM(92) 494 final of 2.12.92 51 COM(96) 115 final of 25.03.1996 52 For more information on the outcome of the public consultation and of the consultation of the SME panel on this issue, see Annex 2 (towards the end of 'Results of consultation activities'). 53 Cf. initiative n° 9 in Annex 2 to the Commission Work ***Programme*** 2017 23 5.3 POLICY OPTIONS ASSESSED The following policy options have been retained for analysis; their economic, social and environmental impacts will be discussed in detail in chapter 6. 5.3.1 OPTION 0: ISSUE GUIDELINES AND RECOMMENDATIONS This non-regulatory option foresees the issuance of recommendations and guidelines to clarify the application of the Directive and to promote a common approach in terms of the restrictions applied at national level concerning the use of hired goods vehicles for own account operations and of those registered in another Member State. 5.3.2 OPTION 1: TARGETED LEGISLATIVE AMENDMENTS This option foresees specific surgical changes to the existing Directive with a view to reducing the scope for Member States to restrict the use of hired vehicles. There are three sub-options: Option 1a: Allowing the use of hired goods vehicles for own account operators throughout the EU; this way, own account operators in the countries which currently still impose restrictions would be able to benefit from the advantages associated with the use of hired vehicles. Problems n° 1 and n° 2 identified above would be addressed; Option 1b: Allowing the use of goods vehicles which an operator established in one Member State has hired in another Member State for a certain period of time (3-4 months) e.g to meet temporary or seasonal demand peaks. This option would help addressing problems n°3 and n° 4 identified above. For a certain period of time (3-4 months), the use of vehicles hired in another Member State would no longer be subject to a patchwork of restrictions in the EU and firms could move their fleets across borders to meet short-term and seasonal demand peaks, thus increasing the flexibility and productivity of their operations. The period '3-4 months' has been chosen as it would allow meeting most of the temporary or seasonal demand peaks and if needed also the replacement of defective vehicles. It would hence provide sufficient flexibility to operators while at the same time enabling Member States to still have some control over the fleet which their operators use. It should be borne in mind in this context that the open public consultation was inconclusive on the question of the optimum duration of temporarily allowing the use of vehicles registered in another Member State. Moreover, national legislation does not indicate a common duration either. It is understood that while Member States have to allow the use of vehicles hired abroad under this Option for at least 3-4 months, they may impose a maximum hiring period, as long as that period is not shorter than the minimum hiring period of 3-4 months foreseen in the amended Directive. It is assumed that the rules in the Member State where the operator is established regarding the re-registration of a vehicle that has been hired (and is therefore registered) in another Member State are the only ones that restrict the use of a vehicle hired abroad.54 As Option 1b only foresees the use of vehicles registered in another Member State on a temporary basis and for no more than 3-4 months, it is assumed that all Member States which have a re- 54 This is a rather conservative approach as there may be other rules that would restrict the use of a vehicle registered abroad but as these other rules have not been brought to the Commission's attention, it is assumed that the use of a vehicle registered abroad for 3-4 months should generally be possible - save for the re-registration requirements in some Member States. 24 registration deadline that is longer than 3 months or that have no such deadline are not affected by Option 1b. According to information provided to the Commission in the course of 2014 in the context of the legislative proposal for a Regulation simplifying the transfer of motor vehicles registered in another Member State within the Single Market (COM(2012) 164 final), 11 Member States appear not to be affected by Option 1b either because they have no deadline for the re-registration of a vehicle that has been hired abroad (BG, ES, FR, CY, NL, SI, SK and UK) or because their deadline is longer than 3 months (BE and CZ (6 months) and SE (1 year)). The other 17 Member States are however assumed to be affected (see Table 4 below).55 Table 4 - Overview of maximum length of use by residents in a Member State of vehicles registered in another Member State Re-registration deadline Vehicle owner/holder is resident Vehicle rented by resident Immediately (up to 20 days) BG, DK, DE, EE, EL, HR, CY, LV, LT, MT, FI, SE, UK DK, DE, EE, IE, EL, HR, IT, LT, LU, HU, MT, PT, FI 30-60 days IE, ES, FR, HU, AT, PL, PT AT, PL 3 months RO LV, RO 4 months NL - 6 months BE, LU, SI BE, CZ 1 year IT SE No deadline SK BG, ES, FR, CY, NL, SI, SK, UK No information CZ - Note: Member States in bold have more restrictive re-registration rules for vehicles rented by operators than for vehicles owned by operators. Source: Ricardo (2017) based on information given in a Non-paper which the Commission ***produced*** in 2014 at the request of COREPER during the discussions about the Commission proposal for a Regulation simplifying the transfer of motor vehicles registered in another Member State within the Single Market, COM(2012)164 final of 4.4.2012 Several stakeholders (national authorities and transport operators alike, but also union representatives) have highlighted possible negative consequences of this Option as it would make the enforcement of other rules governing the road haulage sector (in particular the market access rules) more difficult. Moreover, it would open the door to tax optimisation as operators could base most of their fleet wherever the vehicle taxation rates are lowest and then hire them back. This risk should be mitigated through a number of measures. First of all, national authorities will continue to know what vehicles are at the disposal of their transport undertakings. For instance, the information to be provided in the national electronic registers will in the future also include the number plate of each vehicle at the disposal of the undertakings. Then, national authorities, who have to issue certified copies of the Community licence to their road haulage operators for each vehicle at their disposal, may also indicate the number plate of the vehicle on the certified true copy. Finally, limiting the opening of the cross-border hiring 55 It should be noted that Option 1b may affect not only operators in the 17 Member States which would have to change their vehicle registration rules to allow the use of a vehicle hired in another Member State for 3-4 months, but also operators from the other 11 Member States who would then have legal clarity on the EU-wide use of a vehicle they have hired in another Member State. The assumption that it would affect only 17 Member States can hence be regarded as conservative. 25 market to 4 months in itself should prevent large-scale out-flagging of the fleet and tax optimisation. The authorities of the Member States just would have to make sure that a cross-border hiring contract is not renewed all the time. Option 1c: This option is a combination of Option 1a and Option 1b. It would allow both the use of hired goods vehicles for own account operators throughout the EU and the use of goods vehicles hired in another Member State for a period of 3-4 months. 5.3.3 OPTION 2: SAME RULES FOR HIRED VEHICLES AS FOR OWNED VEHICLES Under Option 2, the legal framework for the use of hired vehicles is the same as the one for the use of vehicles owned by operators. It does not matter whether a vehicle is owned or hired. This also means that the same rules (e.g in terms of registration requirements) apply to a vehicle hired in another Member State as those that apply to a vehicle bought in another Member State. Option 1a is hence fully included in Option 2. All restrictions on the use of hired vehicles for own account transport operations are lifted. However, as regards the use of vehicles which have been hired in another Member State, some Member States apply less restrictive rules for instance when it comes to the requirement for re-registration of the vehicle in the Member State where the operator is established. In such cases, it is considered disproportionate to request Member States to apply exactly the same rules to the use of hired vehicles as they do to the use of vehicles owned by operators. Member States should not have to apply more restrictive rules to the use of hired vehicles than they do right now. In such cases, it would be sufficient that the use of hired vehicles is not discriminated against or is not subject to more restrictive rules than those that apply to the use of vehicles owned by operators. As Table 4 above shows, the requirements for re-registration of a vehicle from one Member State that is used by an operator established in (or a resident of) another Member State differ from Member State to Member State. Only in Ireland, Italy, Luxembourg and Portugal (in bold in the table), do vehicles hired abroad need to be registered earlier than vehicles which have been bought abroad by a resident. In most other Member States, vehicles that have been hired abroad are subject to less restrictive re-registration rules than vehicles purchased by residents abroad. 5.4 ARE SMALL AND MEDIUM SIZED ENTERPRISES TARGETED BY THE DIFFERENT OPTIONS? Almost all enterprises active in the road haulage sector and in the sector 'renting and leasing of motor vehicles' are SMEs. According to Eurostat, more than 99% of all enterprises mainly active in either of the two sectors employ fewer than 50 persons. Road hauliers and vehicle leasing companies are among the sectors most affected by the initiative. Own account operators are from a number of different economic sectors; while it is impossible to say how many of them are SMEs, the option of liberalising the use of hired vehicles for own account operators should be particularly beneficial for own account operators that are SMEs as they stand to benefit most from the advantages associated with the use of hired vehicles as opposed to vehicles owned by them (more flexibility, higher productivity, less capital tied up in assets etc.). 26 6. WHAT ARE THE IMPACTS OF THE DIFFERENT POLICY OPTIONS AND WHO WILL BE AFFECTED? 6.1 ECONOMIC IMPACTS The impacts of each policy option have been calculated relative to the baseline trajectory described in section 5.1.2 above. It has been assumed that all policy options start to gradually take effect from 2020 onwards. In 2020, 25% of the policy impact is assumed to be felt, in 2021, 50% is felt, 75% in 2022 and the full policy impact (100%) from 2023 onwards. The impacts presented usually refer to the situation in 2030. 6.1.1 IMPACT ON THE ROAD TRANSPORT MARKET As described in the modelling approach in Annex 4, the main cost savings for transport operators comes from the fact that hired vehicles can help increase their productivity. As hired vehicles tend to have higher utilisation rates than vehicles owned by the operators56, in particular if they are only needed to cover short-term or seasonal demand peaks, overall fewer vehicles are needed to provide the same amount of transport services. It is assumed that the utilisation rate is 11.1% higher, so only 9 hired vehicles are needed to replace 10 vehicles owned by the operators (10% reduction in vehicle stock). 1) Impact on transport operators of Option 0 Issuing recommendations and guidelines as foreseen under Option 0 is not expected to have any impact on the use of hired vehicles. As the existing legal framework is not being changed, the current restrictions will remain in place and operators are not expected to change their behaviour. Virtually all stakeholders who have been interviewed share this view. 2) Impact on transport operators of Option 1a Under this option, the restrictions on the use of hired goods vehicles with a maximum mass above 6 tonnes for own account operations are removed. As currently only Greece, Italy, Spain and Portugal apply such restrictions, the impact of Option 1a is limited to these four Member States. The share of own account operations in total vehicle mileage is used as the basis for estimating the growth in hired vehicles under this option. While in the baseline, no vehicles would be hired for own account purposes, it is assumed that under Option 1a the market penetration of hired vehicles in the own account segment will be about the same as it is in the segment for hire and reward. The model predicts around 35,000 additional hired vehicles in the four Member States together in 2030 compared with the baseline scenario. Table 5 - Estimate of the number of hired HGV under Option 1a based on own account mileage share and baseline number of hired vehicles Member State (MS) Share of own account operations in total vkm Number of hired HGVs in baseline in 2030 Number of hired HGVs under Option 1a in 2030 Additional hired vehicles above baseline through Option 1a Italy 12% 81,143 92,114 10,971 Spain 11% 37,847 42,735 4,888 Portugal 22% 5,911 7,585 1,674 Greece 55% 14,496 31,923 17,427 Total (4 MS) - 139,397 174,357 34,960 Source: Ricardo (2017). 56 Cf. Ricardo (2016). 27 As each hired vehicle is assumed to replace 1.1 vehicles owned by operators (due to the on average higher utilisation rate of hired vehicles), 38,500 HGV are being replaced in 2030 under Option 1a. Since each HGV replaced ***produces*** annual savings for transport operators of some €825 (see Table 4-1 in Annex 4), total annual savings amount to almost €32 million. Under the sensitivity case of a 5% fuel saving from hired vehicles (see modelling approach in Annex 4), total cost savings of Option 1a increase to €75 million, as each vehicle replaced leads to an additional €1,100 worth of annual fuel savings (i.e a total of €43 million of fuel savings). 3) Impact on transport operators of Option 1b Option 1b allows the use of goods vehicles that have been hired in another Member State for 3-4 months. It applies to both light commercial vehicles (<3.5 tonnes) and heavy goods vehicles (>3.5 tonnes). While stakeholders said they would welcome harmonised rules for temporary cross-border hiring, they have not been able to quantify the potential benefits this would bring to them. Moreover, no hard data could be gathered on the number of vehicles hired in another Member State. Anecdotal evidence suggests that the practice of hiring goods vehicles in another Member State is rather uncommon. Again, the modelling provides some clues on the possible economic impact of harmonised rules for cross-border hiring. Such harmonised rules are expected to lead to an even better utilisation of the pool of hired vehicles, as the same pool can be shared by a larger number of operators. It has been assumed that the reduction rate of the size of the fleet owned by operators by hired vehicles increases from 10% to 11% due to harmonised rules on cross-border hiring. As this will lead to some cost savings, which in a highly competitive market environment are passed on to customers, a 1% increase in demand is expected (lower prices = more demand). The overall number of hired vehicles hence remains the same as in the baseline, but the higher utilisation rate due to a harmonised framework for cross-border hiring means that a greater number of owned vehicles can be displaced (see Figure 3 below). Figure 3: Illustration of the approach for quantifying the impacts of Option 1b Source: Ricardo (2017). 28 As 10% more vehicles are assumed to be replaced by hired vehicles under Option 1b, there is a 10% increase in net savings per vehicle replaced. In the case of light commercial vehicles (<3.5 tonnes), this adds up to total cost savings of around €50 x 900,000 vehicles = €45 million over the baseline in 2030. In the case of heavy goods vehicles (> 3.5 tonnes), it adds up to total cost savings of around €83 x 350,000 vehicles = €29 million over the baseline in 2030. In total, Option 1b should bring annual cost savings of around €74 million by 2030 for transport operators. Under the 5% fuel saving scenario, each light commercial vehicle replaced is expected to save some €500 in fuel cost per year and each heavy goods vehicle is expected to save some €1,100 per year in fuel. As the number of additional vehicles replaced above the baseline is 9,000 light commercial vehicles and 4,000 heavy goods vehicles, fuel savings amount to €4.5 million for light commercial vehicles and €4.4 million for heavy goods vehicles, i.e a total of €9 million. Including the fuel cost savings, total cost savings of Option 1b can thus be assumed to be €83 million per year. 4) Impact on transport operators of Option 1c Option 1c is the sum of Option 1a and Option 1b. As both Options are independent of each other, their effects can be added up. Total cost savings (including fuel savings) for transport operators from Option 1c are hence expected to be €158 million (€75 million from Option 1a and €83 million from Option 1b) in 2030. 5) Impacts on transport operators of Option 2 Option 2 ensures that the legal framework for the use of hired vehicles is not more restrictive than the rules that apply to the use of vehicles owned by operators. Option 2 fully covers Option 1a. In addition, less restrictive re-registration rules would be required in the four Member States Ireland, Italy, Luxembourg and Portugal where currently the re-registration requirements for vehicles hired abroad are stricter (i.e the grace period before re-registration is required is shorter) than for vehicles purchased abroad. Cost savings associated with less stringent rules on cross-border hiring of light commercial vehicles in Ireland, Italy, Luxembourg and Portugal are expected to amount to €17 million per year, the corresponding figure for heavy goods vehicles being €10 million. In addition, the €32 million saving from Option 1a also applies, bringing the total cost savings for heavy goods vehicles to €42 million. Including the 5% fuel saving assumption, cost savings for transport operators amount to €19 million in the case of light commercial vehicles and €86 million in the case of heavy goods vehicles. Total operational cost savings from Option 2 hence amount to €105 million. 6) Summary of economic impact for transport operators The evolution of the cost savings over time from the use of hired heavy goods vehicles and hired light commercial vehicles is given in Figures 4-4 and 4-5 respectively in Annex 4. In a microeconomic perspective, the assumed reduction in fixed operating costs by 10% translates into cost savings of around 1.5% of the average overall cost (i.e fixed and flexible operating cost) per vehicle as fixed costs have a share of around 15% in total vehicle operating costs (incl. fixed costs as well as costs for driver, fuel, tyres etc.)57. Even if only 57 See Figures 4-2 and 4-3 in Annex 4. 29 50% of these savings accrue to transport operators, they still reduce their costs by 0.75% when moving from the use of owned vehicles to the use of hired vehicles. Together with the assumed 5% savings in fuel costs which, depending on the vehicle type, can be up to one third of overall vehicle costs, total cost savings of more than 2% appear achievable. In a highly competitive environment, a 2% cost saving is quite important. However, in a macroeconomic perspective, when the potential cost savings are put in perspective of the total costs of road haulage operators across the EU, they appear admittedly rather small. Even the maximum total annual cost savings calculated for Option 1c in 2030 (€158 million) are no more than 0.06% of the total costs of the road haulage sector in the EU today (which are estimated to be around €280 billion).58 However, the majority of cost savings will be made in the Member States which currently most restrict the use of hired goods vehicles. In Greece, for instance, the potential cost savings are expected to be equivalent to around 1.7% of the total costs in the road haulage sector today, mainly due to its important own account transport segment. Greek own account operators should therefore be among those benefitting most from a liberalisation of the use of hired goods vehicles. In addition, Options 1b (and 1c) should bring greater advantages to border regions across the EU and to small Member States as their operators are more likely to make use of cross-border hiring. With costs in the road haulage sector as a whole going down by at most 0.06% (in Option 1c), and assuming a price elasticity of -1, the resulting increase in transport demand across the EU will also be no more than +0.06%.59 Box: How realistic is it that the calculated impacts will actually materialise? The impacts have been modelled under rather conservative assumptions regarding the benefits of hired vehicles (efficiency gains of more than 10% have been suggested; fuel savings going up to 7%) and regarding the vehicles affected in particular by Option 1b where the calculated impact is rather small (and may turn out to be much bigger). By contrast, the assumed size of the vehicle leasing market in the baseline in 2030 (75% bigger than in 2015; average annual growth of +3.8%) which also affects the impact of the individual policy options, is admittedly on the upper end of projections. Overall, however, the impacts presented here are considered to be reasonable and fairly realistic. 6.1.2 IMPACT ON THE VEHICLE HIRE SECTOR While the growth in the road haulage sector from the removal of barriers for the use of hired vehicles is expected to be relatively small (see above), the same cannot be said of the impact on the vehicle hire sector. Under Option 1a, the number of HGVs replaced by hired vehicles in 2030 is 6.4% higher than in the baseline, under Option 1b, it is 0.7% larger than in the baseline. Under the combined Option 1c, the market is 7.2% larger compared to the baseline. Figure 4-6 in Annex 4 shows this difference over baseline in absolute terms. The maximum number of HGVs replaced by hired vehicles reaches just over 43,000 in 2030 (in Option 1c). 58 Cf. Ricardo (2017). 59 ibid. 30 Average annual non-fuel vehicle costs are around €17,000 per HGV (see Figure 4-3 in Annex 4) which can be assumed to roughly correspond to the turnover per vehicle in the HGV hiring sector. Under Option 1a, the extra number of HGVs replaced in 2030 is 38,500 (see above) thus resulting in some extra €650 million turnover. Under Option 1b, an additional 4,000 HGV and some 9,000 LCV are replaced by hired vehicles in 2030. At an operating cost of €17,000 per HGV and of €10,000 per LCV, this translates into extra revenues of €158 million. Assuming a 10% profit rate in the industry, expected profits in the vehicle hire sector may therefore increase by €65 million, €16 million and around €81 million under Options 1a, 1b and 1c respectively. Option 2 combines the growth in the vehicle hire market from Option 1a and the growth of Option 1b in Ireland, Italy, Luxembourg and Portugal. At €72 million additional gross profits by 2030, its impact is between Option 1a and Option 1c. At a more general level, removing restrictions on the use of hired goods vehicles significantly improves market conditions for vehicle rental and leasing companies. The vehicle rental and operating leasing market in Member States with restrictions is relatively underdeveloped (see Figure 1 above). Removing the restrictions is bound to help develop these markets which will benefit from the arrival of new companies providing vehicle rental services which in turn increases competition and the supply of vehicles for hire or rent. In this sense, in particular Option 1a is expected to shake up the vehicle rental and leasing sector in the four Member States which currently restrict the use of hired heavy goods vehicles for own account purposes. Option 1b allows the vehicle rental sector to offer its services across borders for up to 3-4 months. This should improve the productivity of the fleet of the vehicle hiring and leasing sector - above all in the 17 Member States which will have to adapt their re-registration rules for vehicles hired abroad to the new Directive. Option 1c combines the benefits of Option 1a and Option 1b. Option 2 combines the benefits of Option 1a with only a few of the benefits from Option 1b. Its impact is hence smaller than that of Option 1c. 6.1.3 IMPACT ON AUTHORITIES Administrative burden on authorities Options 0, 1a and 2 are not expected to create any tangible additional administrative burden for national authorities. However, the authorities of some Member States (DK, IT) have raised the issue that the liberalisation of cross-border hire in Option 1b (and hence also 1c) may make enforcement of market access and social rules more complicated as the registration plate of the vehicle does not indicate the place of establishment of the operator. The Greek authorities believe that a register of hired vehicles would be required to be able to ensure that cross-border hiring is only done on a temporary basis and not in a permanent way to minimise tax burdens or to obscure illegal business practices. The Swedish authorities, who already now appear to allow foreign-registered trucks to be used in Sweden for up to one year, do not have a specific register. For the roughly 60 foreign trucks currently in use by Swedish operators, the creation of a dedicated register is arguably not worthwhile. However, if the use of goods vehicles hired in another Member State was allowed across the EU, thus eliminating legal uncertainty, the number of such vehicles may increase significantly. The economic analysis of Option 1b above suggests that by 2030 around 4,000 more heavy goods vehicles and 9,000 more light commercial vehicles would be replaced due to the legal certainty provided by this Option that a vehicle hired in another Member State can be used 31 for up to 3-4 months without any restrictions. The creation and operation of a dedicated register would create additional costs of around €500,000 per year EU-wide.60 Alternatives have been suggested by the European Transport Workers' Federation (ETF). They include the indication of the vehicle number plate in the national electronic registers of road transport undertakings (which are connected through ERRU, the European Register for Road Transport Undertakings61) and/or the allocation of a temporary number plate by the authorities of the Member State where the operator hiring the vehicle is established. These alternatives are likely less expensive than the creation of a new register. However, own account operators are not covered by the national registers and issuing temporary number plates could still create some administrative burden. Own account operators are less likely to hire vehicles in another Member State62 and Member States have to issue a certified copy of the Community licence to professional transport operators for each vehicle at their disposal. Through this system, they already now have some control over what is happening in their countries. A dedicated register for hired vehicles seems therefore unnecessary. Some additional enforcement costs to effectively control the use of vehicles hired in another Member State will likely be required though. Budgetary consequences All policy options (except for Option 0) are expected to have an impact on Member States' tax revenues. The harmonisation of rules on the use of vehicles hired in another Member State (in particular Option 1b, but also 1c and 2) may incentivise operators to hire vehicles registered in Member States with low taxation levels. While such cross-border hiring should in principle only be possible on a temporary basis, e.g to cover seasonal demand peaks, unscrupulous operators may opt for a more permanent use of vehicles hired abroad (or for constant renewals of short-term hiring contracts). It was not possible to estimate the tax losses and gains due to increased cross-border hiring activities. In any case, effective enforcement measures should prevent such behaviour. Overall vehicle tax revenues could go down slightly as altogether fewer vehicles are needed when the use of hired vehicles is being intensified, due to the higher utilisation rate on average of hired vehicles compared with non-hired vehicles. However, the cost savings achieved through the use of hired vehicles and the associated increase in productivity may translate into a higher profitability of the sector, which should lead to increases in corporate tax revenues. This can be expected under all policy options except Option 0. Option 1c is expected to lead to losses in vehicle tax revenues of €11 million63 but gains in corporate tax revenues of €38 million64, leading to a net increase in tax revenues of €27 million in 2030. Option 1a will bring additional tax revenues to all four South European countries which apply restrictions on the use of hired heavy goods vehicles for own account operations. 60 For comparison, EUCARIS, the European car and driving licence information system (   [*https://www.eucaris.net/*](https://www.eucaris.net/)) , has an annual budget of €640,000. 61 For more information on ERRU see here:   [*http://ec.europa.eu/transport/modes/road/rules-governing-access-profession/european-register-road-transport-undertakings-erru\_en*](http://ec.europa.eu/transport/modes/road/rules-governing-access-profession/european-register-road-transport-undertakings-erru_en) 62 Eurostat data suggest that 88% of all own account transport operations in the EU do not cross borders. 63 €3 million of this total are due to fewer light commercial vehicles being needed and €8 million come from the need for fewer heavy goods vehicles; see Table 4-2 in Annex 4. 64 See Table 4.3 in Annex 4. The gains in corporate tax revenues do not include possible gains from the taxation of higher profits of transport operators due to the 5% fuel saving scenario, as these gains are assumed to be offset by corresponding losses in fuel taxation. 32 6.1.4 SME IMPACT Option 0 will not help SMEs as the guidelines and recommendations are not legally binding and as they may be interpreted differently, potentially causing even more confusion. Option 1a gives many SMEs in Greece, Italy, Spain and Portugal, who carry goods on own account, the possibility to use hired vehicles. Some concerns were expressed, that SMEs in the road haulage sector could potentially suffer from increased competition from own account operators. But on the other hand, the draft measure will allow them to save costs and to put their capital in more lucrative investments instead of spending it on vehicles which would then likely be underutilised. SMEs should particularly benefit from this option as their access to capital is usually more restricted than the one for bigger companies. Option 1b increases the flexibility of SMEs and of bigger companies - shifting vehicles around to meet seasonal or temporary demand peaks in another Member State may benefit bigger companies more but SMEs also benefit from the greater choice in renting a vehicle that Option 1b offers them. The impact of Options 1c and 2 on SMEs is expected to be similar to the combined impact of Options 1a and 1b in the case of Option 1c and somewhat weaker as regards the cross-border hiring in Option 2. 6.2 SOCIAL IMPACTS In this section, the impact of the various options on employment, working conditions and road safety are being assessed. 6.2.1 EMPLOYMENT Opening up hitherto closed markets for the use of hired vehicles is bound to create additional business in the vehicle leasing sector. The impact on employment has been calculated using the average number of vehicles per employee in the commercial vehicle renting and leasing industry (16.45). Assuming that a 1% increase in activity leads to a similar level of increase in employment, a total of 2,900 additional jobs are expected to be created in the vehicle leasing sector by 2030 under Option 1c, an increase by 1.7% in the sector 'renting and leasing of motor vehicles' and by 11.1% in the subsector 'renting and leasing of trucks'. The 2,100 extra jobs under Option 1a are only created in the four Member States with restrictions (Greece, Italy, Spain and Portugal). This means that also under Option 1c, over 70% of all additional jobs are created in these four Member States. Option 1b leads to the creation of 800 extra jobs in the vehicle renting and leasing business in the 17 Member States with more restrictive re-registration requirements for vehicles registered abroad. Additional jobs may also be created in the 11 Member States which do not have to change the re-registration rules, as the clear legal framework allowing the EU-wide use of vehicles hired in another Member State may incentivise operators also in these countries to more intensely tap into foreign markets. These potential additional jobs have not been quantified though. The intensified use of hired goods vehicles is expected to lead to some job creation also in the road haulage sector. Again, assuming a 1% increase in activity leads to a 1% increase in employment, Option 1c is expected to create up to 1,700 new jobs by 2030.65 All other options are expected to create fewer additional jobs than Option 1c. Employment in both sectors combined is hence expected to increase by up to 4,600. 65 As mentioned above (at the end of section 5.1.1), the increase in activity is +0.06%. 33 6.2.2 WORKING CONDITIONS A few stakeholders, including a representative of the drivers (ETF), raised concerns over a possible deterioration in working conditions due to the increased competitive pressure as an indirect effect of the initiative. The Italian authorities reported that Option 1a may lead to an expansion of the provision of illegal transport services for hire and reward by own account operators as their access to vehicles would be facilitated. As own account operators do not face the same regulatory framework as operators for hire and reward, the increased level of unfair competition would negatively affect the working conditions in the sector. This concern has however not been raised by anyone in a Member State without restrictions for own account operators and no evidence was provided. It may hence be unfounded. Option 1b allows for the use of vehicles hired in another Member State. Representatives of workers consider that this will render the enforcement of the social and market access rules in road transport more difficult as the direct linkage between the vehicle and the driver is weakened. A trade union representative (ETF) suggested that this impact may be mitigated by requiring the vehicle number plate to be indicated in the national electronic registers of road transport undertakings and /or the allocation of special temporary number plates for the period of the cross-border hire. While there are fears of indirect negative impacts of the increased use of hired vehicles, some direct positive impacts should come from the use of a hired vehicle fleet that is more modern and more comfortable than older vehicles. 6.2.3 ROAD SAFETY The majority of stakeholders - authorities, hauliers associations, vehicle renting / leasing companies - indicated that the impact on road safety is either neutral or slightly positive. Hired vehicles are on average newer, hence they tend to be equipped with more modern safety technology such as brake assist systems. As hired vehicles are generally also better maintained (according to information provided by the leasing industry), they are more reliable and less likely to break down. Overall, this should make the roads somewhat safer.66 Some stakeholders (transport operators) saw a potential safety risk in the fact that drivers are usually not fully familiar with the hired vehicle. Others (a trade union representative) feared that cross-border hiring may reduce the safety level of vehicles. Finally, an organisation representing public enterprises in Austria feared that cross-border hiring would increase the competitive pressure on undertakings which would put drivers under increased strain. Road safety may suffer as a result. It should be stressed though that the risks and fears mentioned here could not be substantiated and no supporting evidence has been provided or found. 6.3 ENVIRONMENTAL IMPACTS CO2 is the main greenhouse gas (GHG) emitted by road transport vehicles. It is directly proportionate to (fossil) fuel consumption. Almost all goods vehicles run on diesel, so their emissions contribute to climate change. The CO2 emissions of trucks have not gone down a lot in the past. The focus in technological development was on exhaust treatment to lower pollutant emissions. This in turn required more energy which, together with a trend towards more powerful vehicles, kept fuel consumption and hence CO2 emissions at a relatively high 66 See, for instance, the 2014 Rental Truck Safety Study Report to Congress, available on the FMCSA website   [*https://www.fmcsa.dot.gov/sites/fmcsa.dot.gov/files/docs/Rental%20Truck%20Safety%20Study%20Report%20Enclosure%20FINAL%20July%202014.pdf*](https://www.fmcsa.dot.gov/sites/fmcsa.dot.gov/files/docs/Rental%20Truck%20Safety%20Study%20Report%20Enclosure%20FINAL%20July%202014.pdf) 34 level. However, latest developments in vehicle technology appear to have led to a decrease in specific fuel consumption, hence a decrease in CO2 emissions. EURO VI vehicles have been found to consume about 4% less fuel than EURO V vehicles.67 As EURO VI vehicles have been introduced 4 years after EURO V vehicles, the recent development in fuel economies is equivalent to a 1% reduction of CO2 emissions per year. This trend is expected to continue over the modelled time horizon, not least because of the introduction of aerodynamic devices and more aerodynamic cabins in the wake of Directive (EU) 2015/719.68 As regards the CO2 emissions of light commercial vehicles (vans), test cycles suggest a drop of emissions by around 2.2% per year for new vans brought on the market between 2012 and 2015.69 To meet the 2020 target of 147 g CO2 per km, CO2 emissions per km will have to go down by 2.7% per year. For the modelling, a 3% year-on-year reduction in CO2 emissions of light commercial vehicles is assumed. Pollutant emissions (NOx, PM etc.) are assumed to go down by the same rate as CO2 emissions over the modelled time horizon (2016-2030). They have already gone down quite significantly over the past 15 years with the introduction of ever more stringent EURO emission standards. As reductions of the emission limits on a similar scale are not expected in the future, a more modest annual rate of reduction of 1% in the emission of major pollutants is assumed. The reduction of pollutant emissions of light commercial vehicles is expected to slow to 3% per year from 2020 onwards from slightly higher levels until then. Although hired vehicles are normally younger than the average fleet and hence more fuel efficient, ultimately, lifetime vehicle mileage and emissions should be roughly equal between hired and non-hired vehicles. The key difference is that hired vehicles are used more intensively over the first few years of their life, thus running a greater share of their lifetime mileage in early years and reaching their lifetime vehicle mileage sooner than non-hired vehicles. The intensified utilisation of hired vehicles means more frequent fleet renewal. All other things equal, if rented vehicles are utilised over a 5-year use period, their average age is 2.5 years. If these rented vehicles are utilised 11% more intensively than the vehicles they replace in a company fleet (as was assumed in the quantification of economic impacts), this means replacing a fleet that is 11% larger and used 11% longer. The average age of the replaced fleet would hence be 0.28 years (just over 3 months) above that of the rental fleet. Given that an annual reduction by 1% is assumed for NOx, PM and CO2 emissions from heavy duty vehicles (i.e heavy goods vehicles and buses and coaches), a reduction in average fleet age by 0.28 years will mean reductions of 0.28% amongst these emission categories for the share of transport activity replaced by hired vehicles. For light commercial vehicles, where improvements in NOx and CO2 emissions of 3% annually are assumed, hired vehicle emissions will be 0.83% lower than average vehicle emissions. Feeding the model with all these assumptions and adding the assumed 5% fuel efficiency gains of leased/rented vehicles over non-rented vehicles, the overall impact of the policy options on CO2 and pollutant emissions can be calculated. As shown in Table 4-4 in Annex 4, the result is a reduction of the emissions over the baseline by 0.04% at most (option 1c; LCV and HGV combined). Although this small relative reduction may not be impressive, it still helps in the fight for cleaner air and against climate change, at almost no cost. 67   [*http://www.eurotransport.de/news/lkw-verbrauchswerte-von-1966-bis-2014-immer-abwaerts-6550678.html*](http://www.eurotransport.de/news/lkw-verbrauchswerte-von-1966-bis-2014-immer-abwaerts-6550678.html) 68 OJ L 115, 6.5.2015, p. 1. 69   [*http://www.eea.europa.eu/highlights/co2-emissions-from-cars-and*](http://www.eea.europa.eu/highlights/co2-emissions-from-cars-and) 35 7. HOW DO THE OPTIONS COMPARE? 7.1 EFFECTIVENESS In terms of the extent to which the policy options achieve the objectives identified above, Option 0 (issuing recommendations and guidelines) is only marginally more effective than the baseline (do nothing). All stakeholders agree that guidelines and recommendations will not help remove existing restrictions on the use of hired vehicles. A guidance document may help operators to better understand the legal framework but it will not lead to legislative changes. Moreover, as it is not legally binding, and as it may be interpreted differently, it may lead to even more confusion. Options 1a and 1b are two complementary options each of which contributes to the creation of a level playing field in the EU road transport market. The two options target a different segment of the market for hired vehicles (Option 1a: own account operators using heavy goods vehicles in Greece, Italy, Spain and Portugal; Option 1b: transport operators using light commercial vehicles and/or heavy goods vehicles and vehicle leasing/renting companies in particular in the 17 Member States where current re-registration rules for vehicles hired abroad would not allow the use of such a vehicle for 3-4 months without re-registration). The combined Option 1c brings together the benefits of Option 1a and 1b. The increased effectiveness arises both from the removal of the restrictions on the use of hired vehicles for own account operations in the Member States concerned and from increased flexibility through the possible use of vehicles hired in another Member State for 3-4 months to meet temporary or seasonal demand. Option 2 is not as effective as Option 1c, as it leaves Member States the freedom to choose their own rules regarding the use of vehicles hired in another Member State as long as they treat them the same way as vehicles purchased abroad. It hence fails to create a level playing field and does not fully address the current regulatory patchwork. Only four Member States (Ireland, Italy, Luxembourg and Portugal) would need to change their legislation with regard to the requirements for re-registration of vehicles hired abroad. It is hence less effective than Option 1c where all Member States would introduce the same minimum period (3-4 months) regarding the use of vehicles hired abroad. 7.2 EFFICIENCY The regulatory costs of each option are relatively small. The production and dissemination of guidelines and recommendations under Option 0 would create some minor costs in terms of administration. Option 1a will remove current restrictions on the use of hired heavy goods vehicles for own account operators. The enforcement authorities in Greece, Italy, Spain and Portugal will no longer have to enforce the restrictions which should ease their regulatory burden and reduce their enforcement costs. The Italian authorities believe however that allowing the use of hired goods vehicles for own account operators may create other problems as it could incentivise own account operators to provide more illegal transport operations for hire and reward without being subject to the same rules on access to the profession or to the market as professional transport operators for hire and reward. The need to combat this kind of unfair competition reduces the overall cost savings for the administration. For own account transport operators in the four Member States, however, the compliance costs would disappear. Overall, Option 1a should result in a reduction of regulatory costs. Option 1b (hence also Option 1c) allows the use of goods vehicles hired in another Member State for a period of 3-4 months. In order to prevent operators from abusing this possibility to 36 hire goods vehicles in another Member State for longer periods, some implementation costs are likely to occur. Member States will want to restrict the use of vehicles hired in another Member State to a maximum period to make sure that there is no out-flagging of complete vehicle fleets. Some stakeholders indicated the need to set up a system through which transport operators or vehicle renting/leasing companies provide information on the specific vehicle indicating the period during which it will be used in another Member State. Whether a dedicated registry is needed to effectively monitor and enforce the maximum period, as some stakeholders suggested, is not certain. The use of existing systems (such as ERRU) may be sufficient. In any case, the benefits from the increased flexibility for operators and vehicle hiring/leasing companies are expected to outweigh any additional costs of such a system. Option 2 would require legislative changes in the four Member States affected by Option 1a (removing the restrictions on the use of hired goods vehicles for own account operators) and in the four Member States which currently have stricter rules on the re-registration of a vehicle hired abroad than on the re-registration of one purchased abroad. As two Member States (Italy and Portugal) are affected by both changes, a total of six Member States would face implementation costs. Any possible additional enforcement costs would hence only occur in these Member States. They are however expected to be minimal, in particular in relation to the expected benefits. 7.3 COHERENCE WITH OTHER MAINSTREAM EU POLICIES The coherence of the proposed policy options with two ***strategic*** policy documents of the Commission, the Agenda for Jobs, Growth, Fairness and Democratic Change of President Juncker (the so-called 'Juncker priorities')70 and the 2011 White Paper on transport policy71, has been assessed. Policy Option 0 is neutral towards all the ***strategic*** policy objectives as it is not expected to have much (if any) impact. The other options contribute positively to the creation of jobs, growth and investment. They all contribute to the removal of restrictions on the use of hired goods vehicles which creates jobs and investment opportunities not only in the vehicle renting/leasing sector but also in the road haulage sector. By allowing the use of goods vehicles that have been hired abroad, Options 1b, 1c and 2 are seen critically in particular by representatives of the trade unions who fear that this would make enforcement of road transport rules more difficult and lead to unfair competition and a deterioration of working conditions. Options 1a, 1b, 1c and 2 promote the use of hired goods vehicles which are generally newer, safer, less polluting and more fuel efficient than non-hired vehicles. This supports the objectives of the Energy Union and of a forward-looking climate change policy (and hence also the GHG and the air pollutant reduction target of the White Paper) as well as the EU's road safety policy. The deepening of the internal market for both road hauliers and vehicle renting/leasing companies is at the core of each of these options. They all facilitate market access and support the creation of a level playing field. Each of these options is expected to lead to (slightly) lower costs for transport operators. In this respect they would have a negative impact on modal shift. However, as the transport operations which are carried out with the help of hired goods vehicles usually do not lend themselves to carriage by other modes of transport, the impact on modal shift can be considered to be neutral. 70 Juncker, J.-C. (2014): A new start for Europe. My agenda for Jobs, Growth, Fairness and Democratic Change. Political Guidelines for the next European Commission.   [*https://ec.europa.eu/priorities/sites/beta-political/files/juncker-political-guidelines-speech\_en\_0.pdf*](https://ec.europa.eu/priorities/sites/beta-political/files/juncker-political-guidelines-speech_en_0.pdf) 71 COM(2011) 144 final of 28.3.2011 37 Table 6 - Coherence of policy options with key EU policy objectives ('+' = positive contribution; 'O' = no contribution; '-' = negative contribution) Policy areas and priorities Option 0 Option 1a Option 1b Option 1c Option 2 Juncker priorities - Boost for Jobs, Growth and Investment O + + + + - Resilient Energy Union with a Forward Looking Climate Change Policy O + + + + - Deeper and fairer internal market O + + + + 2011 White Paper - Access to market and fair competition O + + + + - GHG emission reduction O + + + + - Reducing local noise and air pollution O + + + + - Road safety O + + + + - Modal shift O O O O O 7.4 PROPORTIONALITY AND SUBSIDIARITY Option 1a directly addresses the existing restrictions on the use of hired heavy goods vehicles by own account operators in certain Member States. The cost-benefit ratio of this option is positive as it removes outdated restrictions and gives own account operators the freedom to use hired heavy goods vehicles. The option is targeted to the Member States with restrictions and it looks very straightforward and proportionate. Option 1b directly responds to the problem related to the lack of flexibility and efficiency in fleet utilisation. The limited demand for the use of goods vehicles hired in another Member State (no precise figures on the size of the (potential) market for cross-border hire are available; transport operators generally seem to prefer to hire goods vehicles in the Member State where they are established) raises the question whether legislative action in this area is justified. At the same time, the existing restrictions hinder vehicle hiring/leasing companies and transport operators from moving their fleet around to meet temporary or seasonal demand in another Member State. The costs for de-registration and re-registration of a vehicle in the Member State of establishment seem prohibitive for short-term hire. Allowing the use of a vehicle hired in another Member State for 3-4 months will remove this administrative burden. It addresses the need for more flexibility without going beyond what is necessary to achieve this objective. The patchwork of rules that apply to the use of goods vehicles hired in another Member State may also be addressed by the Commission proposal for a regulation on simplifying the transfer of motor vehicles registered in another Member State in the Single Market.72 This proposal would also provide harmonised rules related to the re-registration requirements of vehicles purchased in another Member State. However, it would not necessarily allow the use of a vehicle that has been hired in another Member State throughout the internal market as the authorities of a third Member State may still restrict its use based on the provisions of the Directive. Option 1b would hence still be necessary to allow the EU-wide use of vehicles hired in another Member State. 72 COM(2012) 164 final of 4.4.2012 38 Option 1c combines the benefits of Option 1a and Option 1b. The analysis related to Option 1a and Option 1b hence also applies to Option 1c. As it is the most effective option with a still positive benefit-cost ratio, it is also proportionate. Option 2 only affects 6 out of 28 Member States and hence is bound to have lower implementation costs than Option 1c. However, it is also less effective than Option 1c as it does not provide for harmonised rules regarding the use of vehicles hired in another Member state. It hence does not remove the patchwork of rules in the EU in this area. While it does not go beyond what is needed to address the issues at stake, it seems not go far enough either. With regard to subsidiarity, Option 1a would not require EU action if the four Member States were to lift their restrictions on their own. However, authorities from two of the four Member States (Italy and Portugal) have clearly indicated that they do not intend to do so. The patchwork of rules regarding the use of hired goods vehicles by own account operators would therefore persist. On this basis, EU action is the only way to address this issue. Options 1b (and 1c) also require action at EU level as Member States will not provide a common approach to the question of cross-border hiring on their own. It is a cross-border issue by nature. The same applies to Option 2 which is just a variant of Option 1c. 7.5 CONCLUSION: PREFERRED POLICY OPTION Table 7 below provides an illustration of how the options compare based on the explanations given in the previous paragraphs. Option 1c, combining Option 1a and Option 1b, emerges as the preferred option, as it is the most effective policy option. If the creation of a separate register for hired vehicles for enforcement purposes can be avoided, it is also among the most efficient options. Option 1c would provide solutions to problems (removing restrictions / creating harmonised legal framework) that can only be solved at EU level. But it would not go beyond what would be needed to solve the issues at stake, while addressing them all. Table 7 - Comparison of policy options ('++'= strongly positive, '+' = weakly positive; 'O' = no impact; '-' = weakly negative, '--' = strongly negative) Policy areas and priorities Option 0 Option 1a Option 1b Option 1c Option 2 Effectiveness Efficient and flexible use of goods vehicles O + + + + Reduce operating costs / increase profitability of road transport operators O max. €75 mio max. €83 mio max. €158 mio max. €105 mio Capacity to respond to changes in demand O + + + + Simplify / improve regulatory framework O ++ + + O Equal access to market for hired vehicles O + + + + Reduce fuel consumption and air pollution from road transport O + + + + Efficiency Costs to authorities (implementation / enforcement) O O/+ O/-\* O/-\* O Costs to industry O O/+ O/-\* O/-\* O Cost/ benefit ratio O + + + + Coherence O + + + + Proportionality O + + + + Note: \* Negative sign denotes increased costs in comparison with the baseline. 39 REFIT conclusion Option 1c would help the operators active in road transport - both on own account and for hire and reward - save significant costs. The use of hired vehicles would reduce operating costs which have been quantified above and indeed more cost savings are conceivable: if operators could hire goods vehicles in another Member State for 3-4 months without having to de-register and re-register the vehicle they would save a lot of money, time and administrative burden. Assuming that 1% of all vehicles subject to (predominantly short-term) rental or operational leasing contracts were hired across borders, and these 1% were currently subject to de-registration and re-registration requirements in case they were hired for a period of 3-4 months, operators could save some EUR 12.8 million in the year 2030 by not having to de-register and re-register vehicles which are registered in another Member State (see also section 2.2 above). Moreover, the costs of compliance with the amended rules should be lower as there is more clarity regarding the EU-wide use of hired goods vehicles for own account transport operations and regarding the EU-wide use for a period of 3-4 months of vehicles which have been hired in another Member State. By opening up additional possibilities for the use of hired goods vehicles, the initiative would remove administrative barriers and lower the cost for operators. At the same time it would increase the flexibility of undertakings in organising their freight transport operations and hence would raise their productivity. In short: the Directive would again be fit for purpose. Regulatory costs would be lower; the regulatory framework would be clearer and more predictable. The revision of the Directive in this way would fit well in the Commission's REFIT ***programme***. The implementation and enforcement of the rules would however require careful monitoring of the activities of operators who use vehicles which they have hired abroad. The implementation and enforcement of the Directive is closely linked to those of the two Regulations governing access to the occupation of road transport operator and access to the international road haulage market. The provisions of these Regulations can help enforce the Directive, e.g the use of the European Register of Road transport Undertakings (ERRU) which will include the number plate of the vehicles at the disposal of each transport operator. Moreover, the indication of the number plate of the motor vehicle on the certified true copy of the Community licence - which is already done by a number of Member States - could be spread as an example of best practice. The competent national authorities of the Member States which issue theses certified copies would then have some control over the vehicles used by their respective operators. 40 8. HOW WOULD ACTUAL IMPACTS BE MONITORED AND EVALUATED? Currently, the Directive does not contain any monitoring and reporting arrangements on the basis of which the performance of the Directive, its implementation and enforcement could be evaluated. A monitoring framework should start with the monitoring of the correct transposition of the Directive and its implementation in the Member States. All Member States should have to allow the use of hired vehicles for own account operations. Moreover, all Member States should have to adapt their national laws to allow the use of vehicles hired in another Member State (at least) for a set (minimum) period given in the Directive. The adaptations in national law should have to be made within a given time period. Member States should be required to inform the Commission about their transposition into national law. The overall functioning of the Directive should also be monitored to assess to what extent the provisions of the Directive contribute to a better functioning of the road haulage market and of the market for hired/leased goods vehicles. The relevant data should be available from the leasing industry and/or national authorities. A provision might also be added to the Directive which foresees a review and evaluation of the new rules around five years after they have been transposed into the national law of the Member States. The evaluation of the effectiveness of the Directive could be based on a number of elements: for example, on information to be provided by a dedicated survey of transport operators and of vehicle rental / leasing companies. The evaluation should be focused on assessing the extent to which the revised Directive provides a smooth framework for the use of hired goods vehicles. Data on the use of vehicles hired in another Member State should become available through the national electronic registers of road transport undertakings which will collect the number plate of the vehicles at the disposal of the undertakings. Table 8 - Proposed monitoring and evaluation framework Operational objectives Indicator Source(s) Implementation All Member States to allow the use of hired vehicles for own account operations Number of Member States that allow the use of hired goods vehicles for own account operations Commission / national authorities All Member States to introduce into national legislation relevant provisions to ensure that transport operators can use (at least) for a set (minimum) period - as defined in the Directive - goods vehicles hired in another Member State without restrictions or the requirement for re-registration Number of Member States that have by a set date introduced into national legislation provisions to ensure that transport operators can use (at least) for a set (minimum) period - as defined in the Directive - goods vehicles hired in another Member State without restrictions or the requirement for re-registration Commission / national authorities Monitoring Increase the size and share of the hired goods vehicle market in road freight transport operations Size and growth of the hired goods vehicle market across the EU (number of vehicles / turnover of sector) Share of hired vehicles in new registrations Industry (e.g Leaseurope) Industry (e.g Leaseurope) Minimise obstacles for firms entering the hired vehicles market in Member States Number of new firms entering in the hired goods vehicles market Industry (e.g Leaseurope); Eurostat 41 Increase access to hired vehicles registered in another Member State Number of vehicles registered in another Member States hired by national transport operators National authorities (registry) or industry report (survey) Remove/address any aspects of the legal framework that cause confusion and uncertainty Number of infringements related to the use of hired vehicles (total / cross-border) Commission / national authorities Evaluation Increased access of transport operators to hired vehicles (related to specific objective (SO) 1 above) Extent to which transport operators consider that there are issues / constraints to the access and use of hired goods vehicles Survey of transport operators Increased use of hired goods vehicles in road freight transport leads to reduced operating costs and increased profitability of road transport operations (related to SO 3 above) Operating costs in road transport sector Survey of transport operators Increased used of hired goods vehicles in road freight transport leads to increased vehicle utilisation (related to SO 3 above) Level of utilisation of (hired) goods vehicles by road transport operators Survey of transport operators Increased use of hired goods vehicles in road freight transport leads to lower fuel consumption and air pollution (related to SO4 above) Characteristics of hired vehicle fleet compared to overall fleet (across all Member States), e.g in terms of - age / fuel efficiency - average operating costs - emission standards Survey of transport operators Remove/address any aspects of the legal framework that cause confusion and uncertainty (related to SO 2 above) Extent to which transport operators and undertakings in the vehicle rental / leasing business consider that the legal framework on the use of hired vehicles is complicated Survey of transport operators and of the vehicle renting / leasing sector 42 ANNEX 1 PROCEDURAL INFORMATION 1. ORGANISATION AND TIMING The Directorate-General for Mobility and Transport (DG MOVE) was leading the preparation of this initiative and the work on the impact assessment in the European Commission. The agenda ***planning*** reference is 2016/MOVE/023 'Revision of Directive 2006/1/EC'. The initiative was validated on 1 July 2016. An inter-service steering group (ISG), chaired by the Secretariat-General with close involvement by DG MOVE, was established in April 2016 in view of the preparation of this initiative. The ISG met five times in the period from April 2016 to February 2017. The following Directorates-General (DGs) participated in the work of the group: Secretariat-General (SG), Legal Service (SJ), DG CLIMA, DG EMPL, DG ENER, DG ENV, DG GROW, DG RTD and DG TAXUD. An online public consultation took place from 11 August to 4 November 2016 (see Annex 2). 2. CONSULTATION OF THE REGULATORY SCRUTINY BOARD The Regulatory Scrutiny Board received the draft version of the present impact assessment report on 24 February 2017 and following the Board meeting on 22 March 2017 issued a positive opinion with reservations on 24 March 2017. The reservations of the Board were addressed in the revised IA report as follows: RSB reservations Modification of the IA report Policy context not clearly explained The policy context has been elaborated Problem definition fails to demonstrate the magnitude and urgency of the problem A rough estimate of the magnitude of the problem has been provided; while there is no urgency as such, the adoption of the 2017 road initiatives provides a window of opportunities The case for considering the extension of the scope of the Directive to the use of hired buses and coaches has not been made As there appears to be no problem, the Option related to the extension of the scope of the Directive to the use of hired buses and coaches has been discarded upfront. Potential risks of the implementation of the preferred option (e.g tax optimisation; difficulties for Member States to enforce rules) are not sufficiently assessed The potential risks and measures to mitigate them have been more elaborated. As it is a REFIT initiative, there should be some quantitative data on the potential for the reduction of the administrative burden A rough quantification of the potential cost reductions has been provided. The reporting on the stakeholder consultation is not sufficiently comprehensive and transparent. The information provided on the stakeholder consultation has been expanded. The information from the stakeholder consultation has been more extensively used to support the policy options and choices. 43 3. EVIDENCE AND EXTERNAL EXPERTISE USED The impact assessment relied mainly on the support study carried out by an external consultant73. This study itself followed up from the support study for the ex-post evaluation of Directive 2006/1/EC carried out by the same consultant74. The whole report and the options considered in the IA report were designed by taking into account the following documents and evidence: ACEA, 2016. ACEA Tax Guide 2016. [Online] Available at:   [*http://www.acea.be/uploads/news\_documents/ACEA\_TAX\_GUIDE\_2016.pdf*](http://www.acea.be/uploads/news_documents/ACEA_TAX_GUIDE_2016.pdf) AECOM, 2014. Task A: Collection and Analysis of Data on the Structure of the Road Haulage Sector in the European Union. Report for the European Commission. [Online] Available at:   [*http://ec.europa.eu/transport/modes/road/studies/doc/2014-02-03-state-of-the-eu-road-haulage-market-task-a-report.pdf*](http://ec.europa.eu/transport/modes/road/studies/doc/2014-02-03-state-of-the-eu-road-haulage-market-task-a-report.pdf) Charanzová, D., 2015. Council must remove handbrake on EU vehicle registration reform. The Parliament magazine. [Online] Available at:   [*https://www.theparliamentmagazine.eu/articles/opinion/council-must-remove-handbrake-eu-vehicle-registration-reform*](https://www.theparliamentmagazine.eu/articles/opinion/council-must-remove-handbrake-eu-vehicle-registration-reform) Commercial Motor, 2014. 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[Online] Available at:   [*http://publications.tno.nl/publication/34617056/4QHNNo/TNO-2015-R10838.pdf*](http://publications.tno.nl/publication/34617056/4QHNNo/TNO-2015-R10838.pdf) 45 ANNEX 2 STAKEHOLDER CONSULTATION Consultation activities The following consultation activities were carried out: In the context of the preparation of the upcoming road initiatives, the Commission organised several seminars and meetings with (EU level) stakeholders and Member States in 2015 and 2016 to discuss, among others, also the experience they had with Directive 2006/1/EC and their views of any changes to the Directive. Targeted consultation of authorities and expert stakeholders In the course of the impact assessment, a total of 33 interviews with stakeholders have been carried out. 137 stakeholders had been contacted but 104 either declined or did not respond to the request for an interview, despite several reminders. The interviewed stakeholders can be grouped in six different types of stakeholders: road hauliers and their representatives (11 interviews), national ministries and enforcement authorities (8 interviews), vehicle leasing companies and their representatives (6 interviews), road passenger transport operators and their representatives (5 interviews), customers of road transport operators and their representatives (3 interviews) and, last but not least, trade unions and their representatives (1 interview). Vehicle manufacturers have also been contacted but no interview was carried out. Table 2-1: Summary of stakeholder interviews Type of stakeholder Contacted Carried out Declined / no response National road haulage operators association 38 7 31 International road haulage operators association 3 3 0 Haulage operator 4 1 3 National ministry 13 6 7 National road transport enforcement authority 5 2 3 Vehicle leasing company 7 4 3 National leasing association 12 1 11 International leasing association 1 1 0 National road passenger transport operators' association 24 3 21 International road passenger transport operators' association 4 2 2 Passenger transport operator 12 0 12 National association of customers of road transport operators 10 2 8 International association of customers of road transport operators 3 1 2 International transport workers' association 1 1 0 Vehicle manufacturer 1 0 1 Total (\*) 137 33 104 Note: (\*) The total is one less than the sum of the individual categories as one stakeholder represents both road haulage operators and road passenger transport operators and is hence listed twice in the categories above. Source: Ricardo (2017). 46 12 week online open public consultation (OPC) on Your Voice in Europe In addition, an online public consultation was carried out between 11 August 2016 and 4 November 2016 (12 weeks). A link to the consultation was provided on the corresponding website of DG MOVE.75 In order not to create too much consultation fatigue, it was decided to carry out a back-to-back consultation that would gather views from the public related to both the ex-post evaluation (i.e views on the experience with the present Directive and on the use of hired goods vehicles in general) and related to a subsequent impact assessment on possible revision of the Directive (i.e views on some specific policy options and their expected impacts). Respondents were also given the opportunity to provide any further comments at the end of the questionnaire. A total of 27 respondents filled in the online questionnaire. Slightly more than half of them (14) were transport operators or associations representing them. Public authorities (5) and vehicle leasing companies (4) accounted for 19 and 15% respectively of the respondents. The remaining 4 responses were from a communal enterprise association and from a private citizen. It should be noted that no trade union or related association participated in the consultation (see Table 2-2 below). The European Transport Workers Federation (ETF) representing drivers from across the EU had however already been contacted in the context of the targeted stakeholder interviews (see above). The respondents came from a total 15 Member States; 3 respondents indicated that they were based in more than one Member State. This covered 10 of the 15 Member States of the EU before 2004 (BE, DE, ES, FR, IT, NL, AT, FI, SE and UK) and 5 of the 13 Member States that had joined the EU since then (CZ, EE, LV, MT and PL). Table 2-2: Respondents to the questionnaire of the public consultation Type of stakeholder Number of responses Transport operators / their representatives 14 Public authorities 5 Vehicle leasing companies / their representatives 4 Organisations representing general and SME business interest 2 Public / communal enterprise associations 1 Private individual 1 Workers' representatives / trade unions 0 Total 27 SME Panel survey Finally, as most companies affected by the Directive are SMEs, a specific consultation using the SME panel of the Enterprise Europe Network76 was carried out to gather views from SMEs. It went from 22 September 2016 till 11 November 2016 (7 weeks). Two separate questionnaires had been prepared, one related to the use of hired goods vehicles and the other related to the use of hired buses and coaches. 75   [*http://ec.europa.eu/transport/modes/road/consultations/2016-review-hired-vehicles-carriage-goods\_en*](http://ec.europa.eu/transport/modes/road/consultations/2016-review-hired-vehicles-carriage-goods_en) 76   [*https://een.ec.europa.eu*](https://een.ec.europa.eu)/ 47 A total of 156 responses were received to the questionnaire on the use of hired goods vehicles that had been sent to the SME panel. They came from various economic sectors. The transport, storage and communication sector (which provide transport services for hire and reward) and the sector wholesale and retail trade (which is an important player in own account transport activities) were most represented. Table 2-3: Respondents to the questionnaire on the use of hired goods vehicles sent to the SME panel by sector Sector Number of responses Transport, storage and communication 45 Wholesale and retail trade 43 Manufacturing 22 Other community, social and personal service activities 18 Construction 15 Other\* 26 Note: The total (169) is above the number of respondents (156) as the questionnaire allowed respondents to select multiple sectors. \* 'Other' includes mining and quarrying, electricity, gas and water supply, hotels, restaurants and bars, public administration and defence, education, finance intermediation, health and social work, real estate, renting and business activities, and ***agriculture***, hunting and forestry. The respondents to the SME panel questionnaire related to the use of hired goods vehicles came from a total of 13 EU Member States (from 6 of the 15 Member States of the EU before 2004 (DK, DE, ES, FR, IT and PT) and from 7 of the 13 Member States which have joined the EU since then (EE, LT, HU, PL, RO, SI and SK)). Around 70% of the respondents came from the three Member States Romania (39%), Poland (19%) and Italy (13%). A total of 94 responses were received to the questionnaire on the use of hired buses and coaches that had been sent to the SMA panel. More than half (56%) of them were providers of passenger transport services by bus and coach. Groups with fewer than 5 responses are not indicated separately any analysis based on such a low number of respondents per group is bound to be subject to a great deal of uncertainty. As all other sectors were represented by fewer than 5 respondents, the only meaningful distinction that can be made is the one between 'bus and coach operators' on one side and 'others' on the other side. Table 2-4: Respondents to the questionnaire on the use of hired buses and coaches sent to the SME panel by sector Sector Number of responses Providers of passenger transport services by bus/coach 50 Other\* 40 Note: The total (90) is below the number of respondents (94) as 4 respondents did not indicate their sector. \* 'Other' include additional road transport services, public institutions, informatics, alloy traders, maritime transport, engineering, horticulture, ***agriculture***, tourism agency, IT solution providers and software developers, financial services and accountants, driving schools, retail sale companies, guided tour operators, construction, healthcare, business advisors, security and a university. The respondents to the SME panel questionnaire related to the use of hired buses and coaches came from a total of 12 EU Member States (from 5 of the 15 Member States of the EU before 2004 (DE, ES, FR, IT and PT) and from 7 of the 13 Member States which have joined the EU since then (EE, LT, HU, PL, RO, SI and SK)). Almost 78% of the respondents came from the three Member States Romania (36%), Italy (28%) and Poland (14%). 48 Results of consultation activities77 The targeted stakeholder consultation provided some relevant input on the proposed policy options and the expected impacts. The stakeholder interviews have also been used to gather additional data to support the analysis. The consultation of the SME panel on the use of hired goods vehicles provided some additional input on the potential benefits of the use of hired vehicles. The majority of the 156 respondents indicated that increasing the flexibility of operations, meeting seasonal or temporary demand peaks, addressing issues related to defective / damaged vehicles, reducing operating costs and having access to specific types of vehicles were considered either important or very important benefits. Indirectly, the open public consultation also confirmed this view as the majority of respondents (15 out of 25) indicated that the impacts which existing restrictions would have on the reduction of the flexibility of transport operations were considered to be either fairly or very important. Only 11% of respondents to the SME panel (14 out of 130) indicated that they had experience with the hiring of goods vehicles registered in another Member State. 8 of the 14 repondents said that they did not face any restrictions in using the vehicle. The main issue brought up in the public consultation was the patchwork of rules that apply to the use of hired goods vehicles in the EU. Two thirds (11 out of 17) of all respondents found the unclear implementation of the existing rules concerning the use of hired goods vehicles a very important or fairly important problem. Three quarters (19 out of 25) of all respondents thought that the presence of different restrictions across EU Member States when it comes to the use of hired goods vehicles with a maximum mass above 6 tonnes by own account operators would create a complicated legal framework that caused uncertainty for firms and transport operators. No fewer than 84% of all respondents (21 out of 25) thought that the complicated legal framework related to the use of a goods vehicle that has been hired in another Member State was causing uncertainty for firms. 92% of respondents (23 out of 25) thought that ensuring a coherent and consistent legal framework in the use of hired vehicles across Member States was an important objective of the Directive. When asked to propose other objectives of the initiative that should be considered, a number of further options were presented. Many of the ideas related to more harmonised rules across the EU. For example, it was suggested by an EU-wide industry association for road-rail combined transport that the Directive should look to introduce legislation on the parameters of registration, offering the issuance of European registrations as a solution. In addition, it was felt that these registers should be opened to all enforcement authorities across the EU, preferably in real-time to enable more consistent and effective monitoring. Additionally, it was proposed by an organisation representing road transport operators in the Netherlands that the ability of Member States to interpret the legislation differently should be minimised. Other suggestions for tentative objectives that the initiative should consider include 77 A presentation of the results of the public consultation and of the consultations of the SME panel by stakeholder category is not provided here because the relatively low number of respondents to the consultations negatively affects their level of representativeness for their respective group. There is therefore a high risk that such a disaggregated presentation would lead to wrong conclusions. 49 improving social standards for drivers, facilitating the access to new technologies by operators, and tackling CO2 emissions from vehicles. As the road haulage business in the EU is increasingly international, it is not surprising that the operators call for more harmonised rules to increase the legal certainty of their operating environment. It is for the same reason that more than three quarters (19 out of 24) of the respondents in the public consultation were of the opinion that the EU is the most appropriate level to design rules on the use of hired goods vehicles in transport operations across the EU. When asked about the opinion on the different policy options, the response to Option 0 (Issue Guidelines and Recommendations) was largely negative. It was felt that this would only be effective to a limited extent for clarifying the legal framework relating to the use of hired vehicles to both authorities and operators. It was highlighted that these documents have no real legal value and are ineffective when compared to the introduction of clear provisions in legal texts. Additionally, these documents may be still subject to differences in interpretation by individual Member States, and therefore would not offer a satisfactory solution to current problems of inconsistency of application. It was even suggested, by a public authority in Malta, that since these guidance recommendation documents would not be binding, it could actually result in further confusion within the sector due to different interpretations by different parties. The impact on harmonisation would be very limited, since Member States would have no obligation to amend current national legislation. It would not be an appropriate response for moving towards a more harmonised system according to the respondents, which as earlier identified, is a key concern with the current application of Directive 2006/1/EC. If a guidance document were to be ***produced***, survey respondents suggested that it should try to introduce clarity as much as possible, in an effort to somewhat harmonise the legislative framework on an EU-wide scale. Also, it should make reference to Regulation (EC) 1072/2009, which also makes provisions for hired vehicles. When asked about the impacts of this measure on factors affecting the haulage sector, the vehicle hiring sector and public administrations, the survey respondents indicated that it would largely have no impact, as suggested previously. Option 1a is met with greater positivity in comparison to option 0. The factors that this option is most likely to have a positive impact upon, according to the survey respondents, are the level of competition, investment in cleaner vehicles, and the creation of new jobs within the vehicle leasing sector. However, this was not a unanimous opinion shared by all survey respondents. Some open-text responses expressed concerns that this amendment would in fact be damaging to small hauliers. The ability of operators to use vehicles with a greater gross vehicle weight and therefore load capacity would lead to the extension of the range of own-account operators. Small hauliers would lose out since they would be relatively less cost effective. Therefore, the option was seen as a potential threat to these hauliers, although there was no agreement on the size of the threat. An organisation representing vehicle leasing companies in Italy, however, claimed that since the rental of trucks enables businesses to remove financial risk associated with truck ownership and operation, small hauliers may not be as largely affected as previously thought. 50 Option 1b was met with broad positivity from the survey respondents. Survey responses suggest this amendment would have the greatest effect on the level of competition, growth, and job creation within the vehicle leasing sector. By contrast, only few respondents felt that it would have a negative impact on any of the factors considered. Additional comments, however, highlight some concerns with this option which should be considered. For example, whilst it is strongly agreed that the proposed measure would provide an injection of competition within the vehicle leasing and road haulage sectors, a coordinated template response (two organisations representing road haulage operators in Belgium, and EU-wide) felt this would have a negative effect on SMEs and some other companies within the sector. It was also suggested by an organisation representing road haulage operators in the Netherlands that some companies would utilise the legislation to hire vehicles from other Member States, where tax regimes are lower. This would cause increased competitive pressures for SMEs, in a similar manner to the concerns raised in Option 1a. Additionally, it was stated by an organisation representing public enterprises in Austria that road safety and quality may suffer as a result of this policy option, as it increases the competitive pressure and thus puts drivers under increased strain. Finally, a Swedish association of transport enterprises suggested that costs of administration and compliance are likely to increase for monitoring and enforcement authorities. However, this option would achieve positive effects by allowing companies to add vehicles to their fleet on a temporary basis to meet seasonal demand fluctuations. There was also support for a harmonised definition of how long a vehicle can be hired for across all Member States. When asked about how long the fixed duration of 'temporary' should be, there was a mixed response from the respondents. Whilst few suggested that this duration should be less than a month, there was an even spread of responses for between one and 12 months. One respondent indicated that a minimum of 3 months should be applied, but he did not see a need to set a maximum. A final respondent noted that ‘it should be recalled that according to the jurisprudence of the Court of Justice the notion of temporary in service provision is settled by the duration, regularity, frequency and continuity of the service, to be decided on a case by case basis’. Option 2 is to introduce the same rules for hired vehicles as already exist for owned vehicles. Member States would not be able to impose specific restrictions on hired vehicles, and these vehicles would be bound by existing Member State legislation around vehicle registration requirements. For example, there is typically a requirement to register a vehicle within a Member State if it is primarily used or based within that Member State following a grace period. It was felt that this option would have a number of positive impacts. For example, it was expected that it would improve productivity of transport operations, whilst cutting costs for road transport operators. Additionally, it is thought to have positive impacts, as with the other options, on the growth, job creation, investment in new vehicles, and level of competition within the vehicle leasing sector. Unlike other options, however, it is expected to also have largely positive effects on the growth within the road haulage sector. By contrast, however, it was indicated that it would increase the competitive pressure on SMEs. 51 Results with regard to a possible extension of the scope of the Directive to the use of hired buses and coaches (an option that has been discarded as no problem could be established) When asked about the need for an EU level legislation on the use of hired buses and coaches, only 22% of the respondents to the online public consultation (6 out of 27) replied 'Yes' while 33% (9 out of 27) saw no need and 44% (12 out of 27) had no opinion on the matter. 8 of 23 respondents indicated that they would be in favour of such a measure, whereas 5 respondents were against. The remaining 10 responses either indicated that they were neither in favour nor against, or they did not know. The reason for this mixed support may be related to a lack of certainty as to the necessity of this measure. The passenger transport market is reported to function properly, also at European level, with the renting of passenger transport vehicles common among coach/bus companies themselves. The survey respondents were split as to whether introducing passenger transport under the scope of the Directive would benefit or harm the sector. They felt however that, if buses and coaches were to be covered by Directive 2006/1/EC, they should be regulated with the same freedom as HGVs and the rules on the use of hired buses and coaches should be harmonised across the EU. When asked about the effects of an extension of the scope of the Directive to the use of hired buses and coaches, a large share of respondents was unsure of the consequences of the measure. In general, the largest positive effects are expected for the vehicle leasing sector, where respondents felt that growth, job creation and the level of competition would benefit from the measure. However, due to the large share of 'Do not know' responses, no strong conclusions can be drawn from this analysis. Some concerns raised by the survey respondents include a potential deterioration of driver working conditions due to the increased competitive pressure which the measure entails, and the need to ensure that only the most environmentally friendly EURO class vehicles should be allowed to be leased. The consultation of the SME panel on the use of hired buses and coaches found that almost half (27/60) of those who had replied that they were involved (in one way or another) in the provision of passenger transport services had never used hired buses and coaches. When asked about the legal situation of the use of hired buses and coaches in their country, respondents from 5 Member States contradicted each other and some 18% did not know the answer. This suggests that a relatively high number of respondents are not fully aware of the legal situation in their country. Almost half (12/28) of those, who replied to the question whether they would consider using more hired coaches and buses if the restrictions in their countries were lifted, said they would do so. Similar to the situation with regard to hired goods vehicles, the main benefits from the use of hired buses and coaches were seen to be the ability to meet seasonal or temporary demand peaks, to increase the flexibility of operations and to help reduce operating costs of passenger transport operations. Use of consultation results It was not possible to get much quantitative information from the consultation process. However, the qualitative information that has been gathered was of great value for this impact assessment as the feedback received was fairly consistent and plausible. The lack of support for the potential option of extending the scope of the Directive to the use of hired buses and coaches in the public consultation and the large share of respondents who had no opinion on this issue (even among bus and coach operators as the related SME panel questionnaire indicated) was taken into account when this potential option was discarded. 52 ANNEX 3 WHO IS AFFECTED BY THE INITIATIVE AND HOW Who is affected How are they affected? Own account operators Own account operators across the EU will be allowed to use hired goods vehicles with a maximum mass above 6 tonnes. At the moment, this is restricted in Greece, Italy, Spain and Portugal. The use of hired goods vehicles can contribute to increased flexibility and productivity. Road transport Operators Road transport operators will have legal certainty that they can use vehicles that they have hired in a Member State other than the one where they are established for 3-4 months. They may thus benefit from more choice and potentially better deals across borders, in particular if they are from Member States with a less developed vehicle renting / leasing sector and from border regions. Vehicle renting / leasing companies The vehicle renting / leasing industry benefits from access to hitherto closed markets (the own account operators in the four Member States mentioned above) and from the possibility to move around its vehicles from Member States where the vehicles would be idle to Member States where they may be needed on a temporary basis (3-4 months) to satisfy seasonal or other short-term extra demand. This increases the productivity and profitability of the vehicle renting/leasing sector in the EU. National authorities in the Member States National authorities will be relieved from controlling and enforcing market access restrictions such as the ones related to the use of hired goods vehicles for own account operations. At the same time, the temporary permission to use vehicles hired in another Member State will also need to be enforced. While the Directive does not impose a maximum hiring period for cross-border hires, most Member States will want to have one in place to avoid that their transport operators start moving their fleet to Member States with low tax levels and hire them back. Tax revenues are bound to increase mainly due to higher profits in the vehicle renting/leasing sector and in the road haulage sector. Society in general Society should benefit from the increased use of hired vehicles as hired vehicles are generally newer, cleaner and safer. As hired vehicles are usually better maintained than the average fleet, they also tend to be more fuel efficient. Altogether, the initiative will contribute to lower pollutant emissions, lower CO2 emissions and fewer road deaths. 53 ANNEX 4 MODELLING APPROACH AS WELL AS TABLES AND GRAPHS SUPPORTING THE ANALYSIS Modelling approach to derive the economic impact of the use of hired vehicles The starting point of the modelling is that the use of hired vehicles allows companies to increase their productivity by being able to respond to fluctuations in demand more quickly and drawing on a pool of vehicles available for hire when they need one. The question is then how this increase in productivity is to be estimated. It is known that hired vehicles tend to have higher utilisation rates than vehicles owned by operators. The more vehicles are hired, the fewer vehicles are hence needed to carry out the same amount of transport operations. Leasing industry representatives have claimed that fleet size could be reduced by up to 10% when an operator moves from owning his vehicles to hiring them.78 The assumption of a possible reduction of the average fleet size by 10% through the use of hired vehicles is at the core of the modelling approach. It is assumed that the annual fixed operating costs of a vehicle (depreciation, interest on capital, vehicle insurance and vehicle ownership tax) are identical for hired/leased vehicles owned by leasing companies and for vehicles directly owned by transport operators. As explained above, the use of hired vehicles instead of vehicles owned by the operators allows for a 10% reduction in the overall vehicle stock. A 10% reduction in the vehicle stock translates into a 10% reduction in fixed operating costs. It is assumed that the cost savings in the case of a vehicle replaced by a hired vehicle are equally shared between the transport company hiring the vehicle and the leasing company owning it. Based on 2014 Cost Tables of the UK Road Haulage Association RHA79, the cost savings per vehicle in the UK could be estimated. As the fixed operating costs vary between Member States, the numbers have been adjusted for each Member State. As a result, the average fixed operating costs per vehicle in the EU have been found to be around €9,700 per year for a light commercial vehicle (<3.5 tonnes) and some €16,500 per year for a heavy goods vehicle (>3.5 tonnes; weighted average between road tractors and rigid trucks). Table 4-1 - Net cost saving for transport operator per vehicle replaced by hiring Type of cost LCV HGV Annual fixed cost (EU average) €9,737 €16,502 Stock reduction / Fixed cost saving through hire X 10% Gross cost saving per vehicle replaced = €974 €1,650 Proportion accruing to transport operator X 50% Net cost saving accruing to transport operator = €487 €825 Source: Ricardo (2017). 78 In stakeholder interviews, leasing companies have even reported a possible fleet size reduction by up to 30% in the heavily seasonal food haulage business. However, it is not clear to what extent this reduction can actually be attributed to improved vehicle utilisation. It is true that vehicles used during peak periods by one customer may be rented out to another customer during non-peak periods, but only to the extent that the two customers are faced with two different peak periods. The 'extreme' version of possible fleet size reduction has therefore not been considered (also because it was not found to be representative for all sectors using hired vehicles). 79 Available at   [*http://www.andersonstransport.com/documents/terms/Cost-Tables-2014-EDITION.pdf*](http://www.andersonstransport.com/documents/terms/Cost-Tables-2014-EDITION.pdf) 54 Another potential cost saving element comes from the fact that hired vehicles are on average more fuel efficient than other vehicles on the market, not only because they are on average newer but also because they are on average better maintained than other vehicles.80 To explore the potential impact of improved fuel efficiency of hired vehicles, a sensitivity analysis which quantified the effects of a 5% reduction in fuel consumption has been carried out. Representatives of the leasing industry indicated that, due to their bargaining power, their knowledge of the vehicle market and economies of scale, leasing companies usually get better deals than the average transport operator would when acquiring a vehicle. In a highly competitive market, they are bound to pass these benefits at least in part on to their customers who may thus benefit from additional financial advantages from using hired vehicles. However, as it was not possible to cross-check the information and to quantify these benefits, the operational cost saving calculations focus on the first two categories mentioned above - reduced fleet size due to higher utilisation, and fuel cost savings due to newer and better maintained vehicles. 80 Fraikin, a truck hire company, and certifying agency Dekra performed fuel economy tests on 15 EURO VI trucks and found that, under highway operating conditions, the best performing ones had up to 7% lower fuel consumption than the average. It is assumed that vehicle hiring / leasing companies will offer their customers the most fuel efficient vehicles on the market. Lowering the fuel costs of customers is one of the main selling points of leasing companies.   [*http://www.fraikin.com/IMG/pdf/CP\_Fraikin\_Eco\_Test\_UK.pdf*](http://www.fraikin.com/IMG/pdf/CP_Fraikin_Eco_Test_UK.pdf) 55 Figure 4-1: Problem tree diagram 56 Annual vehicle costs as input to the quantification analysis Figure 4-2: Estimated annual operating costs for an articulated truck by Member State Notes: Direct country-specific cost estimates only available for BE, FR, DE, HU, IT, LT, LU, PL, SI, ES. Cost figures for the other MS are scaled, using Eurostat data on relative labour cost levels in the transportation and storage sector, and on purchasing power parities for providing estimates of capital, tyre, and repair and maintenance costs in each Member State. Source: Ricardo (2017). - 20 40 60 80 100 120 140 160 180 200SwedenDenmarkUnited KingdomFinlandIrelandBelgiumFranceItalyLuxembourgNetherlandsAustriaGermanySpainGreeceCyprusPortugalSloveniaHungaryCzech RepublicSlovakiaEstoniaCroatiaLatviaPolandRomaniaLithuaniaBulgariaDriver cost k€/yrYearly cost of veh financing & possession k€/yrFuel cost k€/yrTyres k€/yrMaintenance‐repair k€/yrInsurance (vehicle) k€/yrOwnership tax k€/yrOverheads k€/yr 57 Figure 4-3: Annual non-fuel vehicle costs across Member States used in leasing calculations Notes: Costs for van and rigid truck based on UK figures from DFF International (2014) scaled by the cost ratios between Member States from the Figure 4-2 above. - 5,000 10,000 15,000 20,000 25,000DenmarkSpainSwedenIrelandCzech Rep.FinlandSlovakiaUKEstoniaCyprusGermanyHungaryLatviaGreeceCroatiaEU28NetherlandsLuxembourgPolandAustriaBelgiumItalySloveniaFranceLithuaniaPortugalBulgariaRomaniaHGV (average of rigid and road tractor)Road tractor12t rigid truck3.5t van 58 Figure 4-4: Summary of total annual operating cost savings for HGVs in the EU28 over baseline for all policy options (except Option 2) Note: The slope changes in 2023 as all policy options are presumed to be phased in between 2020 and 2023 and only take full effect from 2023 onwards. Option 3 should be read as Option 2. Source: Ricardo (2017). Figure 4-5: Summary of total annual operating cost savings for LCVs in the EU28 over baseline for all relevant policy options Note: The slope changes in 2023 as all policy options are presumed to be phased in between 2020 and 2023 and only take full effect from 2023 onwards. As Option 1a only affects HGVs, there is no impact on LCVs. The cost savings for Option 1c are hence the same as those for Option 1b. Option 3 should be read as Option 2. Source: Ricardo (2017). 59 Figure 4-6: Number of HGV replaced by hired vehicles over baseline (data for EU28) Note: Option 3 should be read as Option 2. Source: Ricardo (2017). Figure 4-7: Number of LCV replaced by hired vehicles over baseline (data for EU28) Note: Option 3 should be read as Option 2. Source: Ricardo (2017). 60 Table 4-2 - EU-28 level overview of estimated losses in taxation revenues in 2030 from reduction in goods vehicle stock due to intensified use of hired vehicles Option Rental fleet Stock replaced by rental fleet Net reduction in stock Net reduction in stock over baseline Weighted average tax per vehicle Total loss in tax revenues LCV Baseline 2,334,088 2,593,431 259,343 - - - LCV Option 1b 2,334,088 2,602,382 268,294 8,950 €306 €3 mio LCV Option 2 2,334,088 2,597,150 263,062 3,719 €249 €1 mio HGV Baseline 543,454 603,838 60,384 - - - HGV Option 1a 578,413 642,681 64,268 3,884 €1,115 €4 mio HGV Option 1b 543,454 607,844 64,390 4,006 €926 €4 mio HGV Option 1c 578,413 647,058 68,646 8,262 €1,491 €8 mio HGV Option 2 578,413 643,960 65,548 5,164 €1,072 €6 mio Source: Ricardo (2017). Table 4-3 - EU-28 level overview of estimated gains in corporate tax revenues in 2030 from operating cost savings (/ extra profits) due to the intensified use of hired vehicles Option Transport operators' cost saving in 2030 Hire/rental companies' extra profits Effective average tax rate Increase in average taxation revenues LCVs HGVs LCVs HGVs Option 1a €0 €31 mio €0 €65 mio 27% (4 MS) €26 mio Option 1b €45 mio €29 mio €9 mio €7 mio 21% (avg. for 17 MS) €19 mio Option 1c €45 mio €60 mio €9 mio €72 mio 21% (avg. for 17 MS) €39 mio Option 2 €17 mio €41 mio €4 mio €68 mio 21% (avg. for 17 MS) €27 mio Source: Ricardo (2017). Table 4-4 - Summary of the environmental impacts of the policy options in 2030 for the EU28 for LCVs and HGVs (incl. assumed 5% improvement in fuel efficiency) Option Share replaced by rental vehicles in 2030 Improvement NOx, PM and CO2 performance of rental fleet Emission savings from rental vehicles Savings over baseline LCV Baseline (extra 5% fuel saving) 8.70% 5.83% 0.5074% - LCV Option 1b (extra 5% fuel saving) 8.73% 5.83% 0.5092% 0.0018% LCV Option 2 (extra 5% fuel saving) 8.71% 5.83% 0.5082% 0.0007% HGV Baseline (extra 5% fuel saving) 9.96% 5.28% 0.5257% - HGV Option 1a (extra 5% fuel saving) 10.60% 5.28% 0.5595% 0.0338% HGV Option 1b (extra 5% fuel saving) 10.07% 5.28% 0.5292% 0.0035% HGV Option 1c (extra 5% fuel saving) 10.72% 5.28% 0.5634% 0.0376% HGV Option 2 (extra 5% fuel saving) 10.62% 5.28% 0.5607% 0.0349% Source: Ricardo (2017). 61 Table 4-5 - Estimating the overall number of hired (= rented and leased) commercial vehicles in the EU28 Note: Green values are estimates of leased vehicle stock based on total MS vehicle stock multiplied by average share of leased vehicles for developing markets; red values are estimates of leased vehicle stock based on total MS vehicle stock multiplied by average share of leased vehicles for mature markets. Sources: [1]: Leaseurope annual members’ survey, data for 2015. [2] Eurostat – sum of stock of road tractors, and lorries (payloads <1,500 kg for LCVs <3.5t GVW) for 2012 or 2013. Gaps in Eurostat data for BE, DK, FR, EL, HU, LT, LU, NL, PT, SK, SE, UK were filled using national sources from the years 2010-2016 using the latest year available. LCVHGVLCV HGVLCVHGVLCVHGVBEm656 000145 00078 13030 628BGd261 000106 0006 65010 245CZd43 20054 600468 000136 0009.0%40.0%43 20054 600DKm75 40030 100396 00041 00019.0%73.0%75 40030 100DEm314 800209 1001 986 000776 00016.0%27.0%314 800209 100EEd11 4008 20052 00036 00022.0%23.0%11 4008 200IE d283 00027 0007 2112 610ELd9003 600840 000280 0000.0%1.0%9003 600ESd111 9004 475 000671 0003.0%111 90064 854FRm535 70084 3006 257 000534 0009.0%16.0%535 70084 300HRd90 00049 0002 2934 736ITm231 000115 6003 385 000759 0007.0%15.0%231 000115 600CYd97 00017 0002 4721 643LVd40 00037 0001 0193 576LTd51 00079 0001 3007 636LUm30 00010 0003 5732 112HUd331 000147 0008 43414 208MTd2 00040 000513 866NLm132 200828 000135 00016.0%132 20028 516ATm341 00076 00040 61316 053PLd34 90050 0002 303 000898 0002.0%6.0%34 90050 000PTd23 6001 225 00088 0002.0%23 6008 505ROd492 000228 00012 53622 037SId54 00031 0001 3762 996SKd18 00022 200209 00084 0009.0%26.0%18 00022 200FIm46 00046 000411 000109 00011.0%42.0%46 00046 000SEm516 00080 00061 45616 898UKm689 50090 5003 736 000506 00018.0%18.0%689 50090 500Developing market averaged243 900138 60011 273 0002 954 0002.5%9.7%287 242285 512Mature market average m2 024 600575 60018 542 0003 171 00011.9%21.1%2 208 373669 808Total2 268 500714 20029 815 0006 125 0008.4%15.6%2 495 615955 320Member StateMature/ developing marketLeaseurope data [ 1]: stock of hired (= rented and leased) goods vehicles in 2015Eurostat data [2]: overall stock of goods vehiclesCalculated share of hired (= rented and leased) goods vehiclesOverall stock of hired (= rented and leased) goods vehicles (incl. gap-filled estimates) 62 Table 4-6 - Estimating the number of renting and operating leasing vehicles in the EU28 Note: Green values are estimates of operating leasing stock based on total MS leasing stock multiplied by average share of operating leasing for developing markets; red values are estimates of operating leasing stock based on total MS leasing stock multiplied by average share of operating leasing for mature markets. Source: [1]: Leaseurope annual members’ survey, data for 2015. Share of renting and operating leasing among all hired goods vehicles [1]LCVHGVLCV HGVBEm--48 26512 861BGd--1 2011 841CZd19%8 38310 5958 38310 595DKm17%12 6415 04612 6415 046DEm21%66 03743 86466 03743 864EEd20%2 2351 6072 2351 607IE d--1 302469ELd--162647ESd--20 20311 654FRm100%535 70084 300535 70084 300HRd--414851ITm36%83 94142 00783 94142 007CYd--446295LVd--184643LTd--2351 372LUm--2 207887HUd--1 5232 553MTd--9695NLm74%98 01421 14298 01421 142ATm--25 0896 741PLd--6 3018 985PTd--4 2611 528ROd--2 2633 960SId--248538SKd14%2 4903 0712 4903 071FIm--28 41619 316SEm--37 9647 096UKm--425 93438 002Developing market averaged18%18%51 86151 304Mature market average m62%42%1 364 208281 263Total59%38%1 416 069332 567Member StateMature/ developing marketEstimate of goods vehicles held under renting and operating leasing contractsOverall stock of goods vehicles under renting and operating leasing contracts (incl. estimates) 63 ANNEX 5 SME TEST (1) Consultation with SMEs representatives SMEs have been contacted throughout the process. As the sectors concerned by this initaitive predominantly (>99%) consist of SMEs, they could bring in the views during the stakeholder consultation in the second half of 2016, during the open public conultation (12 weeks from 11 August till 4 November 2016) and during the consultation of the SME panel of the Enterprise Europe Network (7 weeks from 22 September till 11 November 2016). The SME panel questionnaire has been translated in all languages of the EU. Two questionnaires were prepared, one about the hiring of goods vehicles and the other about the hiring of buses and coaches. A total of 156 responses have been received for the first one, 94 for the second one. (2) Preliminary assessment of businesses likely to be affected Two categories of SMEs are likely to be most affected by the initiative: SMEs in the road haulage sector and SMEs in the vehicle rental / leasing sector. SMEs from other economic sectors in EL, IT, ES and PT carrying out own-account transport operations will also be affected as they will have the possibility to hire goods vehicles. As SMEs are particulalry credit-constrained, the option of hiring or leasing a goods vehicles instead of buying it is of particular relevance for them. (3) Measurement of the impact on SMEs The impacts on companies in the road haulage and the vehicle renting / leasing business (>99% SMEs) is given in sections 6.1.1 and 6.1.2 of the main text. Own-account operators in EL, IT, ES and PT stand to benefit from the initiative in terms of lower costs, increased flexibility and higher productivity. Some stakeholders (among which trade union representatives) believe that allowing the hiring of goods vehicles for own account operators and in other Member States will benefit the bigger companies rather than the smaller ones. Smaller operators would have to suffer from increased competititive pressure. However, no-one prevents them from also using hired goods vehicles and benefit from the related advantages. (4) Assess alternative options and mitigating measures At the end of the impact assessment, there was no indication that the preferred option might result in a disproportionate burden for SMEs. Consequently, there is no element showing the need for SME specific measures in order to ensure compliance with the proportionality principle. 64 ANNEX 6 THE ROAD INITIATIVES - THE 'BIG PICTURE' INTRODUCTION The Road Initiatives, which are all REFIT Initiatives, are fully inscribed in the overall priorities of the Juncker Commission notably under the 'A deeper and fairer Internal Market' and the 'Climate and Energy Union'. The Communications from the Commission on 'Upgrading the Single Market: more opportunities for people and business' (COM(2015) 550 final) and on 'A Framework Strategy for a Resilient Energy Union with a Forward-Looking Climate Change Policy' (COM(2015) 80 final) explicitly refer to the Road Initiatives. The table below presents the link between the Juncker priorities, the Impact Assessments prepared for the Road Initiatives and the related legislative acts. Priorities IAs Legislation A deeper and fairer Internal Market Hired vehicles Directive 2006/1 Access to the haulage market and to the Profession Regulation 1071/2009 & 1072/2009 Social aspects: Driving/rest time, working time and enforcement measures (tachograph), Posting of workers and enforcement measures Regulation 561/2006 and Regulation 165/2014 Directive 96/71, Directive 2014/67, Directive 2002/15 and Directive 2006/22 Access to the market of buses and coaches Regulation 1073/2009 Climate and Energy Union Eurovignette Directive 1999/62 European Electronic Toll Service (EETS) Directive 2004/52 Commission decision 2009/750 Moreover, the transport strategy of the Commission as laid down in the White Paper 'Roadmap to a Single European Transport Area - Towards a competitive and resource efficient transport system' adopted on 28 March 2011, included references to the road initiatives81. THE EU ROAD TRANSPORT MARKET Road transport is the most prominent mode of transport. In 2014, almost three quarters (72%) of all inland freight transport activities in the EU were by road. On the passenger side, the relative importance of road as mode of transport is even greater: on land, road accounts for more than 90% of all passenger-kilometres: 83% for passenger cars and almost 9% for buses and coaches. 81 More specifically in the Annex under points 6, 11 and 39 65 Almost half of the 10.6 million people employed in the transport and storage sector in the EU are active in carrying goods or passengers by road. Road freight transport services for hire and reward employs around 3 million people, while the road passenger transport sector (buses, coaches and taxis) adds another 2 million employed persons (a third of which are taxi drivers). This corresponds to more than 2.2% of total employment in the economy and does not include own account transport which in road freight transport alone provides employment for 500,000 to 1 million additional people. There are about 600,000 companies in the EU whose main business is the provision of road freight transport services for hire and reward. Every year, they generate a total turnover of roughly €300 billion, around a third of which is value added by the sector (the rest being spent on goods and services from other sectors of the economy). The provision of road freight transport services for hire and reward is hence an important economic sector in its own right, generating almost 1% of GDP. In road passenger transport, there are about 50,000 (mostly) bus and coach operators (of which 12,000 provide urban and suburban services, (some including tram and underground)) and around 290,000 taxi companies in the EU. Together, they generate a turnover of €110 billion. Without taxis, total turnover of the sector is around €90 billion per year, of which some €50 billion is value added. WHY IS THERE A NEED FOR ACTION? Road transport is for a large part international (around 34%82) and this share is increasing, which explains the need for a common EU legal framework to ensure efficient, fair and sustainable road transport. The framework covers the following aspects: • Internal market rules governing access for operators to the markets of freight and passengers • Social rules on driving/rest time and working time to ensure road safety and respect of working conditions and fair competition • Rules implementing the user and polluter pays principles in the context of road charging • Digital technologies to enable interoperable tolling services in the EU and to enforcement EU rules (e.g the tachograph) It is clear that current rules are no longer fit for purpose. Member States are increasingly adopting own national rules to fight 'social dumping' while acknowledging that their actions have adverse effects on the internal market. Moreover, public consultations have shown a strong support for EU action to solve current issues in road transport. For example: • Severe competition in the road transport sector has led many operators to establish in low-wage countries without necessarily having any business activity in these countries. There is a lack a clear criteria and enforcement mechanisms to ensure that such establishment practises are genuine, and that there is a level playing for operators. 82 Statistical Pocketbook 2016, EU Transport in figures 66 • Measures on Posting of Workers implemented in 4 Member States (DE, FR, AT and IT) are all different and obviously from other Member States which have not implemented any measure to implement the minimum wage to road transport on their territory. Stakeholders ask for a common set of (simplified) enforcement rules. • CO2 emissions from road transport represent a large share of total emission and the share is set to rise in the absence of common action (at EU 28 level), which is needed to contribute substantially to the commitment under the Paris Agreement and to the 2030 goals. • Due to the increasingly more and more hyper-mobile nature of the sector, there is a need for common and enforceable rules for workers. All workers should benefit from the same level of protection in all Member States to avoid social dumping and unfair competition between hauliers. This is currently not the case. WHAT ARE THE MAIN PROBLEMS? The Internal market for road transport is not complete. It is our assessment that the current situation does not allow to exploit the full potential of transport services • e.g current rules on bus/coach services or the rules on hired vehicles are still very restrictive. Some Member States have decided to unilaterally open their market, which has led to a fragmentation of the EU internal market. Many rules are unclear, therefore leading to different levels of implementation by Member States and problems of enforcement: • e.g on cabotage where all stakeholders agree that current rules are unenforceable. There are allegations of 'social dumping' and unfair competition in the road transport sector. This has led to a division between East and West in Europe. As a consequence, several Member States have decided to take national measures, which might jeopardize the unity of the EU market for road transport: • e.g minimum wage rules in DE, FR, IT and AT coupled with disproportionate administrative requirements ; prohibition of drivers taking the weekly rest in the cabin of vehicles in FR and BE. Environmentally, we have made good progress in reducing pollutants from heavy goods vehicles but our legal framework currently does not address the issue of climate change (CO2). At the same time, the infrastructure quality is degrading in the EU although user charges and tolls are levied on most motorways and other TEN-T roads. Electronic tolling systems in the EU are still far from being interoperable, despite the primary objective of EU legislation of establishing 'one contract/one on-board unit/one invoice' for the users. More generally, the benefits of digitalisation are still under-exploited in road transport, in particular to improve control of EU legislation (e.g many Member States do not currently allow the use of electronic waybills). OPTIONS AND MAIN IMPACTS To achieve these objectives, all IAs will consider a range of different options, which ultimately should improve the efficiency, fairness and sustainability of road transport. The IA on Hired Vehicles will assess options aiming at removing outdated restrictions on the use of hired goods vehicles and thus at opening up new possibilities for operators and 67 leasing/hiring companies alike. More flexibility for the hiring of vehicles should lead to more efficient operations, higher productivity and less negative environmental impacts as fleet renewal will be promoted. The IA on Access to the haulage market and to the Profession will study various options to ensure effective and consistent monitoring and enforcement of the existing rules in Member States and to ensure coherent interpretation and application of the rules. Three broad groups of potential measures will be assessed, namely measures liable to improve enforcement, measures ensuring simplification and clarification of current rules and measures reinforcing the cooperation between Member States. The IA on Access to the market of buses and coaches will assess options aiming at improving the performance of coach and bus services vis-a-vis other transport modes, especially private car and further developing the internal market for coach and bus services. This should lead to a reduction of the adverse environmental and climate effects connected with mobility. Various policy options will be considered for creating more uniform business conditions and also a level playing field for access to terminals. The IA on Social aspects of road transport will study options aiming at ensuring the effectiveness of the original system put in place and therefore contributing to the original policy objectives, i.e : (1) to ensure a level playing field for drivers and operators, (2) to improve and harmonise working conditions and (3) to improve road safety. An additional objective, in the context of the implementation and enforcement of the provisions on posting of workers, is to ensure the right balance between the freedom to provide cross-border transport services and the protection of the rights of highly mobile road transport workers. In this perspective, three broad groups of measures will be analysed: 1. Simplification, update and clarification of existing rules, 2. More efficient enforcement and cooperation between Member States and 3. Improved working conditions of drivers and fair competition between operators. The IA on the Eurovignette Directive will assess options to promote financially and environmentally sustainable and socially equitable (road) transport through a wider application of the 'user pays' and 'polluter pays' principles. A number of different measures and their variants aiming at correcting price signals in freight and passenger transport will be considered in order to address the issues identified. The policy options range from minimum adjustments to the Directive required for improving its coherence and addressing all policy objectives, through the promotion of low carbon (fuel efficient) vehicles and the phasing out of time-based charging schemes (vignettes) for trucks to the optimisation of tolls for all vehicles. The IA on EETS (European Electronic Tolling Service) will study options aiming at reducing the cost and the burden linked to the collection of electronic tolls in the EU – for users and for society at large. It will equally seek to improve the framework conditions for the faster and more widely provision of an interoperable European Electronic Toll Service. Different policy options will be considered, including a non-legislative approach (facilitating exchange of best practice, co-financing EETS-related projects) and a legislative review. These policy options and their impacts will be presented and assessed in detail in the respective IAs. 68 EXPECTED SYNERGIES OF THE PACKAGE The different initiatives constitute a coherent set of measures which will jointly contribute to an efficient, environmentally and socially sustainable road transport sector. It is expected that the combined impacts will be more than the addition of the impacts of each initiative, meaning that the initiatives are complementary. Some examples of such synergies are provided below. • Current restrictions on cabotage are unclear and therefore lead to illegal cabotage. These illegal activities are closely linked with the fact that transport operators established in low-wage countries exert unfair competition via 'social dumping' and not respecting the rights of workers, who often are staying in their trucks abroad for longer periods. This illustrates the clear link between compliance of internal market rules and social/fair competition aspects of road transport, which are all addressed by the road initiatives and which cannot be dealt with separately. • When assessing the laws applying a national minimum wage to road transport, Member States explained the Commission that one of the reasons for adopting these national measures is to fight the phenomenon of fake establishments and “letterbox” companies in low-wage countries. Tackling the issue of posting of workers in road transport goes therefore hand in hand with the issue of establishment of road transport operators, which again illustrates the link between internal market and social aspects of road transport. • Promoting interoperability of electronic tolls systems will lead to lower implementation costs of such systems by Member States. We can expect that this will incentivise Member States to put in place distance-based tolls, which better reflect the user and polluter pays principles. This shows the close link between the Eurovignette and EETS initiatives. • Seeking to improve the performance of coach and bus services vis-a-vis other transport modes will inevitably lead discussion on a level playing between road and rail services. Current EU legislation provides that rail users shall pay for the use of infrastructure, while it is not currently the case for buses and coaches which are outside the scope of the Eurovignette directive. The inclusion of buses and coaches in the Eurovignette initiative to ensure that they pay a fair price for using the road infrastructure is therefore essential and will ensure overall coherence. • The initiative on hired vehicles is in particular related to the initiatives on the access to the market and to the profession, all having the aim of establishing clear and common rules for a well-functioning and efficient Internal Market for road haulage : some of them by ensuring a good functioning of the market of transport services, others by ensuring the best use of the fleet of vehicles.

**Load-Date:** August 1, 2017

**End of Document**



[***ICRA reaffirms the ratings of [ICRA]BBB+(Stable) and [ICRA]A2+ for the bank facilities of Zuari Agro Chemicals Limited***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5PK0-Y3H1-F19S-P0FC-00000-00&context=1516831)

SeeNews Debt

September 26, 2017 Tuesday 6:36 PM EEST

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**Length:** 2913 words

**Byline:** SeeNews

**Body**

September 25, 2017 Zuari Agro Chemicals Limited

Summary of rated instruments

Instrument\* Rated Amount (Rs. crore) Rating Action Long term fund based limits 1,200 [ICRA]BBB+ (Stable) reaffirmed Long term fund based-Interchangeable# (75) (increased from nil earlier) [ICRA]BBB+ (Stable) reaffirmed Long term un-allocated limits 265 (reduced from Rs. 300 crore earlier) [ICRA]BBB+ (Stable) reaffirmed Short term non-fund based limits 2,750 (increased from Rs. 2600 crore earlier) [ICRA]A2+ reaffirmed Short-term unallocated Nil (reduced from Rs. 100 crore earlier) - Long Term/Short term unallocated limits Nil (reduced from Rs. 15 crore earlier)

\*Instrument details are provided in Annexure-1

# Rs 75 crore of long term limit is fully interchangeable with short term non-fund based limits

Rating action

ICRA has reaffirmed the ratings of [ICRA]BBB+ (pronounced ICRA triple B plus) and [ICRA]A2+ for Rs 4,215 crore1 for the bank facilities of Zuari Agro Chemicals Limited (ZACL)2. The outlook on the long-term rating is Stable.

Rationale

The ratings of ZFCL are primarily based on the parental support of Zuari Agro Chemicals Limited (ZACL, rated [ICRA]BBB+(Stable)/[ICRA]A2+). The revision in outlook factors improvement in performance of ZACL in H2 FY2017 which helped the company in offsetting the large losses incurred in H1 FY2017 due to price ***intervention*** by GoI for DAP, NPK and MOP leading to large inventory losses. The revision in outlook also takes into account the expectation of improvement in financial performance of ZACL in the near term owing to lower raw material prices and favourable policy measure taken by GoI. The GoI in March 2017 increased the realisations on production beyond re-assessed capacity (RAC) to IPP +$30/MT from IPP+$15/MT earlier which will improve ZACL's profitability from urea production beyond RAC. The rating reaffirmation takes into account the improvement in profitability of ZACL in FY2017 given improvement in urea as well as non-urea operations during the year, though on an absolute basis, the performance of the company remains weak. ICRA notes that the company will be undertaking significant debt funded capex to meet energy efficiency requirements under NUP-2015 applicable from FY2019. ICRA also notes that the company has been ***planning*** to infuse equity to strengthen the balance sheet but was unable to do so in FY2017.

The ratings primarily factor in the strong parentage of the company and the associated financial flexibility. ZFCL is promoted by the Adventz Group (erstwhile K.K. Birla Group) and is a subsidiary of the group flagship Zuari Agro Chemicals Limited (ZACL) (rated [ICRA]BBB+(Stable)/[ICRA]A2+), which is a leading player in the domestic fertiliser industry. Besides, the group has several other

1 100 lakh = 1 crore = 10 million

2 For complete rating scale and definitions, please refer to ICRA's website [*www.icra.in*](http://www.icra.in) or other ICRA Rating Publications Instrument\* Rated Amount (Rs. crore) Rating Action Long term fund based limits 1,200 [ICRA]BBB+ (Stable) reaffirmed Long term fund based-Interchangeable# (75) (increased from nil earlier) [ICRA]BBB+ (Stable) reaffirmed Long term un-allocated limits 265 (reduced from Rs. 300 crore earlier) [ICRA]BBB+ (Stable) reaffirmed Short term non-fund based limits 2,750 (increased from Rs. 2600 crore earlier) [ICRA]A2+ reaffirmed Short-term unallocated Nil (reduced from Rs. 100 crore earlier) - Long Term/Short term unallocated limits Nil (reduced from Rs. 15 crore earlier) -

companies in the fertiliser segment, including Paradeep Phosphates Limited (PPL - rated [ICRA]BBB+(Positive)/[ICRA]A2+) and Zuari Specialty Fertilizers Limited. The ratings also factor in the ***strategic*** importance of ZFCL to ZACL, as the latter has invested in various growth avenues through ZFCL - investment in the greenfield single super phosphate (SSP) project, acquisition of majority shareholding of Mangalore Chemicals & Fertilisers Limited (MCF) and investment in the proposed di-ammonium phosphate (DAP) plant in Ras Al Khaimah Maritime City in UAE have been through ZFCL. MCF is now a subsidiary of ZFCL, although the loans availed by ZFCL from banks and financial institutions and from ZACL for the acquisition of MCF shares have resulted in large losses for the company in FY2017 and would continue to strain its financial profile over the near-to-medium term due to high interest costs.

The ratings also factor in the favourable demand outlook for the SSP industry in India driven by low availability of phosphate nutrient in the soil and the marketing push by leading players (including ZACL and PPL), which may lead to an increase in demand of SSP in the long run. Besides, demand risks for the marketing of the company's products are low as the SSP ***produced*** by ZFCL will be sold through the marketing network of ZACL and PPL. The capacity utilisation for ZFCL remained low in FY2017 at 28% and is expected to improve going forward.

The ratings are constrained by the volatility of profitability to fluctuations in the prices of key raw materials (rock phosphate, sulphuric acid), and the company's ability to raise retail prices in a timely manner. Besides, the profitability is vulnerable to currency fluctuations, agro-climatic conditions and regulatory developments. Working capital requirements could be influenced by timely receipt of subsidy from the GoI. The company's standalone financial position is weak due to high losses, negative net worth, high debt levels (for the SSP project and MCF investment) and associated interest costs. Going forward, the ability of the company to achieve healthy production levels and cost structure and its ability to generate sufficient cash flows through its own operations to service the debt liabilities for the SSP project would remain to be seen. Besides, any adverse impact of the investments in MCF or RAK Maritime City DAP project on the company's standalone profile and material weakening in the credit profile of ZACL will also be a rating sensitivity.

According to the provisional results in FY2017, ZFCL posted a net loss of Rs 111 crore on an operating income of Rs 49 crore, as against a loss of Rs 89 crore on an operating income of Rs 45 crore in FY2016 primarily on account of large interest charges. Owing to large losses the net worth of the company is negative.

Key rating drivers

Credit strengths

 Part of Adventz group having interest in fertiliser and agri-businesses: ZFCL is promoted by ZACL, which is a major player in the Indian fertiliser industry. Besides, the Adventz Group (erstwhile K.K. Birla Group), of which the company is a part, includes other major fertiliser players such as Paradeep Phosphates Limited and Zuari Specialty Fertilisers Limited.

 Financial flexibility on account of parentage: ZFCL derives support from its parent in the form of finer interest rates from the banking system. ICRA notes that the Adventz Group is also looking to consolidate its fertiliser operations by the integration of different departments of ZACL and group company Paradeep Phosphates Limited to derive operational and financial synergies, which may be favourable for the companies in the medium to long term.

 ***Strategic*** importance to ZACL and Adventz group: In May 2015, ZFCL has acquired a majority shareholding in Mangalore Chemicals & Fertilisers Limited (MCF), which is a major Karnataka-based fertiliser player, through an open offer. Investments in MCF and RAK Maritime DAP project have been made through ZFCL, reflecting the ***strategic*** importance of ZFCL to ZACL.

 Favourable demand outlook for the domestic SSP industry: There has been a push by domestic players in promoting SSP as a source of phosphates for the soil. As a result the outlook for SSP remains positive driven by low availability of phosphate nutrient in the soil and the marketing push by leading players.

 Low demand risks as marketing of products to be done through ZACL and PPL's marketing network: ZFCL's products are marketed through the network of ZACL and PPL which results in low demand risks as positive impact of the strong brand equity of these players helps in sale of ZFCL's products as well.

Credit weaknesses

 Vulnerability of profitability to fluctuations in prices of key raw materials (rock phosphate, sulphuric acid) and ability to raise MRPs in an adequate manner: Profitability of SSP players depends largely on their ability to pass on any increase in raw material costs through increase in MRP.

 Vulnerability of profitability to the currency fluctuations, agro-climatic conditions and regulatory developments: : ***Agriculture*** sector in India remains vulnerable to the vagaries of monsoon as the area under irrigation remains low which exposes fertiliser sector to volatility as well. The sector being highly regulated also remains vulnerable to changes in the regulations by GoI.

 Achieving optimum capacity utilisation levels may take some time: ZFCL's operations started in FY2016 and the company has been able to achieve capacity utilisation of 25% in FY2016 and 28% in FY2017. Accordingly achieving optimum is expected to take some more time.

 Working capital requirements could be influenced by the timely receipt of subsidy from the Government of India (GoI): As the subsidy receivables from GoI continue to remain outstanding for as long as 4-5 months working capital borrowings to fund the receivables keep the borrowing levels elevated. The high receivable days also lead to high working capital intensity for the business and high interest costs for the company impacting profitability.

 Weak standalone financial position with negative net worth: Standalone financial risk profile of the company remains weak as significant losses have resulted in negative networth. High debt levels due to debt funded acquisition of MCF have resulted in high interest costs which have resulted in net losses for the company.

Analytical approach: For arriving at the ratings, ICRA has applied its rating methodologies as indicated below.

Links to applicable criteria:

Corporate Credit Rating Methodology

Rating Methodology for fertiliser industry

About the company:

Zuari Agro Chemicals Limited (erstwhile Zuari Holdings Limited) constitutes the fertiliser operations of the Adventz Group following the demerger of Zuari Industries Limited (ZIL). It is also the holding company for the other agri-business operations of the Adventz Group. The group has interests in agri-inputs, engineering, infrastructure, real estate, consumer durables and services sectors. It was a part of the erstwhile K.K. Birla Group. In April 2011, the Bombay High Court (Goa bench) approved the demerger

of ZIL's fertiliser business into Zuari Holdings Limited (later renamed as ZACL), while the residual entity ZIL (later renamed as Zuari Global Limited) retained the non-fertiliser business operations and investments. The demerger scheme was applicable w.e.f July 1, 2012.

The erstwhile ZIL was promoted in 1967 in financial and technical collaboration between the K.K. Birla Group and the U.S. Steel Corporation to manufacture urea, compound nitrogenous fertilisers and phosphates in Goa. In 1985, ZIL promoted Chambal Fertilisers & Chemicals Limited (CFCL) to ***produce*** urea using natural gas at Gadepan, Rajasthan. In 2002, ZIL acquired Paradeep Phosphates Ltd (PPL) - rated [ICRA]BBB+(Stable)/A2+ - through a JV company, as part of the disinvestment process of GoI. PPL manufactures DAP and NPK fertilisers, with its plant located at Paradeep, Orissa. While the equity shareholding of ZIL in PPL is now held by ZACL (~40% of entire shareholding of PPL through the JV company), the 13.3% shareholding of ZIL in CFCL continues to be held by ZGL.

ZACL's plant is located in Goa and comprises of a single stream ammonia plant of 0.22 million metric tonnes per annum (MMTPA) capacity, urea plant of 0.4 MMTPA capacity and DAP/NPK complex with capacity of 0.86MMTPA, which is capable of manufacturing a range of complexes. ZACL completed its feedstock conversion project and is now using gas as a feedstock for manufacturing urea (it was earlier using naphtha). For complexes and DAP, it uses imported ammonia and phosphoric acid. As of end-June 2017, 65.72% of the shareholding of ZACL was held by the promoter group, while the rest is held by domestic and foreign institutional investors and public.

Key Financial Indicators (Audited) FY2016 FY2017

Operating Income (Rs. crore)

5,261

3,918

PAT (Rs. crore)

-15.89

19.59

OPBDIT/ OI (%)

3.8%

5.8%

RoCE (%)

7.5%

8.6%

Total Debt/ TNW (times)

3.37

4.26

Total Debt/ OPBDIT (times)

16.97

12.25

Interest coverage (times)

0.66

0.78

NWC/ OI (%)

51%

50%

OI: Operating Income; PAT: Profit after Tax; OPBDIT: Operating Profit before Depreciation, Interest, Taxes and Amortisation; ROCE: PBIT/Avg (Total Debt + Tangible Net-Worth + Deferred Tax Liability - Capital Work - in Progress); NWC: Net Working Capital

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years:

Table:

S. No.

Instrument

Current Rating (FY2018)

Chronology of Rating History for the past 3 years

Type

Amount Rated

(Rs. crore)

Date &

Rating

Date & Rating in FY2017

Date & Rating in FY2016

Date & Rating in FY2015

September 2017

August 2017

December 2016

September 2016

January 2016

September 2015

July 2014

1

Fund based limits

Long term

1,200

[ICRA] BBB+

(Stable)

[ICRA] BBB+

(Stable)

[ICRA] BBB+

(Negative)

[ICRA] BBB+

(Stable)

[ICRA] BBB+

(Stable)

[ICRA] BBB+

(Stable)

[ICRA] BBB+

(Stable)

2

Fund based- interchangeable

Long term

(75)

[ICRA] BBB+

(Stable)

-

-

-

-

-

-

3

Un-allocated limits

Long term

265

[ICRA] BBB+

(Stable)

[ICRA] BBB+

(Stable)

[ICRA] BBB+

(Negative)

[ICRA] BBB+

(Stable)

[ICRA] BBB+

(Stable)

[ICRA] BBB+

(Stable)

[ICRA] BBB+

(Stable)

4

Non-fund based limits

Short term

2,750

[ICRA] A2+

[ICRA] A2+

[ICRA]

A2+

[ICRA]

A2+

[ICRA]

A2+

[ICRA]

A2+

[ICRA]

A2+

5

Unallocated

Short term

0

-

[ICRA] A2+

[ICRA]

A2+

[ICRA]A2+

[ICRA]A2+

[ICRA]A2+

[ICRA]A2+

6

Unallocated limits

Long Term/ Short term

0

-

[ICRA] BBB+

(Stable)/ A2+

[ICRA] BBB+

(Negative)/

A2+

[ICRA] BBB+

(Stable)/

A2+

[ICRA] BBB+

(Stable)/

A2+

[ICRA] BBB+

(Stable)/

A2+

[ICRA] BBB+

(Stable)/

A2+

Complexity level of the rated instrument:

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website [*www.icra.in*](http://www.icra.in)

Annexure-1

Instrument Details

ISIN No

Instrument

Date of Issuance / Sanction

Coupon Rate

Maturity Date

Amount Rated

(Rs. crore)

Current Rating and Outlook

-

Long term, fund based- Cash Credit

-

-

-

1200

[ICRA]BBB+

(Stable)

-

Long term, fund based-interchangeable

-

-

-

(75)^

[ICRA]BBB+

(Stable)

-

Long term, unallocated

-

-

-

265

[ICRA]BBB+

(Stable)

-

Short term, non fund based

-

-

-

2750

[ICRA]A2+

Source: The company,

^Long term interchangeable limits of Rs. 75 crore are fully interchangeable with short term non-fund based limits.

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**Load-Date:** September 26, 2017

**End of Document**



[***ICRA reaffirms the ratings of [ICRA]BBB- and [ICRA]A3 for the bank facilities of Zuari Fertilisers & Chemicals Limited; Outlook revised to Stable from Negative***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5P8M-T4R1-JDVR-02S4-00000-00&context=1516831)

SeeNews Debt

August 18, 2017 Friday 11:35 AM EEST

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**Length:** 2899 words

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**Body**

August 16, 2017 Zuari Fertilisers & Chemicals Limited

Summary of rated instruments

Instrument\* Rated Amount (Rs. crore) Rating Action Term loan 30 [ICRA]BBB-reaffirmed; Outlook revised to Stable from Negative Fund based long term facilities 17 [ICRA]BBB-reaffirmed; Outlook revised to Stable from Negative Non-fund based, short term facilities 3 [ICRA]A3 reaffirmed Total 50

\*Instrument details are provided in Annexure-1

Rating action

ICRA has reaffirmed the ratings of [ICRA]BBB- (pronounced ICRA triple B minus) and [ICRA]A3 (pronounced ICRA A three) for Rs. 50 crore1 bank facilities of Zuari Fertilisers & Chemicals Limited (ZFCL)2. The outlook on the long-term rating is has been revised to 'Stable' from 'Negative'.

Rationale

The ratings of ZFCL are primarily based on the parental support of Zuari Agro Chemicals Limited (ZACL, rated [ICRA]BBB+(Stable)/[ICRA]A2+). The revision in outlook factors improvement in performance of ZACL in H2 FY2017 which helped the company in offsetting the large losses incurred in H1 FY2017 due to price ***intervention*** by GoI for DAP, NPK and MOP leading to large inventory losses. The revision in outlook also takes into account the expectation of improvement in financial performance of ZACL in the near term owing to lower raw material prices and favourable policy measure taken by GoI. The GoI in March 2017 increased the realisations on production beyond re-assessed capacity (RAC) to IPP +$30/MT from IPP+$15/MT earlier which will improve ZACL's profitability from urea production beyond RAC. The rating reaffirmation takes into account the improvement in profitability of ZACL in FY2017 given improvement in urea as well as non-urea operations during the year, though on an absolute basis, the performance of the company remains weak. ICRA notes that the company will be undertaking significant debt funded capex to meet energy efficiency requirements under NUP-2015 applicable from FY2019. ICRA also notes that the company has been ***planning*** to infuse equity to strengthen the balance sheet but was unable to do so in FY2017.

The ratings primarily factor in the strong parentage of the company and the associated financial flexibility. ZFCL is promoted by the Adventz Group (erstwhile K.K. Birla Group) and is a subsidiary of the group flagship Zuari Agro Chemicals Limited (ZACL) (rated [ICRA]BBB+(Stable)/[ICRA]A2+), which is a leading player in the domestic fertiliser industry. Besides, the group has several other companies in the fertiliser segment, including Paradeep Phosphates Limited (PPL - rated [ICRA]BBB+(Positive)/[ICRA]A2+) and Zuari Specialty Fertilizers Limited. The ratings also factor in the ***strategic*** importance of ZFCL to ZACL, as the latter has invested in various growth avenues through ZFCL - investment in the greenfield single super phosphate (SSP) project, acquisition of majority

1 100 lakh = 1 crore = 10 million

2 For complete rating scale and definitions, please refer to ICRA's website [*www.icra.in*](http://www.icra.in) or other ICRA Rating Publications Instrument\* Rated Amount (Rs. crore) Rating Action Term loan 30 [ICRA]BBB-reaffirmed; Outlook revised to Stable from Negative Fund based long term facilities 17 [ICRA]BBB-reaffirmed; Outlook revised to Stable from Negative Non-fund based, short term facilities 3 [ICRA]A3 reaffirmed Total 50

shareholding of Mangalore Chemicals & Fertilisers Limited (MCF) and investment in the proposed di-ammonium phosphate (DAP) plant in Ras Al Khaimah Maritime City in UAE have been through ZFCL. MCF is now a subsidiary of ZFCL, although the loans availed by ZFCL from banks and financial institutions and from ZACL for the acquisition of MCF shares have resulted in large losses for the company in FY2017 and would continue to strain its financial profile over the near-to-medium term due to high interest costs.

The ratings also factor in the favourable demand outlook for the SSP industry in India driven by low availability of phosphate nutrient in the soil and the marketing push by leading players (including ZACL and PPL), which may lead to an increase in demand of SSP in the long run. Besides, demand risks for the marketing of the company's products are low as the SSP ***produced*** by ZFCL will be sold through the marketing network of ZACL and PPL. The capacity utilisation for ZFCL remained low in FY2017 at 28% and is expected to improve going forward.

The ratings are constrained by the volatility of profitability to fluctuations in the prices of key raw materials (rock phosphate, sulphuric acid), and the company's ability to raise retail prices in a timely manner. Besides, the profitability is vulnerable to currency fluctuations, agro-climatic conditions and regulatory developments. Working capital requirements could be influenced by timely receipt of subsidy from the GoI. The company's standalone financial position is weak due to high losses, negative net worth, high debt levels (for the SSP project and MCF investment) and associated interest costs. Going forward, the ability of the company to achieve healthy production levels and cost structure and its ability to generate sufficient cash flows through its own operations to service the debt liabilities for the SSP project would remain to be seen. Besides, any adverse impact of the investments in MCF or RAK Maritime City DAP project on the company's standalone profile and material weakening in the credit profile of ZACL will also be a rating sensitivity.

According to the provisional results in FY2017, ZFCL posted a net loss of Rs 111 crore on an operating income of Rs 49 crore, as against a loss of Rs 89 crore on an operating income of Rs 45 crore in FY2016 primarily on account of large interest charges. Owing to large losses the net worth of the company is negative.

Key rating drivers

Credit strengths

 Part of Adventz group having interest in fertiliser and agri-businesses: ZFCL is promoted by ZACL, which is a major player in the Indian fertiliser industry. Besides, the Adventz Group (erstwhile K.K. Birla Group), of which the company is a part, includes other major fertiliser players such as Paradeep Phosphates Limited and Zuari Specialty Fertilisers Limited.

 Financial flexibility on account of parentage: ZFCL derives support from its parent in the form of finer interest rates from the banking system. ICRA notes that the Adventz Group is also looking to consolidate its fertiliser operations by the integration of different departments of ZACL and group company Paradeep Phosphates Limited to derive operational and financial synergies, which may be favourable for the companies in the medium to long term.

 ***Strategic*** importance to ZACL and Adventz group: In May 2015, ZFCL has acquired a majority shareholding in Mangalore Chemicals & Fertilisers Limited (MCF), which is a major Karnataka-based fertiliser player, through an open offer. Investments in MCF and RAK Maritime DAP project have been made through ZFCL, reflecting the ***strategic*** importance of ZFCL to ZACL.

 Favourable demand outlook for the domestic SSP industry: There has been a push by domestic players in promoting SSP as a source of phosphates for the soil. As a result the outlook for SSP remains positive driven by low availability of phosphate nutrient in the soil and the marketing push by leading players.

 Low demand risks as marketing of products to be done through ZACL and PPL's marketing network: ZFCL's products are marketed through the network of ZACL and PPL which results in low demand risks as positive impact of the strong brand equity of these players helps in sale of ZFCL's products as well.

Credit weaknesses

 Vulnerability of profitability to fluctuations in prices of key raw materials (rock phosphate, sulphuric acid) and ability to raise MRPs in an adequate manner: Profitability of SSP players depends largely on their ability to pass on any increase in raw material costs through increase in MRP.

 Vulnerability of profitability to the currency fluctuations, agro-climatic conditions and regulatory developments: : ***Agriculture*** sector in India remains vulnerable to the vagaries of monsoon as the area under irrigation remains low which exposes fertiliser sector to volatility as well. The sector being highly regulated also remains vulnerable to changes in the regulations by GoI.

 Achieving optimum capacity utilisation levels may take some time: ZFCL's operations started in FY2016 and the company has been able to achieve capacity utilisation of 25% in FY2016 and 28% in FY2017. Accordingly achieving optimum is expected to take some more time.

 Working capital requirements could be influenced by the timely receipt of subsidy from the Government of India (GoI): As the subsidy receivables from GoI continue to remain outstanding for as long as 4-5 months working capital borrowings to fund the receivables keep the borrowing levels elevated. The high receivable days also lead to high working capital intensity for the business and high interest costs for the company impacting profitability.

 Weak standalone financial position with negative net worth: Standalone financial risk profile of the company remains weak as significant losses have resulted in negative networth. High debt levels due to debt funded acquisition of MCF have resulted in high interest costs which have resulted in net losses for the company.

Analytical approach: For arriving at the ratings, ICRA has applied its rating methodologies as indicated below.

Links to applicable criteria:

Corporate Credit Rating Methodology

Rating Methodology for fertiliser industry

About the company:

Zuari Fertilisers & Chemicals Limited (ZFCL) is a wholly owned subsidiary of Zuari Agro Chemicals Limited (ZACL) and is a part of the Adventz Group of companies - the erstwhile K.K. Birla Group. The company was incorporated in August 2009 with a view to set up a project to manufacture Single Super Phosphate (SSP). The company's plant is located at Mahad (Maharashtra) with a capacity to manufacture 2 lakh metric tonnes per annum (MTPA) of granulated and powdered SSP. The plant commissioning activities have been completed in YTD FY16 and commercial production has started. Rock phosphate for the project is imported, while sulphuric acid is procured from domestic sources. The product is sold through the marketing network of ZACL, for which ZACL has an informal arrangement with ZFCL.

Besides, ZFCL is also the holding company for the investment of the Adventz Group in Mangalore Chemicals & Fertilizers Limited (MCF) - the UB Group company, in which ZFCL has acquired the majority shareholding in May 2015 after an open offer. ZFCL holds a 53.03% stake in MCF and is part of the promoter group of MCF with the UB Group, which holds ~22.95% stake in MCF.

About the parent company:

Zuari Agro Chemicals Limited (erstwhile Zuari Holdings Limited) constitutes the fertiliser operations of the Adventz Group following the demerger of Zuari Industries Limited (ZIL). It is also the holding company for the other agri-business operations of the Adventz Group. The group has interests in agri-inputs, engineering, infrastructure, real estate, consumer durables and services sectors. It was a part of the erstwhile K.K. Birla Group. In April 2011, the Bombay High Court (Goa bench) approved the demerger of ZIL's fertiliser business into Zuari Holdings Limited (later renamed as ZACL), while the residual entity ZIL (later renamed as Zuari Global Limited) retained the non-fertiliser business operations and investments. The demerger scheme was applicable w.e.f July 1, 2012.

The erstwhile ZIL was promoted in 1967 in financial and technical collaboration between the K.K. Birla Group and the U.S. Steel Corporation to manufacture urea, compound nitrogenous fertilisers and phosphates in Goa. In 1985, ZIL promoted Chambal Fertilisers & Chemicals Limited (CFCL) to ***produce*** urea using natural gas at Gadepan, Rajasthan. In 2002, ZIL acquired Paradeep Phosphates Ltd (PPL - rated [ICRA]BBB+(Positive)/A2+) through a JV company, as part of the disinvestment process of GoI. PPL manufactures DAP and NPK fertilisers, with its plant located at Paradeep, Orissa. While the equity shareholding of ZIL in PPL is now held by ZACL (~40% of entire shareholding of PPL through the JV company), the 13.3% shareholding of ZIL in CFCL continues to be held by ZGL.

ZACL's plant is located in Goa and comprises of a single stream ammonia plant of 0.22 million metric tonnes per annum (MMTPA) capacity, urea plant of 0.4 MMTPA capacity, complex (NPK) plant of 0.36 MMTPA capacity and DAP-cum-Complex plant of 0.36 MMTPA capacity, which is capable of manufacturing a range of complexes. ZACL completed its feedstock conversion project and is now using gas as a feedstock for manufacturing urea (it was earlier using naphtha). For complexes and DAP, it uses imported ammonia and phosphoric acid. As of end-June 2017, 65.72% of the shareholding of ZACL was held by the promoter group, while the rest is held by domestic and foreign institutional investors and public.

Key Financial Indicators (Audited) FY2016

Operating Income (Rs. crore)

44.7

PAT (Rs. crore)

110.7

OPBDIT/ OI (%)

-12.6%

RoCE (%)

Total Debt/ TNW (times)

NM

Total Debt/ OPBDIT (times)

NM

Interest coverage (times)

NM

NWC/ OI (%)

164%

OI: Operating Income; PAT: Profit after Tax; OPBDIT: Operating Profit before Depreciation, Interest, Taxes and Amortisation; ROCE: PBIT/Avg (Total Debt + Tangible Net-Worth + Deferred Tax Liability - Capital Work - in Progress); NWC: Net Working Capital

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years:

Table:

S. No.

Instrument

Current Rating (FY2018)

Chronology of Rating History for the past 3 years

Type

Amount Rated

(Rs. crore)

Date &

Rating

Date & Rating in FY2017

Date & Rating in FY2016

August 2017

December 2016

September 2016

September 2015

1

Term loan

Long term

30

[ICRA]BBB-(Stable)

[ICRA]BBB-(Negative)

[ICRA]BBB-(Stable)

[ICRA]BBB-(Stable)

2

Fund based long term facilities

Long term

17

[ICRA]BBB-(Stable)

[ICRA]BBB-(Negative)

[ICRA]BBB-(Stable)

[ICRA]BBB-(Stable)

3

Non-fund based, short term facilities

Short term

3

[ICRA]A3

[ICRA]A3

[ICRA]A3

[ICRA]A3

Complexity level of the rated instrument:

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website [*www.icra.in*](http://www.icra.in)

Annexure-1

Instrument Details

ISIN No

Instrument

Date of Issuance / Sanction

Coupon Rate

Maturity Date

Amount Rated

(Rs. crore)

Current Rating and Outlook

-

Term loan

December 30, 2013

12.0%

September 30, 2020

30

[ICRA]BBB+

(Stable)

-

Fund based long term facilities

-

-

-

17

[ICRA]BBB+

(Stable)

-

Non-fund based, short term facilities

-

-

-

3

[ICRA]A2+

Source: the company

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About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency. Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder. For more information, visit [*www.icra.in*](http://www.icra.in)

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Rating Agency Website: [*http://www.icra.in*](http://www.icra.in)/

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**Load-Date:** August 18, 2017

**End of Document**



[***Invesco Perpetual Select Trust Plc - Half-year Report***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5RJK-HYG1-DXP3-R2J5-00000-00&context=1516831)

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**Body**

Invesco Perpetual Select Trust plc

LEI: 549300JZQ39WJPD7U596

HALF-YEARLY FINANCIAL REPORT

SIX MONTHS ENDED 30 NOVEMBER 2017

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FINANCIAL PERFORMANCE

CUMULATIVE TOTAL RETURNS TO 30 November 2017

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| UK Equity Portfolio | SIX  MONTHS | ONE  YEAR | THREE  YEARS | FIVE  YEARS |
| Net Asset Value | -2.5% | 13.8% | 29.1% | 100.0% |
| Share Price | -2.6% | 14.3% | 28.8% | 100.1% |
| FTSE All-Share Index | -0.2% | 13.4% | 25.2% | 57.1% |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Global Equity Income Portfolio | SIX  MONTHS | ONE  YEAR | THREE  YEARS | FIVE  YEARS |
| Net Asset Value | 5.8% | 16.6% | 47.2% | 107.1% |
| Share Price | 5.0% | 15.5% | 47.2% | 117.0% |
| MSCI World Index (£) | 4.5% | 14.1% | 46.5% | 106.4% |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Balanced Risk Portfolio | SIX  MONTHS | ONE  YEAR | THREE  YEARS | FIVE  YEARS |
| Net Asset Value | 3.8% | 8.9% | 15.9% | 27.9% |
| Share Price | 3.2% | 8.0% | 18.8% | 35.1% |
| Merrill Lynch 3 month LIBOR +5% pa | 2.6% | 5.3% | 16.5% | 27.6% |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Managed Liquidity Portfolio | SIX  MONTHS | ONE  YEAR | THREE  YEARS | FIVE  YEARS |
| Net Asset Value | 0.1% | 0.2% | 0.0% | 0.4% |
| Share Price | 0.5% | 0.7% | 0.4% | 2.5% |

Source: Thomson Reuters Datastream.

PERIOD END NET ASSET VALUE, SHARE PRICE AND DISCOUNT

|  |  |  |  |
| --- | --- | --- | --- |
| SHARE CLASS | NET ASSET  VALUE  (PENCE) | SHARE  PRICE  (PENCE) | DISCOUNT |
| UK Equity | 185.8 | 184.0 | 1.0% |
| Global Equity Income | 207.3 | 204.5 | 1.4% |
| Balanced Risk | 139.8 | 137.8 | 1.4% |
| Managed Liquidity | 103.3 | 102.0 | 1.3% |

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INTERIM MANAGEMENT REPORT INCORPORATING THE CHAIRMAN'S STATEMENT

CHAIRMAN'S STATEMENT

Investment Objective and Policy

The Company's investment objective is to provide shareholders with a choice of investment strategies and policies, each intended to generate attractive risk-adjusted returns.

The Company's share capital comprises four share classes: UK Equity Shares, Global Equity Income Shares, Balanced Risk Shares and Managed Liquidity Shares, each of which has its own separate portfolio of assets and attributable liabilities.

The Company enables shareholders to alter their asset allocation to reflect their views of prevailing market conditions. Shareholders have the opportunity every three months to convert between share classes free of capital gains tax.

Performance

In NAV terms, with dividends reinvested, the UK Equity Portfolio returned -2.5% over the six months to the end of November 2017 compared with its benchmark, the FTSE All-Share Index's total return of -0.2%. The share price total return was -2.6%. Performance in the period was particularly affected by two specific investments, Provident Financial and Acacia Mining, as described in James Goldstone's report, which follows.

The Global Equity Income Portfolio returned 5.8% in NAV terms, and 5.0% on the share price, compared with its benchmark, the MSCI World Index's total return over the period of 4.5%.

The Balanced Risk Portfolio returned 3.8% in NAV terms, and 3.2% on the share price. The Portfolio's benchmark, three month LIBOR plus 5% p.a., returned 2.6%.

The Managed Liquidity Shares, whose objective is derived from cash returns, had a return of 0.1% based on the NAV and 0.5% based on the share price.

The heady returns of the year to May 2017 have been replaced by rather more sober markets though, helped by a general improvement in economic activity, the underlying mood has remained optimistic. Even where this has been muted, as in the UK, strong employment statistics and better wage growth have been positive influences. In consequence, central banks have been confirmed in their policies of gradual reduction or removal of quantitative easing and increases in short term interest rates.

In practice, the period was more notable for what didn't happen, ranging from nuclear war in Korea to a more mundane increase in equity market volatility. The Trump administration, and the UK's tangled "Brexit" politics, provided plenty of political excitement though perhaps rather less tangible achievement. Meantime, the volatility absent in equity markets surfaced in Bitcoin and other cryptocurrencies, which remain highly controversial.

Historical Fees on Managed Liquidity

We very much regret to report that during the period an historic error was discovered in the fee calculation for the Managed Liquidity share class. The share class should have received rebates of some fees charged to the underlying money market funds which were not in fact paid. This slightly reduced the net income, and thus the potential dividends paid to holders of Managed Liquidity shares, over several years. Invesco has agreed to pay to each shareholder the amounts, as close as can be practicably determined, by which they were disadvantaged over the relevant time period, together with interest. A fuller statement will be available once the final calculations have been made and the tax position finalised. The form of the proposed restitution means that historical net asset value records and share conversion calculations are not affected.

Dividends

For both the UK Equity shares and the Global Equity Income shares the Board has declared equal first, second and third quarterly dividends for the current year of 1.45p each. This makes a total declared for both equity share classes of 4.35p to date.

We continue to target annual dividends of at least 6.25p for the UK Equity shares and at least 6.4p for the Global Equity Income shares, these being the levels declared last year. Achieving these targets may require a contribution from capital, as was the case last year.

It continues to be the case that in order to maximise the capital return on the Balanced Risk Shares, the Directors only intend to declare dividends on the Balanced Risk Shares to the extent required, having taken into account the dividends paid on the other Share classes, to maintain the Company's status as an investment trust. None have been declared to date.

In consequence of the continued very low interest rates prevailing, the cumulative retained net revenue of the Managed Liquidity Portfolio is minimal and the Directors have not declared any dividends on the Managed Liquidity Shares.

Discount, Share Buy Backs and Share Issues

The Company continued to operate a discount control policy for all four share classes through the period and the discounts remained within a tight range throughout.

During the period the Company bought back 535,000 UK Equity shares at an average price of 180.5p, 250,000 Global Equity Income shares at a price of 199.7p, 23,000 Balanced Risk shares at a price of 134.4p and 232,000 Managed Liquidity shares at a price of 101.0p.

Outlook

It is probable that there will be a gradual reduction in liquidity worldwide over the next year or so. Central Banks are keen to restore normality to their balance sheets, possibly in order to be able to fight the next downturn, and rising global economic activity should also reduce surplus liquidity. This isn't usually a particularly supportive environment for securities markets, and especially not for fixed interest. Equities will be helped by rising profits and should perform rather better, though valuations relative to earnings may fall. This seems like a somewhat complacent view of the prospects and the scope for different outcomes, particularly less attractive ones, is considerable. The Trump Presidency is unpredictable and not necessarily benign. The UK continues to have its own parochial political problems with uncertain possible outcomes. Meantime, having experienced a major supportive monetary experiment in the last decade, we must watch nervously as Central Banks experiment with its removal. If they get it wrong, recession, possibly deflation, seems the more likely outcome than inflation. However, even if complacent, the central forecast is well supported by current trends, especially in rising corporate profits, and should ***produce*** equity markets in which our portfolio managers can find companies with strong fundamental characteristics at reasonable valuations.

We remain convinced that the Company offers a good mix of strategies and its structure, with quarterly opportunities to convert between share classes, makes it an ideal vehicle for DIY investors who want enhanced control of their investments.

Patrick Gifford

Chairman

2 February 2018

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Related Party Transactions

Under United Kingdom Generally Accepted Accounting Practice (UK Accounting Standards and applicable law), the Company has identified the Directors as related parties. No other related parties have been identified during the period. No transactions with related parties have taken place which have materially affected the financial position or the performance of the Company.

Principal Risks and Uncertainties

Explanations of the Company's principal risks and uncertainties are set out on pages 34 to 37 of the 2017 annual financial report, which is available on the Manager's website.

These are summarised as follows:

·  Investment Objectives - the investment policies may not achieve the published investment objectives;

·  Market Movements and Portfolio Performance - falls in stock markets will affect the performance of the individual Portfolios and securities held within the Portfolios;

·  Risks Applicable to the Company's shares - the prices of shares in the Company may not appreciate and the level of dividends may fluctuate;

·  Viability and Compulsory Conversion of a Class of Shares - lack of demand for one of the Company's share classes could result in the relevant portfolio becoming too small to be viable. If ownership of a class of shares becomes too concentrated the Directors may serve notice on holders of the affected class requiring them to convert to another class;

·  Liability of a Portfolio for the Liabilities of Another Portfolio - in the event that any Portfolio was unable to meet its liabilities, the shortfall would become a liability of the other Portfolios;

·  Gearing - borrowing will amplify the effect on shareholders' funds of gains and losses on the underlying securities;

·  Hedging - where hedging is used there is a risk that the hedge will not be effective;

·  Regulatory and Tax Related - whilst compliance with rules and regulations is closely monitored, breaches could affect returns to shareholders;

·  Additional Risks Applicable to Balanced Risk Shares - the use of financial derivative instruments, in particular futures, forms part of the investment policy and strategy of the Balanced Risk Portfolio. The degree of leverage inherent in futures trading potentially means that a relatively small price movement in a futures contract may result in an immediate and substantial loss to the Portfolio; and

·  Reliance on Third Party Service Providers - the Company has no employees, so is reliant upon the performance of third party service providers, particularly the Manager, for it to function.

In the view of the Board these principal risks and uncertainties are as equally applicable to the remaining six months of the financial year as they were to the six months under review.

Going Concern

The financial statements have been prepared on a going concern basis. The Directors consider this to be appropriate as the Company has adequate resources to continue in operational existence for the foreseeable future, being 12 months after approval of the financial statements. In reaching this conclusion, the Directors took into account the value of net assets; the Company's Investment Policy; its risk management policies; the diversified portfolio of readily realisable securities which can be used to meet funding commitments; the credit facility and the overdraft which can be used for short-term funding requirements; the liquidity of the investments which could be used to repay the credit facility in the event that the facility could not be renewed or replaced; its revenue; and the ability of the Company in the light of these factors to meet all its liabilities and ongoing expenses.

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UK EQUITY SHARE PORTFOLIO

PERFORMANCE RECORD

Total Return

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | SIX MONTHS  TO 30 NOV  2017 | YEAR TO  31 MAY  2017 | YEAR TO  31 MAY  2016 | YEAR TO  31 MAY  2015 | YEAR TO  31 MAY  2014 |
| Net Asset Value | -2.5% | 22.0% | -1.4% | 15.3% | 18.3% |
| Share Price | -2.6% | 22.5% | -2.2% | 17.2% | 9.2% |
| FTSE All-Share Index | -0.2% | 24.5% | -6.3% | 7.5% | 8.9% |
| Source: Thomson Reuters Datastream. |  |  |  |  |  |
| Revenue return per share | 2.58p | 5.38p | 5.81p | 6.38p | 5.40p |
| Dividends paid | 2.90p | 6.25p | 6.15p | 6.15p | 5.30p |

UK EQUITY SHARE PORTFOLIO

MANAGER'S REPORT

This is only my second report to shareholders on my management of this portfolio since I took over responsibility for it in October 2016 and I have elected to provide a rather more extensive account of my views than may be typical in future reports.

Investment Objective

The investment objective of the UK Equity Portfolio is to provide shareholders with an attractive real long-term total return by investing primarily in UK quoted equities.

Market and Economic Review

The UK equity market fell during the six months under review, a period characterised by strengthening commodity prices, a recovery in the sterling/dollar exchange rate and global monetary tightening. The FTSE 100 index reached a record high in early June, led by a rally in the oil and mining sectors and a temporary sell off in sterling in response to the surprise outcome of the UK general election. Through the summer, however, growing tensions between the US and North Korea hit market sentiment globally, with fears compounded by President Trump's threats of "fire and fury" and North Korea's launch of a ballistic missile over Japan towards the end of August.

Renewed strength in sterling further dampened UK market performance in September; sterling strengthened materially against the Euro and US dollar after rhetoric from the Bank of England (BoE) suggested the bank would "ease its foot off the accelerator" by raising interest rates at its November 2017 meeting.

In September, Theresa May's speech in Florence made clear that the UK Government anticipates a two-year transitional period between leaving the EU in March 2019 and the start of any new trading relationship. An agreement along these lines would avoid the cliff-edge feared by the market and so the Prime Minister's more emollient tone was well received.

Market performance came under further pressure as negotiations continued into the Autumn and with continued uncertainty weighing on confidence in the UK's economic outlook. October data from the all-sector Purchasing Manager's Index saw business activity across services, manufacturing and construction grow at its fastest rate for six months, but UK retail sales growth weakened as in-store sales of non-food items fell sharply, partially offset by a strong rise in food prices. UK inflation remained at its highest level in five years, with the consumer price index rising 3% over the year to October. In the Autumn Budget, Chancellor Phillip Hammond announced that the Office of Budget Responsibility had revised down the UK economic growth outlook for this year and for the next five years.

At the start of November the BoE implemented the first interest rate rise in a decade; the central bank's Monetary Policy Committee voted seven to two to increase the UK interest rate to 0.5%, prompting some UK high street banks to increase charges on mortgages and loan products. Sterling strengthened against the US dollar, while oil prices continued to rise after breaking through the US$60 barrier in October.

Portfolio Performance and Review

The Company's net asset value, including reinvested dividends, fell by -2.5% during the period under review, compared with a fall of -0.2% by the FTSE All-Share Index.

Victoria was the top contributor to performance in the six months under review; the carpet manufacturing business completed two European tile acquisitions that are expected to be significantly accretive to earnings as the company continues consolidation of the floor coverings sector.

Holdings in the oil & gas sector also contributed positively against a backdrop of rising oil prices. BP reported strong results for the third quarter of the year, more than doubling profits year-on-year as the higher oil price flowed through to improve earnings in its fuels, petrochemicals and refining businesses.

Elsewhere, Ashtead was a beneficiary of hurricane damage wrought by Harvey and Irma; the company derives more than 90% of earnings from its US division Sunbelt, which was well positioned to assist in both immediate disaster recovery and longer-term rebuilding activity.

Provident Financial was the single largest source of underperformance in the period. The sub-prime lender has delivered strongly in the portfolio over many years, but the business was hit by significant operational disruption following the introduction of a new operating model in its Home Collected Credit Division. On 22 August the company issued a major profits warning including guidance that the division that had previously been expected to deliver a £60 million profit would in fact lose circa £100 million in the year to December 2017. Additionally, its Vanquis Bank subsidiary was co-operating with an FCA investigation into its ROP (Repayment Option ***Plan***) ancillary product. Given these circumstances, the chief executive resigned. The Provident Financial board determined that it should protect the company's capital base by withdrawing its interim dividend declared on 25 July 2017 and the payment of a full year dividend appears unlikely. In combination, this prompted a 70% intra-day decline in the company's share price. Subsequent to the initial sell-off, the share price showed some recovery, albeit from a low base, and I sold the holding.

Acacia Mining also hurt performance. The gold miner presented a compelling investment opportunity, offering a 10% free cash flow yield at the then prevailing gold price, and also the potental to provide the portfolio with some downside protection in an uncertain market environment. Acacia conducts the bulk of its exploration and extraction in Tanzania, which has traditionally been a business-friendly environment. Unfortunately, the company has found itself mired in a dispute with the Tanzanian government, who have alleged historic underdeclaration of exports and therefore tax payments and have, as a result, suspended exports of gold in concentrate. The situation has been difficult to analyse, but given the importance of the company to the nation's economy - it constitutes 2% of the total tax receipts - and after extensive dialogue with the board and with Barrick, who set up Acacia and still own 64% of the equity, I remain hopeful that a satisfactory resolution will be reached.

Relative performance was also affected by the portfolio's underweight positioning in the mining sector generally, which performed strongly through the period.

New investments have been made in Agnico Eagle Mines. Cranswick, Electra Private Equity, Lancashire, MJ Gleeson, Newmont Mining, Royal Dutch Shell 'B' shares, Standard Life Aberdeen, Tesco and Ultra Electronics.

The holdings in Aldermore Group, Centrica, esure, Novartis, Provident Financial, Rentokil Initial, Smith & Nephew, SSE and Thomas Cook were sold.

Strategy and Outlook

Six months on from my first update to shareholders, the UK equity market continues to push higher. This is despite a growing list of things worth worrying about. In no particular order and to name but four, these include geopolitics (North Korea), domestic politics (Corbyn), monetary policy (global QE tapering/reversal and rising base rate) and the uncertainties of Brexit. Whilst the headline valuation of the FTSE All-Share looks reasonable at around 14 times 12-month forward earnings, that average conceals some stark valuation differences between stocks, sectors and "styles" that by historical standards look extreme and have thrown up some compelling opportunities. Accordingly, I have reshaped the portfolio over the past 12 months and tilted it towards select domestic cyclicals and financials where the risk versus reward looks most favourable.

Whilst my investment process revolves heavily around stock picking, I have made these changes to the portfolio in the context of a number of top-down working assumptions about how the world will look over the next few years.

The most important of these is around inflation and the likely trajectory of interest rate policy. The sharp fall in sterling in the wake of the EU referendum flowed through quickly to the prices of food, energy and fuel and the tail-end of this move was still being felt in November with the consumer prices index (CPI) at 2.8%. However, the recent recovery in sterling against the dollar (and on a trade-weighted basis) means the rate of change in CPI is likely to be at or close to a short term peak and is a factor in the market's view that interest rates will rise only very gradually. This potentially misses the significance of wage inflation. Private sector wage growth is already above 3% and the 1% cap on public sector pay has now been lifted. Wages at the bottom end of the pay scale will continue to accelerate thanks not just to the pre-determined increases in the national living wage, but also to ample anecdotal evidence from management teams we meet of a very tight labour market. Since being given independence, the Bank of England has signalled consistently that inflation expectations, rather than current rates of inflation, drive policy and wage inflation is surely the biggest driver of those expectations.

This leads to several conclusions: firstly that the risk to UK base-rates and market rates of interest is clearly to the upside (against a similar backdrop globally). Secondly, that in the near-term, the recent decline in real disposable income is set to reverse and boost UK consumption and in turn, the revenues and margins of companies exposed to the UK consumer. Thirdly that the pound, still well below purchasing power parity, could see substantial upside and in the process dent the earnings of export-led and internationally-based businesses at the same time as expanding disposable incomes further.

The impact of all this could be very significant indeed, not least given the current valuation disparity between the potential winners and losers. The momentum that has characterised the last several years in the equity market has left the share prices of companies exhibiting "value" characteristics, relative to those exhibiting "growth" characteristics, at levels rarely seen in the last 40 years; money has poured into so called "bond proxies" offering an income stream and into shares of companies perceived as capable of growing in a low growth environment. As an example, shares in UK Financials are still very close to their post-referendum twenty year low relative to Consumer Staples. If the received wisdom that the low growth, low interest rate environment is permanent proves erroneous, sector rotation and the resultant correction in share prices could be dramatic.

The principal risk to all this is the outcome of the Brexit negotiations and, in the shorter-term, the perception of the likely outcome. Whilst the process will inevitably continue to generate headlines about the two sides' positions and the economic impact of a good deal or of no deal, I believe that in time an agreement will be reached that avoids unnecessary mutual pain. An intervening period of brinksmanship will of course bring volatility to the UK stock market, but in time I expect this to be seen to have presented unusually attractive investment opportunities.

The second risk to a domestic resurgence is the rise of the Labour party under Jeremy Corbyn, who has successfully identified a number of serious societal and generational issues and capitalised upon them in the face of a Tory party weakened and distracted by Brexit and the surprise general election result. Whilst a Labour majority in the House of Commons would turn the scenario discussed above on its head, it is difficult to envisage a set of conditions under which the Conservative party would risk another General Election in the next 24 months. I am therefore watching the domestic political situation extremely closely but don't view the threat as imminent.

So with the risks either overstated or sufficiently distant, I have angled the portfolio towards companies that offer undervalued exposure to a better domestic out-turn than is generally expected. This has resulted in significant holdings in domestically focused UK banks and life insurers, where the market has priced in such a negative view that valuations are very depressed. Barclays, Lloyds, Legal & General and Aviva would all be beneficiaries of any upside to interest rates but, crucially, this is not currently priced into the shares. In the case of Barclays and Lloyds, they simply need to continue to deliver on cost reductions, whilst delivering only very modest volume/revenue growth and the current share prices will look unreasonably cheap; with any move up in interest rates they will look even more so. Legal & General should continue to consolidate its position as global market leader in the bulk annuity market, while Aviva is starting to see the benefits of management's strategy coming through with better execution across its digital platforms driving cross-selling from life and pensions into general insurance products. As with banks, if rates rise more quickly than the market is currently anticipating, earnings will surprise to the upside, but this is not required to justify my view that the shares are very undervalued.

Beyond Financials, I have invested in a number of UK companies which are exposed to UK consumption and stand to benefit if the consensus outlook for continuing decline in real wages and resultant weak demand fails to materialise. From Next (already outperforming very depressed expectations) to JD Sports, Hollywood Bowl, Howden Joinery and Safestyle UK, I have acquired selected exposure to the consumer across small and big ticket, Leisure, Retail and Repairs, Maintenance and Improvement, but in all cases at very attractive valuations and backed by strong balance sheets and disciplined management teams.

Diversification of the portfolio of course remains key; while I have increased the portfolio's domestic and financials exposure, I have retained - and in some areas increased - broad exposure to international earnings where valuations remain appealing. This has been the case with BP, which is now the second biggest position in the portfolio. Management have successfully adapted the business to the reality of a lower oil price and are now covering an optically high but scrip-assisted historic dividend with free cash flow. BP have achieved cash flow breakeven at a $50 oil price and guided that they could achieve this at $35 in due course; management have also signalled ***plans*** not just to neutralise future scrip issuance but also to neutralise $5 billion of historic scrip through share buybacks. This would be a very significant event that would underline management's commitment to shareholder value and to an appropriate capital allocation framework. Royal Dutch Shell have gone one step further and confirmed ***plans*** to restore an all-cash dividend, cancelling its scrip ***programme*** altogether. The company's commitment to buy back $25 billion of shares by the end of 2020, a pledge made in 2015 at the acquisition of BG, provides further evidence of its capital discipline.

To conclude, the world feels an increasingly uncertain place but, with the transition of the portfolio since I took over largely complete, I believe I have a portfolio of investments at attractive valuations which is both very well positioned to navigate what lies ahead and has the potential to deliver a compelling total return, comprising both income and capital growth. I have tilted the portfolio towards domestic cyclicals and financials by investing in businesses, often at depressed valuations, where I believe there is considerable potential upside to earnings.

James Goldstone

Portfolio Manager

2 February 2018

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UK EQUITY SHARE PORTFOLIO

LIST OF INVESTMENTS

AT 30 NOVEMBER 2017

Ordinary shares listed in the UK unless stated otherwise   Market

|  |  |  |  |
| --- | --- | --- | --- |
| COMPANY | SECTOR | MARKET   VALUE  £'000 | % OF  PORTFOLIO |
| Barclays | Banks | 3,637 | 4.5 |
| BP | Oil & Gas ***Producers*** | 3,445 | 4.3 |
| British American Tobacco | Tobacco | 2,717 | 3.4 |
| Lloyds Bank | Banks | 2,602 | 3.2 |
| Royal Dutch Shell - B shares | Oil & Gas ***Producers*** | 2,441 | 3.0 |
| Legal & General | Life Insurance | 2,407 | 3.0 |
| Aviva | Life Insurance | 2,398 | 3.0 |
| RELX | Media | 2,259 | 2.8 |
| Shire | Pharmaceuticals & Biotechnology | 2,206 | 2.7 |
| Next | General Retailers | 2,188 | 2.7 |
| Coats | General Industrials | 1,748 | 2.2 |
| Imperial Brands | Tobacco | 1,603 | 2.0 |
| Tesco | Food & Drug Retailers | 1,521 | 1.9 |
| McBride | Household Goods & Home Construction | 1,491 |  |
| - B shares |  | 19 | 1.9 |
| Ashtead | Support Services | 1,451 | 1.8 |
| Cairn Homes | Household Goods & Home Construction | 1,427 | 1.8 |
| Victoria | Household Goods & Home Construction | 1,400 | 1.7 |
| HomeServe | Support Services | 1,391 | 1.7 |
| JD Sports Fashion | General Retailers | 1,341 | 1.7 |
| Johnson Service | Support Services | 1,307 | 1.6 |
| Summit Germany | Real Estate Investment & Services | 1,219 | 1.5 |
| N Brown | General Retailers | 1,216 | 1.5 |
| TP ICAP | Financial Services | 1,200 | 1.5 |
| Saga | General Retailers | 1,179 | 1.5 |
| easyJet | Travel & Leisure | 1,165 | 1.4 |
| Dairy Crest | Food ***Producers*** | 1,163 | 1.4 |
| BCA Marketplace | Financial Services | 1,142 | 1.4 |
| BT | Fixed Line Telecommunications | 1,141 | 1.4 |
| BTG | Pharmaceuticals & Biotechnology | 1,095 | 1.4 |
| Micro Focus | Software & Computer Services | 1,039 | 1.3 |
| Hollywood Bowl | Travel & Leisure | 1,038 | 1.3 |
| Safestyle UK | General Retailers | 1,023 | 1.3 |
| Derwent London | Real Estate Investment Trusts | 1,016 | 1.3 |
| Babcock International | Support Services | 977 | 1.2 |
| A J Bell - Unquoted | Financial Services | 968 | 1.2 |
| Chesnara | Life Insurance | 962 | 1.2 |
| Xafinity | Financial Services | 937 | 1.2 |
| Sigma Capital | Financial Services | 929 | 1.2 |
| MJ Gleeson | Household Goods & Home Construction | 856 | 1.1 |
| Just Eat | General Retailers | 835 | 1.0 |
| Acacia Mining | Mining | 821 | 1.0 |
| Standard Life Aberdeen | Financial Services | 804 | 1.0 |
| Secure Trust Bank | Banks | 784 | 1.0 |
| Randgold Resources | Mining | 776 | 1.0 |
| Howden Joinery | Support Services | 760 | 0.9 |
| Sherborne Investors (Guernsey) C | Financial Services | 756 | 0.9 |
| International Consolidated Airlines | Travel & Leisure | 742 | 0.9 |
| Hibernia REIT | Real Estate Investment Trusts | 740 | 0.9 |
| Newmont Mining - US common stock | Mining | 729 | 0.9 |
| P2P Global Investments | Equity Investment Instruments | 728 | 0.9 |
| Harworth | Real Estate Investment & Services | 728 | 0.9 |
| Gamma Communications | Mobile Telecommunications | 726 | 0.9 |
| Balfour Beatty | Construction & Materials | 699 | 0.9 |
| Drax | Electricity | 697 | 0.9 |
| Melrose Industries | Construction & Materials | 687 | 0.9 |
| Agnico Eagle Mines - Canadian common stock | Mining | 666 | 0.8 |
| Compass | Travel & Leisure | 663 | 0.8 |
| BAE Systems | Aerospace & Defence | 650 | 0.8 |
| Mears | Support Services | 601 | 0.7 |
| Hadrian's Wall Secured Investments | Equity Investment Instruments | 479 |  |
| - C shares |  | 106 | 0.7 |
| Lancashire | Non-life Insurance | 517 | 0.6 |
| Cranswick | Food ***Producers*** | 505 | 0.6 |
| Vectura | Pharmaceuticals & Biotechnology | 470 | 0.6 |
| PRS REIT | Real Estate Investment Trusts | 462 | 0.6 |
| Zegona Communications | Non-equity Investment Instruments | 420 | 0.5 |
| Ultra Electronics | Aerospace & Defence | 418 | 0.5 |
| Electra Private Equity | Equity Investment Instruments | 390 | 0.5 |
| Tungsten | Financial Services | 387 | 0.5 |
| Sherborne Investors (Guernsey) B - A shares | Financial Services | 181 | 0.3 |
| GAME Digital | General Retailers | 148 | 0.2 |
| Circassia Pharmaceuticals | Pharmaceuticals & Biotechnology | 128 | 0.2 |
| Nimrod Sea Assets | Equity Investment Instruments | 3 | - |
| Barclays Bank - Nuclear Power Notes 28 Feb 2019 | Non-equity Investment Instruments | 3 | - |
| HaloSource | Chemicals | 2 | - |
| Total investments (76) |  | 80,475 | 100.0 |

FTSE Industry Classification Benchmark.

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UK EQUITY SHARE PORTFOLIO

INCOME STATEMENT

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  | SIX MONTHS ENDED  30 NOVEMBER 2017 | SIX MONTHS ENDED  30 NOVEMBER 2016 |  |  |  |  |  |
|  | REVENUE  £'000 | CAPITAL  £'000 | TOTAL  £'000 | REVENUE  £'000 | CAPITAL  £'000 | TOTAL  £'000 |  |
| (Losses)/gains on investments | - | (3,062) | (3,062) | - | 1,951 | 1,951 |  |
| Foreign exchange (losses)/gains | - | (15) | (15) | - | 7 | 7 |  |
| Income | 1,155 | 427 | 1,582 | 1,066 | 23 | 1,089 |  |
| Management fee - note 2 | (57) | (132) | (189) | (65) | (152) | (217) |  |
| Performance fee - note 2 | - | 4 | 4 | - | 284 | 284 |  |
| Other expenses | (97) | - | (97) | (102) | - | (102) |  |
| Net return before finance costs and taxation | 1,001 | (2,778) | (1,777) | 899 | 2,113 | 3,012 |  |
| Finance costs | (21) | (48) | (69) | (16) | (37) | (53) |  |
| Return before taxation | 980 | (2,826) | (1,846) | 883 | 2,076 | 2,959 |  |
| Taxation on ordinary activities - note 3 | (11) | - | (11) | (14) | - | (14) |  |
| Return after taxation for the financial period | 969 | (2,826) | (1,857) | 869 | 2,076 | 2,945 |  |
| Basic return per ordinary share - note 4 | 2.58p | (7.52)p | (4.94)p | 2.20p | 5.24p | 7.44p |  |
|  |  |  |  |  |  |  |  |

SUMMARY OF NET ASSETS

|  |  |  |
| --- | --- | --- |
|  | AT  30 NOVEMBER  2017  £'000 | AT  31 MAY  2017  £'000 |
| Fixed assets | 80,475 | 84,734 |
| Current assets | 1,026 | 602 |
| Creditors falling due within one year, excluding borrowings | (740) | (1,195) |
| Bank loan | (12,050) | (10,600) |
| Provision for performance fee | - | (4) |
| Net assets | 68,711 | 73,537 |
| Net asset value per share - note 5 | 185.8p | 193.5p |
| Gearing: |  |  |
| - gross | 17.5% | 14.4% |
| - net | 17.3% | 14.2% |

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GLOBAL EQUITY INCOME SHARE PORTFOLIO

PERFORMANCE RECORD

Total Return

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | SIX MONTHS   TO 30 NOV  2017 | YEAR TO  31 MAY  2017 | YEAR TO  31 MAY  2016 | YEAR TO  31 MAY  2015 | YEAR TO  31 MAY  2014 |
| Net Asset Value | 5.8% | 29.2% | -0.2% | 13.1% | 9.6% |
| Share Price | 5.0% | 31.1% | -2.8% | 16.1% | 8.3% |
| MSCI World Index (£) | 4.5% | 31.3% | 0.7% | 16.2% | 7.4% |
| Source: Thomson Reuters Datastream. |  |  |  |  |  |
| Revenue return per share | 2.54p | 5.62p | 5.51p | 4.68p | 4.22p |
| Dividends paid | 2.90p | 6.40p | 6.00p | 4.60p | 3.55p |

GLOBAL EQUITY INCOME SHARE PORTFOLIO

MANAGER'S REPORT

Investment Objective

The investment objective of the Global Equity Income Portfolio is to provide an attractive and growing level of income return and capital appreciation over the long term, predominantly through investment in a diversified portfolio of equities worldwide.

Market and Economic Review

Global equity markets delivered strong returns over the review period, reaching historic highs in November amid solid corporate earnings and synchronised global economic growth. US Federal Reserve (Fed) chair, Janet Yellen, told the Joint Economic Committee: "The economic expansion is increasingly broad based across (US) sectors as well as across much of the global economy." The process of interest-rate normalisation continued to gather steam. The Bank of England raised interest rates for the first time in 10 years and joined the Fed in increasing short term borrowing costs. Meanwhile, markets had also largely priced in a December interest rate hike in the US. As we go into 2018 it seems that a key issue for equity markets will be the modest but steady tightening by central banks around the world.

Portfolio Strategy and Review

On a total return basis, the Portfolio's net asset value increased by 5.8% over the six months to the end of November 2017, compared to a rise of 4.5% in the MSCI World index (£, total return, net of withholding tax).

The portfolio's outperformance versus the benchmark MSCI World index was mainly attributable to our positions in the energy, financials and technology sectors.

From September onwards, we saw a resurgence in the energy sector, helped by a sharp rise in the oil price. Brent Crude, the international benchmark, has continued to rise since hitting a near term low on 21 June 2017. The portfolio's overweight exposure to energy was positive for performance, as was stock selection. Statoil, Royal Dutch Shell, Chevron and Canadian Natural Resources were among the strongest individual performers. We believe energy companies are making significant progress in reducing costs and improving free cashflow generation. The rising oil price amplifies these positive trends.

Furthermore, we believe that the continued extreme pessimism towards the energy sector coupled with low current valuations make it a highly compelling store of value for long-term investors. For us, valuation is a very important part of our investment philosophy and energy is one of the sectors where we continue to see considerable opportunity. In fact, using analysis from Citigroup, it is the only sector in the US market, for example, that trades below its 10 year Price to Book average.

As an interest-rate sensitive sector, financials rallied on expectations around the Fed's forecast for another interest-rate rise in 2017. Financials also received a boost when progress over US tax reform promoted a rotation out of technology stocks, the year's best performing sector, and into firms expected to benefit the most from a potential reduction in the corporate tax rate, such as banks. As such, the portfolio's overweight exposure to financials, as well as strong stock selection within the technology sector, were both positive for performance. Within financials, JPMorgan Chase, Citigroup and Intesa Sanpaolo were among the portfolio's strongest individual performers.

By December, the US Congress had approved the Tax Reform Bill that includes a broad reduction in the domestic tax rate paid by companies to 21% from 35%. Other measures include changes to how companies can deduct interest on debt and expense spending. While the Tax Reform Bill still needs to be signed by President Trump before it becomes law, the expectation is that certain companies would get a big earnings boost from the lower tax rate. JPMorgan Chase and Citigroup are likely to benefit.

The share price of Intesa Sanpaolo, Italy's largest bank, benefitted from renewed confidence in the sector, particularly peripheral European lenders. Intesa Sanpaolo expects significant savings over the coming years from job cuts following a deal to acquire the good assets of two failed banks in the Veneto region of Italy. Intesa Sanpaolo's takeover of the two Veneto banks was part of a (EURO)5 billion effort from the Italian government to shore up confidence in a banking sector that has been beset with bad loans that have held back the country's sluggish economic recovery.

The portfolio's telecoms exposure was an area of weakness, BT and Orange in particular. In the case of BT, its share price has struggled to recover from the profit warning at the beginning of 2017, due to fraud at an Italian subsidiary, with ongoing concerns around its large pension deficit and its enterprise broadband business. Its management, however, is committed to maintaining or growing the dividend, cost savings are ongoing, and there is potential upside from the EE integration. Orange subsequently sold down its stake in BT. But it is in France, Orange's domestic market, where its revenues have fallen. Heavy promotions have hit its sales and margins since the arrival of a low-cost competitor in 2012.

Portfolio Changes

We switched out of Honda, which we believe remains a high quality business though in our view it is held back by a lack of scale and ongoing product recall issues, and moved the assets into Toyota Motor, which was more attractively priced and appeared to offer better long-term prospects. The company is extremely well capitalised, with more than 50% of its market cap as net cash on its balance sheet. It yields around 3% and we expect the dividend to grow 5-10% over the next three years. Toyota Motor is also one of the global leaders in electric and hybrid vehicles and we believe this is under appreciated by the market. The other new holding purchased in the period was TE Connectivity, a US-listed Swiss company which provides connectors and sensors to many industries worldwide and has major exposure to the auto and general industrials and technology sectors. We consider that the company is a beneficiary of both the electrification of cars, the automation of factories, and the general trend towards greater integration between machines and computers. The business in our view trades at an unjustifiable discount to peers and we believe continued good execution by management will see that discount close.

Another position sold was PNC Financial Services. This US regional bank has been held for a number of years and has performed extremely well. In our view it had become expensive compared to peers and, although the company is still well positioned strategically, there is better value elsewhere in the market.

We sold out of a further three positions towards the end of the review period: Centrica, London Stock Exchange and Deutsche Boerse. We reviewed our investment case for Centrica and decided that we had insufficient conviction going forward in view of a range of regulatory and operational issues. In the case of London Stock Exchange and Deutsche Boerse, we sold our positions after strong share price growth. We continue to like the characteristics of these companies but now believe that the valuations more than discount their attractive prospects.

Outlook

Our global outlook remains one of continued economic growth. With the European economic recovery continuing to gain ground, we remain optimistic that a number of European companies offer compelling relative valuation opportunities and should benefit from the loose monetary policy in the region. In Asia, we see positive signs of structural reform in a number of countries. In the US, it seems that President Trump's tax reform ***plan*** will be adopted. The lowering of the effective corporate tax rate and other measures seem likely to increase capital spending and boost GDP, at least in the short term. Despite this, we believe many sectors of the US equity market look expensive and we therefore remain underweight. After so many years of worrying about deflation, perhaps 2018 will be the year that investors must seriously consider the prospect of rising global inflation.

Overall, our strategy remains consistent: to invest in high quality companies at attractive valuations. We view such companies as those that can sustain profit margins and deliver positive returns through the economic cycle. We see growing and sustainable dividends as clear evidence of these sorts of companies. In aggregate, therefore, we target companies that offer attractive yields, sustainable income and capital upside.

Nick Mustoe

Portfolio Manager

2 February 2018

GLOBAL EQUITY INCOME SHARE PORTFOLIO

LIST OF INVESTMENTS

AT 30 NOVEMBER 2017

Ordinary shares unless stated otherwise

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| COMPANY | INDUSTRY GROUP | COUNTRY | MARKET  VALUE  £'000 | % OF  PORFOLIO |
| JPMorgan Chase | Banks | US | 2,691 | 3.7 |
| Microsoft | Software & Services | US | 2,200 | 3.0 |
| Chevron | Energy | US | 2,074 | 2.9 |
| Airbus | Capital Goods | France | 1,957 | 2.7 |
| ING | Banks | Netherlands | 1,948 | 2.7 |
| Orange | Telecommunication Services | France | 1,918 | 2.6 |
| Taiwan Semiconductor Manufacturing | Semiconductors & Semiconductor Equipment | Taiwan | 1,797 | 2.5 |
| Novartis | Pharmaceuticals Biotechnology & Life Sciences | Switzerland | 1,788 | 2.5 |
| Deutsche Post | Transportation | Germany | 1,785 | 2.5 |
| Caixabank | Banks | Spain | 1,785 | 2.5 |
| BP | Energy | UK | 1,780 | 2.5 |
| Pfizer | Pharmaceuticals Biotechnology & Life Sciences | US | 1,772 | 2.4 |
| Royal Dutch Shell - A shares | Energy | Netherlands | 1,750 | 2.4 |
| Statoil | Energy | Norway | 1,684 | 2.3 |
| Total | Energy | France | 1,674 | 2.3 |
| Intesa Sanpaolo | Banks | Italy | 1,645 | 2.3 |
| Canadian Natural Resources | Energy | Canada | 1,634 | 2.3 |
| British American Tobacco | Food Beverage & Tobacco | UK | 1,625 | 2.2 |
| Citigroup | Banks | US | 1,591 | 2.2 |
| RELX | Commercial & Professional Services | Netherlands | 1,575 | 2.2 |
| United Technologies | Capital Goods | US | 1,573 | 2.2 |
| Wells Fargo | Banks | US | 1,562 | 2.2 |
| Koninklijke Ahold Delhaize | Food & Staples Retailing | Netherlands | 1,558 | 2.1 |
| BASF | Materials | Germany | 1,545 | 2.1 |
| Legal & General | Insurance | UK | 1,523 | 2.1 |
| Roche | Pharmaceuticals Biotechnology & Life Sciences | Switzerland | 1,510 | 2.1 |
| Allianz | Insurance | Germany | 1,430 | 2.0 |
| Aon - A shares | Insurance | US | 1,362 | 1.9 |
| Gilead Sciences | Pharmaceuticals Biotechnology & Life Sciences | US | 1,337 | 1.8 |
| Nasdaq | Diversified Financials | US | 1,332 | 1.8 |
| Hiscox | Insurance | UK | 1,285 | 1.8 |
| Booker | Food & Staples Retailing | UK | 1,258 | 1.7 |
| Amgen | Pharmaceuticals Biotechnology & Life Sciences | US | 1,243 | 1.7 |
| easyJet | Transportation | UK | 1,199 | 1.7 |
| BT | Telecommunication Services | UK | 1,194 | 1.6 |
| Adecco | Commercial & Professional Services | Switzerland | 1,185 | 1.6 |
| Nielsen | Commercial & Professional Services | US | 1,166 | 1.6 |
| Las Vegas Sands | Consumer Services | US | 1,141 | 1.6 |
| Nexon | Software & Services | Japan | 1,074 | 1.5 |
| Amcor | Materials | Australia | 1,063 | 1.5 |
| China Mobile - R | Telecommunication Services | Hong Kong | 1,045 | 1.4 |
| Toyota Motor | Automobiles & Components | Japan | 1,029 | 1.4 |
| Nordea | Banks | Sweden | 1,020 | 1.4 |
| BAE Systems | Capital Goods | UK | 947 | 1.3 |
| Williams-Sonoma | Retailing | US | 941 | 1.3 |
| Union Pacific | Transportation | US | 939 | 1.3 |
| Hyundai Motor - preference shares | Automobiles & Components | South Korea | 921 | 1.3 |
| TE Connectivity | Technology Hardware & Equipment | Switzerland | 811 | 1.1 |
| Yue Yuen Industrial | Consumer Durables & Apparel | Hong Kong | 601 | 0.8 |
| Kangwon Land | Consumer Services | South Korea | 551 | 0.8 |
| Zhejiang Expressway - H | Transportation | Hong Kong | 495 | 0.6 |
|  |  |  | 72,513 | 100.0 |

MSCI and Standard & Poor's Global Industry Classification Standard.

H: H-Shares - shares issued by companies incorporated in the People's Republic of China (PRC) and listed on the Hong Kong Stock Exchange.

R: Red Chip Holdings - holdings in companies incorporated outside the PRC, listed on the Hong Kong Stock Exchange, and controlled by PRC entities by way of direct or indirect shareholding and/or representation on the board.

GLOBAL EQUITY INCOME SHARE PORTFOLIO

INCOME STATEMENT

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | SIX MONTHS ENDED  30 NOVEMBER 2017 | SIX MONTHS ENDED  30 NOVEMBER 2016 |  |  |  |  |
|  | REVENUE  £'000 | CAPITAL  £'000 | TOTAL  £'000 | REVENUE  £'000 | CAPITAL  £'000 | TOTAL  £'000 |
| Gains on investments | - | 3,108 | 3,108 | - | 8,389 | 8,389 |
| Foreign exchange losses | - | (1) | (1) | - | (7) | (7) |
| Income | 1,083 | - | 1,083 | 909 | - | 909 |
| Management fee - note 2 | (56) | (131) | (187) | (57) | (134) | (191) |
| Other expenses | (90) | (1) | (91) | (87) | (1) | (88) |
| Net return before finance costs and taxation | 937 | 2,975 | 3,912 | 765 | 8,247 | 9,012 |
| Finance costs | (10) | (23) | (33) | (11) | (25) | (36) |
| Return before taxation | 927 | 2,952 | 3,879 | 754 | 8,222 | 8,976 |
| Taxation on ordinary activities - note 3 | (93) | - | (93) | (81) | - | (81) |
| Return after taxation for the financial period | 834 | 2,952 | 3,786 | 673 | 8,222 | 8,895 |
| Basic return per ordinary share - note 4 | 2.54p | 9.00p | 11.54p | 2.07p | 25.25p | 27.32p |

SUMMARY OF NET ASSETS

|  |  |  |
| --- | --- | --- |
|  | AT  30 NOVEMBER  2017  £'000 | AT  31 MAY  2017  £'000 |
| Fixed assets | 72,513 | 69,290 |
| Current assets | 512 | 618 |
| Creditors falling due within one year, excluding borrowings | (163) | (259) |
| Bank loan | (4,500) | (4,600) |
| Net assets | 68,362 | 65,049 |
| Net asset value per share - note 5 | 207.3p | 198.6p |
| Gearing: |  |  |
| - gross | 6.6% | 7.1% |
| - net | 6.2% | 6.8% |

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BALANCED RISK SHARE PORTFOLIO

PERFORMANCE RECORD

Total Return

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | SIX MONTHS   TO 30 NOV  2017 | YEAR TO  31 MAY  2017 | YEAR TO  31 MAY  2016 | YEAR TO  31 MAY  2015 | YEAR TO  31 MAY  2014 |
| Net Asset Value | 3.8% | 9.7% | -0.3% | 4.1% | 5.5% |
| Share Price | 3.2% | 11.9% | -2.1% | 5.0% | 4.5% |
| 3 month LIBOR +5% pa | 2.6% | 5.5% | 5.6% | 5.6% | 5.5% |

Source: Thomson Reuters Datastream.

BALANCED RISK SHARE PORTFOLIO

MANAGER'S REPORT

Investment Objective

The investment objective of the Balanced Risk Portfolio is to provide shareholders with an attractive total return in differing economic and inflationary environments, and with low correlation to equity and bond market indices by gaining exposure to three asset classes: debt securities, equities and commodities.

Market and Economic Review

Equities started the period with mixed performance as European and UK shares fell in June, while US and Asian share prices pushed higher. However, equity markets then rallied throughout the remainder of the reporting period, setting new highs amidst low volatility, despite a slate of geopolitical issues.

Government bonds experienced a rough start to the period. Bond prices were down across the board in June, as fears of central banks finally removing accommodation took hold, and prices continued to struggle through the third quarter on a combination of diminished safe-haven demand and reaction to continued pronouncements from central banks about the need to remove policy accommodation. Bond prices rebounded in October and November, but not enough to make up the losses from the first four months of the period.

Commodities also suffered at the beginning of the period, from conditions of oversupply, with three of the four complexes experiencing price retrenchment in June. However, prices rebounded in aggregate in the third quarter, with energy and industrial metals enjoying strong results, while precious metals generated minor gains and ***agricultural*** commodities fell. Commodities continued to post gains through October and November.

Portfolio Strategy and Review

The Balanced Risk Shares Portfolio outperformed the benchmark. The Portfolio return for the six months was 3.8%, compared with the benchmark, 3 month LIBOR plus 5%, return of 2.6%.

***Strategic*** exposure to equities led results for the reporting period. Asian equities (Hong Kong and Japan) led the asset class over the six months. Several markets hit new highs in the third quarter of 2017 in an environment of uncommonly low volatility, which was surprising given the pace of geopolitical events transpiring around the world. This momentum was maintained through October and November as stock markets continued their climb despite concerns about central bank tightening, lack of progress in enacting policy changes in the US and elevated valuations. Only UK equities detracted slightly for the reporting period, as sterling rose.

***Strategic*** positioning within commodities also contributed positively to results. The asset class started the period on a weak note, with three of the four complexes experiencing declines in June. Energy was the worst performer  as the complex continued to struggle with oversupply across crudes and distillates. However, commodities rebounded in the third quarter with the energy complex leading results for the quarter. Crude prices rebounded and distillates saw prices jump, in part due to the shuttering of refining capabilities in the wake of Hurricane Harvey. Energy prices continued their positive trend through November as optimism on an extension of the Organisation of the Petroleum Export Countries (OPEC) production cuts aided sentiment and a cold blast of weather in the US created the expectation of higher demand for heating. Industrial metals enjoyed positive momentum through the third quarter as both aluminium and copper posted handsome gains on better-than-expected demand and in the case of aluminium, concerns over supply shortages as China curtails production to deal with pollution. However, the prices of both were hit in November on weaker-than-expected manufacturing data out of China. Within precious metals, gold posted gains through the third quarter, largely on safe-haven demand in response to geopolitical tensions, while silver posted mild losses. Silver prices declined further in November in sympathy with industrial metals, while gold managed slight gains despite some strengthening of the US dollar. ***Agriculture*** struggled with oversupply through the third quarter which depressed prices for wheat, corn, sugar, coffee and soybean oil. ***Agricultural*** prices in aggregate then rebounded in October and November. Corn, wheat and cocoa continued to struggle with oversupply, but there was notable strength in cotton, soymeal and sugar in November which helped performance.

***Strategic*** exposure to fixed income detracted from performance for the reporting period. German government bonds were the top contributor followed by Australian and US bonds. Canadian and UK government bonds detracted from performance. Canadian yields spiked in September in response to a surprise rate hike by the central bank of Canada, which noted a desire to begin removing considerable monetary stimulus that had built up since the global financial crisis. German bunds and US Treasuries started the period on a positive note as demand for safe havens in the face of tensions between North Korea and the rest of the world was able to offset pressure of the central banks pushing for higher rates. German bund prices slightly retracted in November due to fears around the tapering of asset purchases by the European Central Bank (ECB).

Outlook

Markets are focused on the impact of actions from central banks. Equity investors have shown nervousness about the reduction of asset purchases in Europe and expectations for rate hikes in the UK. In the US, following on from the widely expected 0.25% rate hike in December, four additional hikes are expected through 2018. In contrast, expectations in Japan are for continued low rates for the foreseeable future. The recent weakness in Chinese economic data will be something investors will focus on, looking for potential trend change. All of this activity comes at a time where equity prices have enjoyed a tremendous run and may be susceptible to a retreat if investor sentiment turns negative on the outcome of these actions.

Scott Wolle

Portfolio Manager

2 February 2018

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TARGET ANNUALISED RISK

The targeted annualised risk (volatility of monthly returns) for the portfolio as listed above is analysed as follows:

|  |  |  |
| --- | --- | --- |
| ASSET CLASS | RISK | CONTRIBUTION |
| Bonds | 1.9% | 19.8% |
| Equities | 4.1% | 43.9% |
| Commodities | 3.4% | 36.3% |
|  | 9.4% | 100.0% |

Derivative instruments held in the Balanced Risk Share Portfolio are shown on the next page. At the period end all derivative instruments held in this Portfolio were exchange traded futures contracts. Holdings in futures contracts that are not exchange traded are permitted as explained in the investment policy which is disclosed in full on page 30 of the 2017 annual financial report.

BALANCED RISK SHARE PORTFOLIO

LIST OF INVESTMENTS

AT 30 NOVEMBER 2017

|  |  |  |  |
| --- | --- | --- | --- |
|  | YIELD  % | MARKET  VALUE  £'000 | %  OF  PORTFOLIO |
| Short Term Investments |  |  |  |
| Short-Term Investment Company (Global Series) | 0.39 | 2,300 | 26.8 |
| UK Treasury Bill 19 Feb 2018 | 0.35 | 1,499 | 17.4 |
| UK Treasury Bill 5 Mar 2018 | 0.18 | 399 | 4.6 |
| UK Treasury Bill 21 May 2018 | 0.44 | 2,993 | 34.8 |
| UK Treasury Bill 29 May 2018 | 0.43 | 1,397 | 16.2 |
| Total Short Term Investments |  | 8,588 | 99.8 |
| Hedge Funds(1) |  |  |  |
| Harbinger Class PE Holdings |  | 17 | 0.2 |
| Harbinger Class L Holdings |  | 2 | - |
| Total Hedge Funds |  | 19 | 0.2 |
| Total Fixed Asset Investments |  | 8,607 | 100.0 |

(1)The hedge fund investments are residual holdings of the previous investment strategy, which are awaiting realisation of underlying investments.

LIST OF DERIVATIVE INSTRUMENTS

AT 30 NOVEMBER 2017

|  |  |  |
| --- | --- | --- |
|  | NOTIONAL  EXPOSURE  £'000 | NOTIONAL  EXPOSURE  AS % OF  NET ASSETS |
| Government Bond Futures |  |  |
| Australia | 1,904 | 19.5 |
| Canada | 1,652 | 17.0 |
| UK | 989 | 10.2 |
| Germany | 861 | 8.9 |
| US | 674 | 6.9 |
| Total Bond Futures (5) | 6,080 | 62.5 |
| Equity Futures |  |  |
| UK | 733 | 7.5 |
| Japan | 711 | 7.3 |
| Hong Kong | 695 | 7.2 |
| Europe | 693 | 7.2 |
| US large cap | 587 | 6.0 |
| US small cap | 516 | 5.3 |
| Total Equity Futures (6) | 3,935 | 40.5 |
| Commodity Futures |  |  |
| ***Agriculture*** |  |  |
| Cotton | 295 | 3.0 |
| Sugar | 276 | 2.8 |
| Soybean meal | 266 | 2.7 |
| Soy bean | 264 | 2.7 |
| Coffee | 72 | 0.7 |
| Corn | 69 | 0.7 |
| Wheat | 69 | 0.7 |
| Soybean oil | 61 | 0.6 |
| Energy |  |  |
| Gasoline | 268 | 2.8 |
| Brent crude | 185 | 1.9 |
| WTI crude | 126 | 1.3 |
| Gas-oil (diesel) | 123 | 1.3 |
| New York Harbor ultra-low sulphur diesel | 117 | 1.2 |
| Natural gas | 93 | 1.0 |
| Precious Metals |  |  |
| Gold | 378 | 3.9 |
| Silver | 243 | 2.5 |
| Industrial Metals |  |  |
| Copper | 375 | 3.9 |
| Aluminium | 229 | 2.4 |
| Total Commodity Futures (18) | 3,509 | 36.1 |
| Total Derivative Instruments (29) | 13,524 | 139.1 |

BALANCED RISK SHARE PORTFOLIO

INCOME STATEMENT

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  | SIX MONTHS ENDED  30 NOVEMBER 2017 | SIX MONTHS ENDED  30 NOVEMBER 2016 |  |  |  |  |  |
|  | REVENUE  £'000 | CAPITAL  £'000 | TOTAL  £'000 | REVENUE  £'000 | CAPITAL  £'000 | TOTAL  £'000 |  |
| Gains on derivative instruments | 23 | 400 | 423 | 15 | 307 | 322 |  |
| Foreign exchange (losses)/gains | - | (23) | (23) | - | 118 | 118 |  |
| Gains on investments | - | 3 | 3 | - | 4 | 4 |  |
| Income | 8 | - | 8 | 16 | - | 16 |  |
| Management fee - note 2 | (11) | (25) | (36) | (10) | (24) | (34) |  |
| Other expenses | (19) | - | (19) | (21) | - | (21) |  |
| Return before taxation | 1 | 355 | 356 | - | 405 | 405 |  |
| Taxation on ordinary activities | - | - | - | - | - | - |  |
| Return after taxation for the financial period | 1 | 355 | 356 | - | 405 | 405 |  |
| Basic return per ordinary share - note 4 | 0.01p | 5.07p | 5.08p | - | 5.67p | 5.67p |  |
|  |  |  |  |  |  |  |  |

SUMMARY OF NET ASSETS

|  |  |  |
| --- | --- | --- |
|  | AT  30 NOVEMBER  2017  £'000 | AT  31 MAY  2017  £'000 |
| Fixed assets | 8,607 | 8,352 |
| Derivative assets held at fair value through profit or loss | 258 | 209 |
| Current assets | 974 | 1,105 |
| Derivative liabilities held at fair value through profit or loss | (90) | (142) |
| Other creditors excluding borrowings | (27) | (39) |
| Net assets | 9,722 | 9,485 |
| Net asset value per share - note 5 | 139.8p | 134.7p |
| Notional exposure as % of net assets | 139.1% | 159.7% |

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MANAGED LIQUIDITY SHARE PORTFOLIO

PERFORMANCE RECORD

Total Return

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | SIX MONTHS  TO 30 NOV  2017 | YEAR TO  31 MAY  2017 | YEAR TO  31 MAY  2016 | YEAR TO  31 MAY  2015 | YEAR TO  31 MAY  2014 |
| Net Asset Value | 0.1% | 0.0% | -0.1% | -0.1% | 0.2% |
| Share Price | 0.5% | 0.5% | -0.9% | 0.5% | 0.4% |
| Source: Thomson Reuters Datastream. |  |  |  |  |  |
| Revenue return per share | 0.08p | (0.04)p | (0.14)p | (0.12)p | 0.02p |
| Dividend | nil | nil | nil | nil | nil |

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MANAGED LIQUIDITY SHARE PORTFOLIO

MANAGER'S REPORT

Investment Objective

The investment objective of the Managed Liquidity Share Portfolio is to ***produce*** an appropriate level of income return combined with a high degree of security.

Market and economic review

For short dated sterling bond markets, the key influence on returns over the six months to 30 November 2017 was the shifting expectations about the timing of any change in UK Bank rate.

At the start of the period UK consumer price inflation was 2.9%, well above the Bank of England's (BoE's) 2% target. Given its elevated level, the BoE had announced that there were limits to the extent to which above target inflation could be tolerated. This more "hawkish" stance from the BoE led bond markets to start pricing in the possibility of a rise in the UK Bank rate. However, inflation data declined modestly over the summer helping to temper expectations. This led to a rally in short dated bonds, with the 2-year Gilt yield, for example, which is heavily influenced by Central Bank policy, falling to 0.16%.

The market's view shifted again in late summer following comments from the BoE that suggested the Bank rate would be increased at its 2 November meeting, when the latest inflation forecasts would also be published. By the time of the meeting the market attached a 90% probability of the Bank rate being hiked. 2-year Gilt yields had risen from their low in early September to 0.49%, while 3 month LIBOR (the interest rate at which the largest banks lend to one another) had risen from a low of 0.28% to 0.45%. The subsequent decision to increase the rate saw three month LIBOR climb to 0.52%. However, it had little impact on the 2-year Gilt, with the yield climbing only to 0.52% by 30 November.

The decision to increase the Bank rate was accompanied by negative revisions to the BoE's forecasts for UK economic growth. These revisions in turn helped the market form a "dovish" view of the hike. By 30 November, no further UK Bank rate increase was expected until late 2018.

Portfolio strategy and review

The Portfolio had a low but positive return over the six months in an environment of continued very low UK interest rates.

Our investment strategy is achieved by investing in the Invesco Perpetual Money Fund and the Sterling Liquidity Portfolio of Short-Term Investments Company (Global Series) plc, each of which invests in a diversified portfolio of high quality sterling denominated short-term money market instruments.

The Invesco Perpetual Money Fund has positions in a number of government, quasi-government and corporate bonds. In order to limit the exposure to interest rate risk and credit risk (the likelihood of an issuer defaulting), these bonds are both short dated and of high quality. The fund also holds some floating rate notes, debt instruments whose interest rates are reset at regular intervals.

The Sterling Liquidity Portfolio of the Short-Term Investments Company (Global Series) plc invests in high quality sterling denominated money market instruments such as commercial paper, certificates of deposit, time deposits and floating rate notes. At 30 November 2017 the Sterling Liquidity Portfolio was rated AAAm by Standard and Poor's and AAAmmf by Fitch Ratings.

Outlook

Looking ahead the macro-economic picture and therefore the prospect for UK interest rates is mixed. On the one hand, the high level of inflation would normally be supportive of some further rate increases, but this needs to be weighed against Brexit uncertainties and pressures on the economy. Our expectation is that the BoE will continue on its very gradual path of tightening monetary policy while ensuring that any change is communicated well in advance.

Stuart Edwards

Portfolio Manager

2 February 2018

MANAGED LIQUIDITY SHARE PORTFOLIO

LIST OF INVESTMENTS

|  |  |  |
| --- | --- | --- |
|  | AT  30 NOVEMBER  2017  MARKET  VALUE  £'000 | AT  31 MAY  2017  MARKET  VALUE  £'000 |
| Invesco Perpetual Money Fund | 4,899 | 4,900 |
| Short-Term Investments Company (Global Series) | 348 | 548 |
|  | 5,247 | 5,448 |

At the period end the Managed Liquidity Share Portfolio held 4.95% (May 2017: 5.85%) of the shares in issue of the Invesco Perpetual Money Fund.

MANAGED LIQUIDITY SHARE PORTFOLIO

INCOME STATEMENT

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | SIX MONTHS ENDED  30 NOVEMBER 2017 | SIX MONTHS ENDED  30 NOVEMBER 2016 |  |  |  |  |
|  | REVENUE  £'000 | CAPITAL  £'000 | TOTAL  £'000 | REVENUE  £'000 | CAPITAL  £'000 | TOTAL  £'000 |
| Losses on investments | - | (2) | (2) | - | - | - |
| Income | 13 | - | 13 | 13 | - | 13 |
| Management fee- note 2 | (3) | - | (3) | (3) | - | (3) |
| Other expenses | (6) | - | (6) | (10) | - | (10) |
| Return before taxation | 4 | (2) | 2 | - | - | - |
| Taxation on ordinary activities | - | - | - | - | - | - |
| Return after taxation for the financial period | 4 | (2) | 2 | - | - | - |
| Basic return per ordinary share - note 4 | 0.08p | (0.04)p | 0.04p | - | - | - |

SUMMARY OF NET ASSETS

|  |  |  |
| --- | --- | --- |
|  | AT  30 NOVEMBER  2017  £'000 | AT  31 MAY  2017  £'000 |
| Fixed assets | 5,247 | 5,448 |
| Current assets | 39 | 53 |
| Creditors falling due within one year, excluding borrowings | (143) | (142) |
| Net assets | 5,143 | 5,359 |
| Net asset value per share- note 5 | 103.3p | 103.2p |

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CONDENSED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 NOVEMBER

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  | 2017 | 2016 |  |  |  |  |  |
|  | REVENUE  £'000 | CAPITAL  £'000 | TOTAL  £'000 | REVENUE  £'000 | CAPITAL  £'000 | TOTAL  £'000 |  |
| Gains on investments | - | 47 | 47 | - | 10,344 | 10,344 |  |
| Gains on derivative instruments | 23 | 400 | 423 | 15 | 307 | 322 |  |
| Foreign exchange (losses)/gains | - | (39) | (39) | - | 118 | 118 |  |
| Income | 2,259 | 427 | 2,686 | 2,004 | 23 | 2,027 |  |
| Management fees - note 2 | (127) | (288) | (415) | (135) | (310) | (445) |  |
| Performance fees - note 2 | - | 4 | 4 | - | 284 | 284 |  |
| Other expenses | (212) | (1) | (213) | (220) | (1) | (221) |  |
| Net return before finance costs and taxation | 1,943 | 550 | 2,493 | 1,664 | 10,765 | 12,429 |  |
| Finance costs | (31) | (71) | (102) | (27) | (62) | (89) |  |
| Return before taxation | 1,912 | 479 | 2,391 | 1,637 | 10,703 | 12,340 |  |
| Taxation on ordinary activities - note 3 | (104) | - | (104) | (95) | - | (95) |  |
| Return after taxation for the financial period | 1,808 | 479 | 2,287 | 1,542 | 10,703 | 12,245 |  |
| Basic return per ordinary share - note 4 |  |  |  |  |  |  |  |
| UK Equity Share Portfolio | 2.58p | (7.52)p | (4.94)p | 2.20p | 5.24p | 7.44p |  |
| Global Equity Income Share Portfolio | 2.54p | 9.00p | 11.54p | 2.07p | 25.25p | 27.32p |  |
| Balanced Risk Share Portfolio | 0.01p | 5.07p | 5.08p | - | 5.67p | 5.67p |  |
| Managed Liquidity Share Portfolio | 0.08p | (0.04)p | 0.04p | - | - | - |  |
|  |  |  |  |  |  |  |  |

The total column of this statement represents the Company's profit and loss account, prepared in accordance with UK Accounting Standards. The return after taxation is the total comprehensive income and therefore no statement of comprehensive income is presented. The supplementary revenue and capital columns are presented for information purposes in accordance with the Statement of Recommended Practice issued by the Association of Investment Companies. All items in the above statement derive from continuing operations of the Company. No operations were acquired or discontinued in the period. Income Statements for the different Share classes are shown on pages 12, 17, 22 and 25 for the UK Equity, Global Equity Income, Balanced Risk and Managed Liquidity Share Portfolios respectively.

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CONDENSED RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

FOR THE SIX MONTHS ENDED 30 NOVEMBER

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  | SHARE  CAPITAL  £'000 | SHARE  PREMIUM  £'000 | SPECIAL  RESERVE  £'000 | CAPITAL  REDEMPTION  RESERVE  £'000 | CAPITAL  RESERVE  £'000 | REVENUE  RESERVE  £'000 | TOTAL  £'000 |
| At 31 May 2017 | 1,060 | 1,290 | 80,542 | 347 | 69,608 | 583 | 153,430 |
| Cancellation of deferred shares | - | - | (2) | 2 | - | - | - |
| Shares bought back and held in treasury | - | - | (1,739) | - | - | - | (1,739) |
| Share conversions | (1) | - | 1 | - | - | - | - |
| Return per the income statement | - | - | - | - | 479 | 1,808 | 2,287 |
| Dividends - note 9 | - | - | - | - | - | (2,040) | (2,040) |
| At 30 November 2017 | 1,059 | 1,290 | 78,802 | 349 | 70,087 | 351 | 151,938 |
|  |  |  |  |  |  |  |  |
| At 31 May 2016 | 1,062 | 1,290 | 85,252 | 345 | 44,073 | 576 | 132,598 |
| Cancellation of deferred shares | - | - | (2) | 2 | - | - | - |
| Shares bought back and held in treasury | - | - | (2,039) | - | - | - | (2,039) |
| Share conversions | (1) | - | 1 | - | - | - | - |
| Return per the income statement | - | - | - | - | 10,703 | 1,542 | 12,245 |
| Dividends - note 9 | - | - | - | - | - | (2,017) | (2,017) |
| At 30 November 2016 | 1,061 | 1,290 | 83,212 | 347 | 54,776 | 101 | 140,787 |

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CONDENSED BALANCE SHEET

AS AT 30 NOVEMBER 2017

REGISTERED NUMBER 5916642

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | UK  EQUITY  £'000 | GLOBAL  EQUITY  INCOME  £'000 | BALANCED  RISK  £'000 | MANAGED  LIQUIDITY  £'000 | TOTAL  £'000 |
| Fixed assets |  |  |  |  |  |
| Investments held at fair value through profit or loss | 80,475 | 72,513 | 8,607 | 5,247 | 166,842 |
| Current assets |  |  |  |  |  |
| Derivative assets held at fair value through profit or loss | - | - | 258 | - | 258 |
| Debtors | 871 | 277 | 282 | 4 | 1,434 |
| Cash and cash equivalents | 155 | 235 | 692 | 35 | 1,117 |
|  | 1,026 | 512 | 1,232 | 39 | 2,809 |
| Creditors: amounts falling due within one year |  |  |  |  |  |
| Derivative liabilities held at fair value through profit or loss | - | - | (90) | - | (90) |
| Other creditors | (12,790) | (4,663) | (27) | (143) | (17,623) |
| Net current (liabilities)/assets | (11,764) | (4,151) | 1,115 | (104) | (14,904) |
| Net assets | 68,711 | 68,362 | 9,722 | 5,143 | 151,938 |
|  |  |  |  |  |  |
| Shareholders' funds |  |  |  |  |  |
| Share capital | 450 | 373 | 113 | 123 | 1,059 |
| Share premium | - | - | 1,290 | - | 1,290 |
| Special reserve | 35,936 | 33,303 | 4,958 | 4,605 | 78,802 |
| Capital redemption reserve | 74 | 78 | 24 | 173 | 349 |
| Capital reserve | 32,123 | 34,290 | 3,434 | 240 | 70,087 |
| Revenue reserve | 128 | 318 | (97) | 2 | 351 |
| Shareholders' funds | 68,711 | 68,362 | 9,722 | 5,143 | 151,938 |
| Net asset value per ordinary share |  |  |  |  |  |
| Basic - note 5 | 185.8p | 207.3p | 139.8p | 103.3p |  |

CONDENSED BALANCE SHEET

AS AT 31 MAY 2017

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | UK  EQUITY  £'000 | GLOBAL  EQUITY  INCOME  £'000 | BALANCED  RISK  £'000 | MANAGED  LIQUIDITY  £'000 | TOTAL  £'000 |
| Fixed assets |  |  |  |  |  |
| Investments held at fair value through profit or loss | 84,734 | 69,290 | 8,352 | 5,448 | 167,824 |
| Current assets |  |  |  |  |  |
| Derivative assets held at fair value through profit or loss | - | - | 209 | - | 209 |
| Debtors | 454 | 451 | 479 | 2 | 1,386 |
| Cash and cash equivalents | 148 | 167 | 626 | 51 | 992 |
|  | 602 | 618 | 1,314 | 53 | 2,587 |
| Creditors: amounts falling due within one year |  |  |  |  |  |
| Derivative liabilities held at fair value through profit or loss | - | - | (142) | - | (142) |
| Other creditors | (11,795) | (4,859) | (39) | (142) | (16,835) |
| Net current (liabilities)/assets | (11,193) | (4,241) | 1,133 | (89) | (14,390) |
| Provision | (4) | - | - | - | (4) |
| Net assets | 73,537 | 65,049 | 9,485 | 5,359 | 153,430 |
|  |  |  |  |  |  |
| Shareholders' funds |  |  |  |  |  |
| Share capital | 455 | 368 | 114 | 123 | 1,060 |
| Share premium | - | - | 1,290 | - | 1,290 |
| Special reserve | 37,810 | 32,832 | 5,076 | 4,824 | 80,542 |
| Capital redemption reserve | 73 | 78 | 24 | 172 | 347 |
| Capital reserve | 34,949 | 31,338 | 3,079 | 242 | 69,608 |
| Revenue reserve | 250 | 433 | (98) | (2) | 583 |
| Shareholders' funds | 73,537 | 65,049 | 9,485 | 5,359 | 153,430 |
| Net asset value per ordinary share |  |  |  |  |  |
| Basic - note 5 | 193.5p | 198.6p | 134.7p | 103.2p |  |

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INVESCO PERPETUAL SELECT TRUST PLC

CONDENSED CASH FLOW STATEMENT

|  |  |  |
| --- | --- | --- |
|  | SIX MONTHS  ENDED  30 NOVEMBER  2017  £'000 | SIX MONTHS  ENDED  30 NOVEMBER  2016  £'000 |
| Cash flows from operating activities |  |  |
| Net return before finance costs and taxation | 2,493 | 12,429 |
| Tax on overseas income | (104) | (95) |
| Adjustments for: |  |  |
| Purchase of investments | (26,243) | (40,068) |
| Sale of investments | 27,229 | 40,954 |
| Sale of futures | 296 | 447 |
|  | 1,282 | 1,333 |
| Gains on investments | (47) | (10,344) |
| Gains on derivatives | (423) | (322) |
| Decrease in debtors | 24 | 349 |
| Decrease in creditors and provision | (493) | (305) |
| Scrip dividends | (73) | (23) |
| Foreign exchange differences | 39 | (118) |
| Net cash inflow from operating activities | 2,698 | 2,904 |
|  |  |  |
| Cash flows from financing activities |  |  |
| Interest paid on loan | (105) | (92) |
| Increase/(decrease) in bank borrowing | 1,350 | (350) |
| Share buy back costs | (1,739) | (2,039) |
| Equity dividends paid- note 9 | (2,040) | (2,017) |
| Net cash outflow from financing activities | (2,534) | (4,498) |
|  |  |  |
| Net increase/(decrease) in cash and cash equivalents | 164 | (1,594) |
| Cash and cash equivalents at the start of the year | 992 | 2,901 |
| Foreign exchange differences | (39) | 118 |
| Cash and cash equivalents at the end of the period | 1,117 | 1,425 |
|  |  |  |
| Reconciliation of cash and cash equivalents to the Balance Sheet is as follows: |  |  |
| Cash held at custodian | 1,117 | 1,425 |
|  |  |  |
| Cash flow from operating activities includes: |  |  |
| Dividends received | 2,673 | 2,316 |
| Interest received | 28 | 38 |

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NOTES TO THE CONDENSED FINANCIAL STATEMENTS

1.       Accounting Policies

The condensed financial statements have been prepared in accordance with applicable United Kingdom Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland, FRS 104 Interim Financial Reporting and the Statement of Recommended Practice Financial Statements of Investment Trust Companies and Venture Capital Trusts, issued by the Association of Investment Companies in November 2014 as updated in January 2017. The financial statements are issued on a going concern basis.

The accounting policies applied to these condensed financial statements are consistent with those applied in the financial statements for the year ended 31 May 2017.

2.       Management Fees and Finance Costs

Basic management fees and finance costs are charged to the applicable Portfolio as follows, in accordance with the Board's expected split of long-term income and capital returns:

|  |  |  |
| --- | --- | --- |
| PORTFOLIO | REVENUE  RESERVE | CAPITAL  RESERVE |
| UK Equity | 30% | 70% |
| Global Equity Income | 30% | 70% |
| Balanced Risk | 30% | 70% |
| Managed Liquidity | 100% | - |

Any investment performance fee attributable to the UK Equity or Global Equity Income Portfolios is allocated 100% to capital as it is directly attributable to the capital performance of the investments in those Portfolios.

The Manager is entitled to a basic fee which is calculated and payable quarterly. The fee is based on the net assets of each Portfolio, at the following percentages:

-    0.55% from 1 June 2017 (previously 0.65%) per annum in the case of the UK Equity and Global Equity Income Portfolios;

-    0.55% from 1 June 2017 (previously 0.75%) per annum for the Balanced Risk Portfolio; and

-    0.12% per annum for the Managed Liquidity Portfolio.

The Manager is also entitled to receive performance fees in respect of the UK Equity and Global Equity Income Portfolios of 12.5% of the increase in net assets per relevant Share in excess of a hurdle of the relevant benchmark plus 1% per annum. From 1 June 2017, the amount of the performance fee that can be earned in any one year is limited to 0.55% (previously 0.65%) of the net assets of the relevant Portfolio and payment is subject to a high water mark. Any underperformance of the benchmark, or performance above the cap, is carried forward to subsequent periods, and any underperformance must be offset by future overperformance before any performance fee can be paid.

No performance fee was earned by the UK Equity Portfolio for the six months (30 November 2016: nil). The performance fee accrued for past periods amounts to £531,000 and, as it cannot be reduced by future underperformance, remains an obligation of the Company. The Global Equity Income Portfolio generated a performance fee for the six months of £27,000 (30 November 2016: nil).

Underperformance movements in the six months to 30 November 2017 are shown below:

|  |  |  |
| --- | --- | --- |
|  | UK  EQUITY  £'000 | GLOBAL  EQUITY  INCOME  £'000 |
| Underperformance brought forward | - | 778 |
| Under or (over) performance in the period | 295 | (27) |
| Write off of performance fee provision | (4) | - |
|  |  |  |
| Underperformance carried forward | 291 | 751 |

3.       Investment Trust Status and Tax

    It is the intention of the Directors to conduct the affairs of the Company so that it satisfies the conditions for approval as an investment trust company. Any company so approved is not liable for taxation on capital gains.

The tax charge represents withholding tax suffered on overseas income.

4.       Basic Return per Ordinary Share

Basic revenue, capital and total return per ordinary share is based on each of the returns on ordinary activities after taxation as shown by the income statement for the applicable Share class and on the following number of shares being the weighted average number of shares in issue throughout the period for each applicable Share class:

|  |  |  |  |
| --- | --- | --- | --- |
|  | WEIGHTED AVERAGE  NUMBER OF SHARES |  |  |
| SHARE | SIX MONTHS   ENDED  30 NOVEMBER   2017 | SIX MONTHS   ENDED  30 NOVEMBER   2016 |  |
| UK Equity | 37,588,931 | 39,568,327 |  |
| Global Equity Income | 32,797,113 | 32,554,801 |  |
| Balanced Risk | 7,006,541 | 7,137,292 |  |
| Managed Liquidity | 5,136,972 | 5,801,765 |  |
|  |  |  |  |

5.       Net Asset Values per Ordinary Share

The net asset values per ordinary share were based on the following Shareholders' funds and shares (excluding treasury shares) in issue at the period end:

|  |  |  |
| --- | --- | --- |
|  | AT  30 NOVEMBER  2017  £'000 | AT  31 MAY  2017  £'000 |
| PORTFOLIO SHAREHOLDERS' FUNDS |  |  |
| UK Equity | 68,711 | 73,537 |
| Global Equity Income | 68,362 | 65,049 |
| Balanced Risk | 9,722 | 9,485 |
| Managed Liquidity | 5,143 | 5,359 |
|  |  |  |
| PORTFOLIO SHARES IN ISSUE AT PERIOD END |  |  |
| UK Equity | 36,991,797 | 38,009,455 |
| Global Equity Income | 32,973,355 | 32,747,913 |
| Balanced Risk | 6,956,002 | 7,043,885 |
| Managed Liquidity | 4,979,386 | 5,195,265 |

6.       Classification Under Fair Value Hierarchy

FRS 102 as amended for fair value hierarchy disclosures (March 2016) sets out three fair value levels. These are:

Level 1 -   The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.

Level 2 -   Inputs other than quoted prices included within Level 1 that are observable (i.e developed using market data) for the asset or liability, either directly or indirectly.

Level 3 -   Inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability.

The fair value hierarchy analysis for investments held at fair value at the period end is as follows:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | UK  EQUITY  £'000 | GLOBAL  EQUITY  INCOME  £'000 | BALANCED  RISK  £'000 | MANAGED  LIQUIDITY  £'000 |
| AT 30 NOVEMBER 2017 |  |  |  |  |
| Financial assets designated at fair value through profit or loss: |  |  |  |  |
| Level 1 | 79,504 | 72,513 | 6,288 | - |
| Level 2 | 3 | - | 2,558 | 5,247 |
| Level 3 | 968 | - | 19 | - |
| Total for financial assets | 80,475 | 72,513 | 8,865 | 5,247 |
|  |  |  |  |  |
| Financial liabilities: |  |  |  |  |
| Level 2 - Derivative instruments | - | - | 90 | - |
|  |  |  |  |  |
| AT 31 MAY 2017 |  |  |  |  |
| Financial assets designated at fair value through profit or loss: |  |  |  |  |
| Level 1 | 84,019 | 69,290 | 5,894 | - |
| Level 2 | 1 | - | 2,649 | 5,448 |
| Level 3 | 714 | - | 18 | - |
|  |  |  |  |  |
| Total financial assets | 84,734 | 69,290 | 8,561 | 5,448 |
|  |  |  |  |  |
| Financial liabilities: |  |  |  |  |
| Level 2 - Derivative instruments | - | - | 142 | - |

Level 1  This is the majority of the Company's investments and comprises all quoted investments and Treasury bills.

Level 2  This comprises the UK Equity Portfolio's holdings of Barclays Bank Nuclear Power Notes, liquidity funds held in the Balanced Risk and Managed Liquidity Portfolios, and any derivative instruments.

Level 3  This includes the UK Equity Portfolio's holding of an unquoted stock, AJ Bell, and the remaining hedge fund investments of the Balanced Risk Portfolio.

7.       Movements in Share Capital and Share Class Conversions

IN THE SIX MONTHS ENDED 30 NOVEMBER 2017

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | UK  EQUITY | GLOBAL  EQUITY  INCOME | BALANCED  RISK | MANAGED  LIQUIDITY |
| Ordinary 1p shares (number) |  |  |  |  |
| At 31 May 2017 | 38,009,455 | 32,747,913 | 7,043,885 | 5,195,265 |
| Shares bought back into treasury | (535,000) | (250,000) | (23,000) | (232,000) |
| Arising on share conversion: |  |  |  |  |
| - August 2017 | (217,323) | 210,498 | (29,081) | 16,121 |
| - November 2017 | (265,335) | 264,944 | (35,802) | - |
| At 30 November 2017 | 36,991,797 | 32,973,355 | 6,956,002 | 4,979,386 |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | UK  EQUITY | GLOBAL  EQUITY  INCOME | BALANCED  RISK | MANAGED  LIQUIDITY |
| Treasury Shares (number) |  |  |  |  |
| At 31 May 2017 | 7,518,540 | 4,054,000 | 4,298,000 | 7,101,785 |
| Share bought back into treasury | 535,000 | 250,000 | 23,000 | 232,000 |
| At 30 November 2017 | 8,053,540 | 4,304,000 | 4,321,000 | 7,333,785 |
| Total shares in issue at 30 November 2017 | 45,045,337 | 37,277,355 | 11,277,002 | 12,313,171 |
| Average buy back price | 180.5p | 199.7p | 131.4p | 101.0p |

As part of the conversion process, 134,262 deferred shares of 1p each were created. All deferred shares are cancelled before the period end and so no deferred shares are in issue at the start or end of the period.

8.       Share Prices

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| PERIOD END | UK  EQUITY | GLOBAL  EQUITY  INCOME | BALANCED  RISK | MANAGED  LIQUIDITY |
| 30 November 2016 | 166.8p | 183.0p | 127.5p | 101.3p |
| 31 May 2017 | 192.0p | 197.5p | 133.5p | 101.5p |
| 30 November 2017 | 184.0p | 204.5p | 137.8p | 102.0p |

9.       Dividends on Ordinary Shares

          The first and second interim dividends were paid on 15 August 2017 and 17 November 2017 respectively:

|  |  |  |  |
| --- | --- | --- | --- |
| PORTFOLIO | NUMBER   OF SHARES | DIVIDEND  RATE | TOTAL  £'000 |
| UK Equity |  |  |  |
| First interim | 38,009,255 | 1.45p | 551 |
| Second interim | 37,256,932 | 1.45p | 540 |
|  |  | 2.90p | 1,091 |
| Global Equity Income |  |  |  |
| First interim | 32,747,913 | 1.45p | 475 |
| Second interim | 32,708,411 | 1.45p | 474 |
|  |  | 2.90p | 949 |

          Dividends paid for the six months to 30 November 2017 totalled £2,040,000 (six months to 30 November 2016: £2,017,000).

10.     The financial information contained in this half-yearly financial report, which has not been reviewed or audited by the independent auditor, does not constitute statutory accounts within the meaning of section 434 of the Companies Act 2006. The financial information for the half years ended 30 November 2017 and 30 November 2016 has not been audited. The figures and financial information for the year ended 31 May 2017 are extracted and abridged from the latest published accounts and do not constitute the statutory accounts for that year. Those accounts have been delivered to the Registrar of Companies and include the Independent Auditor's Report, which was unqualified and did not include a statement under section 498 of the Companies Act 2006.

By order of the Board

Invesco Asset Management Limited

Company Secretary

2 February 2018

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DIRECTORS' RESPONSIBILITY STATEMENT

in respect of the preparation of the half-yearly financial report

The Directors are responsible for preparing the half-yearly financial report using accounting policies consistent with applicable law and UK Accounting Standards.

The Directors confirm that, to the best of their knowledge:

-  the condensed set of financial statements contained within the half-yearly financial report has been prepared in accordance with the FRC's FRS 104 Interim Financial Reporting;

-  the interim management report includes a fair review of the information required by DTR 4.2.7R and DTR 4.2.8R of the FCA's Disclosure Guidance and Transparency Rules; and

-  the interim management report includes a fair review of the information required on related party transactions.

The half-yearly financial report has not been audited or reviewed by the Company's auditor.

Signed on behalf of the Board of Directors.

Patrick Gifford

Chairman

2 February 2018

**Load-Date:** February 2, 2018

**End of Document**



[***A cognitive map of sustainable decision-making in entrepreneurship***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5YJX-P231-DY4C-F0NB-00000-00&context=1516831)

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**Byline:** Pablo Muñoz.

**Body**

**ABSTRACT**

Purpose

Under what conditions do entrepreneurs make the sustainable decisions they need to develop socially and environmentally responsible new businesses? Explanations of sustainable decision-making have involved various cognitive features; however, it is not yet clear how they play a role in empirical terms and, moreover, how they combine to induce business decisions based on social, environmental and economic considerations. The purpose of this paper is to explore how five cognitive factors combine and causally connect to ***produce*** sustainable decision-making in entrepreneurship.

Design/methodology/approach

This study uses fuzzy-set qualitative comparative analysis to examine the decision-making of 37 sustainable entrepreneurs. It focuses on a substantive conception of entrepreneurial behaviour to uncover the cognitive antecedents underlying entrepreneurial decisions that involve the explicit development and implementation of measures, targets and strategies aimed at improving its impact on people and the environment.

Findings

The configurational analysis reveals a typology comprising five combinations of cognitive factors constituting a comprehensive cognitive map of sustainable decision-making in entrepreneurship, namely: purpose-driven, determined; value-based, vacillating; value-based, unintended; single motive, single solution; and purpose-driven, hesitant.

Research limitations/implications

This study demonstrates that no single condition is necessary nor sufficient for triggering decision-making involving social and environmental concerns, revealing five mental models leading to sustainable decision-making. In doing so, this paper responds to recent calls that stress the need for studies capable of uncovering the complex constellation of cognitive factors underlying entrepreneurial sustainable behaviour. Theoretical and practical implications are discussed.

Originality/value

This paper provides a systematic characterization of the cognitive underpinnings of sustainable decision-making and offers a basis for organizing the study of sustainable outcomes and configurations of cognitive antecedents. It reconciles prior efforts aimed at characterizing sustainability decisions in the context of SMEs and new enterprises, challenging current models based on awareness, experience and ethical normative frameworks.

**Introduction**

Sustainable decision-making in entrepreneurship is the process whereby business founders make choices about current and future business activities that concurrently consider the social, environmental and economic implications of such activities. These decisions tend to prioritize those activities critical to the success of the business, which at the same time do not undermine the ecological and social environments in which the business operates (Shepherd and Patzelt, 2011), and/or prioritize those that have the potential to restore or nurture such environments towards recovering the balance between nature, society and economic activity (Parrish, 2010).

In the examination of why entrepreneurs engage in sustainability practices, many authors draw from organizational- or industry-level approaches, often leveraging institutional theory or related macro-level theories (Ervin *et al.*, 2012). However, little is known about the cognitive reasoning of the individuals in pursuit of sustainability-oriented new ventures (Hockerts, 2015). Research so far has explored sustainable behaviour and cognition in established firms (e.g. Hockerts, 2015; Kurz, 2002; Schlange, 2009) or the decision-making process leading to ethical or unethical actions in entrepreneurship (e.g. Harris *et al.*, 2009; Shepherd *et al.*, 2013; Surie and Ashley, 2008), yet further examination is needed with regards to the cognitive conditions that collectively lead to decisions that consider social and environmental factors in the development of new ventures. Although explanations of sustainable decision-making in entrepreneurship have involved various characteristics, there is little consensus about the centrality of the cognitive factors influencing such decisions (Takahashi and Selfa, 2015) and is not yet clear how they play a collective role in substantive terms. Moreover, it is still unclear whether the mental models leading to socially and environmentally responsible decisions across new business founders differ or resemble from each other.

This research tackles these issues by focusing on the cognitive elements underpinning human action and the antecedents of sustainable decision-making in new business development. It uses a configurational comparative method, namely fuzzy-set qualitative comparative analysis (fs/QCA) (Ragin, 2008), to evaluate the different combinations of conditions under which certain individuals make the sustainable decisions they need to develop socially and environmentally responsible new ventures.

Drawing on a purposive sample of 37 sustainable entrepreneurs, this paper explores how five cognitive factors combine and causally connect leading to sustainable decision-making, captured by the extent to which the entrepreneur has developed and implemented sustainability-relevant measures, targets and strategies throughout the venturing process. The analysis yielded five different configurations of cognitive factors leading to sustainable decision-making, namely: purpose-driven, determined; value-based, vacillating; value-based, unintended; single motive, single solution; and purpose-driven, hesitant, which reflect a typology comprising five distinct sustainability-oriented entrepreneurial mental models. Collectively, they account for most of outcome under examination, constituting a comprehensive cognitive map of sustainable decision-making in new business development.

By developing an empirical typology of sustainable decision-making in entrepreneurship, this paper responds to recent calls that stress the need for studies capable of uncovering the complex constellation of cognitive factors underlying and causally linked to sustainable behaviour (Hockerts, 2015). It provides a systematic characterization of the cognitive underpinnings of sustainable decision-making in entrepreneurship and offers a basis for organizing the study of sustainable outcomes and configurations of cognitive antecedents. In doing so, it delivers a theoretical and methodological framework through which complex social phenomena in management and business venturing in particular can be better understood. In addition, it makes available refined knowledge and theoretical language on complex causation that facilitate further theorizing and research design based on the logic of necessary and sufficient conditions.

The findings also challenge extant models explaining sustainability decisions in entrepreneurship based on ethical normative frameworks (e.g. Harris *et al.*, 2009). While the recognition of moral issues within social and ecological problems seem relevant (Patzelt and Shepherd, 2010), it will only trigger socially and environmentally responsible decisions in a context where sustainability values and motivation are present. Values and motivation prove having a strong causal relationship with the outcome across the different configurations, contrary to what ethical normative framework would argue.

**The cognitive infrastructure of decision-making in sustainable entrepreneurship**

Cognition and action are central in entrepreneurship research as they hold key to understanding success factors (Awais Ahmad Tipu and Manzoor Arain, 2011). Just like knowledge and mental representations, concepts such as attitudes, motivations and other mental states constitute the cognitive resources individuals use to interact and deal with the surrounding environment, and make decisions about present and future actions (Gregoire *et al.*, 2015). These are mental constructs that proceed from human nature, subjective interpretations and perceptions that individuals make of their immediate environment, and also the sum of the individual’s idiosyncratic experiences (Gregoire *et al.*, 2010), including abilities, routines, intelligence, expertise, desires, among others. In this context, entrepreneurial cognition has been understood as “the knowledge structures that people use to make assessments, judgments, or decisions involving opportunity evaluation, venture creation, and growth” (Mitchell *et al.*, 2002). Within this conception, decision-making heuristics has been identified as a central dimension (Awais Ahmad Tipu and Manzoor Arain, 2011).

Sustainability decisions are contextual, value-laden and mostly focused on social actions (Martin, 2015). In the context of business management, sustainable decision-making involves arguably a complex constellation of cognitive factors as social, environmental and economic objectives need to be in balance if sustainable value is to be created (Muñoz and Dimov, 2015). The attitudes, motivations and the other mental states required for such decision-making are thus thought to be different from those underpinning the type of decision process leading to single economic outcomes, as in purely commercial venturing.

Central to this difference are the values underlying sustainability-related decisions (Shepherd *et al.*, 2009). In Parrish’s (2010) view, these are mechanisms for enhancing environmental quality and social well-being which are embedded in core business activities. Since the aims of such decisions concern environmental protection, social justice and economic development, the values supporting decision-making are likely to differ from those supporting decisions that purely prioritize economic return. The aforementioned factors are the key values of sustainable development, but within these general descriptors, there are very different values at play (Leiserowitz *et al.*, 2006), for example democracy, freedom and human rights (Sharma and Ruud, 2003), which act ultimately as guiding principles in the life of the “sustainability-oriented” business owner (Thomas and Walker, 2016). Indeed, values seem to be always behind the rise of sustainable entrepreneurship, normally based on equanimity between self, other people and nature (Parrish, 2010). Relatedly, Muñoz and Cohen (2018a) emphasize that value-laden factors not only guide motivation but also narratives linked to “doing the right thing”, which ultimately enables legitimacy.

The need for such ideologically-charged concepts derives from the notion that sustainability in the business context, Lafferty and Langhelle (1999) argue, cannot be treated as a mere ***strategic*** asset but instead as an ethical code for human survival and progress. The predominance of values in entrepreneurial decision-making can be even seen in investment and start-up capital decisions, where sustainable entrepreneurs often face challenges finding investors who understand their businesses and share their values (Cohen, 2005). Social or environmental values in this context are seen at odds with investors’ goals of maximizing profit (Cohen *et al.*, 2008).

The entrepreneurship phenomenon involves the recognition of an opportunity for value creation, where the likelihood of recognition largely depend on motivation, awareness and prior knowledge (Ulvenblad *et al.*, 2013). For sustainable entrepreneurs, ecological and social issues constitute opportunities that can be exploited in the market (Keskin *et al.*, 2013). In this vein, Patzelt and Shepherd (2010) emphasize that when it comes to sustainable development, the awareness of ecological and social problems and the threats emerging from such problems is central to the recognizing of opportunities that permits the formation of triple-bottom line businesses. Individuals aware of the conditions of their surrounding ecological and social environments, and the severity of the derived social and environmental problems (Muñoz and Dimov, 2017), are more likely to perceive changes in those environments and eventually to recognize the opportunities that arise from environmentally and socially relevant market failures. As such, compared to individuals whose attention is more focused on the business environment, those individuals focused on ecological and social environments are more likely to form beliefs about new opportunities for sustainable development, even if they show no intention to personally pursue such opportunities (Shepherd and Patzelt, 2011).

Awareness is deeply rooted in knowledge of and attitude towards the role of business in society. In the context of entrepreneurship, sustainability attitudes and convictions are closely connected to the intention of creating a new business, meaning that stronger attitudes towards environmental protection and social responsibility prompts sustainable decision-making within the creation of a new businesses (Kuckertz and Wagner, 2010). Here, attitudes not only summarize the individuals’ tendencies to view particular matters as positive or negative, but also interact with other cognitive structures influencing judgment and behaviour (Gregoire *et al.*, 2010).

Drawing on cognitive psychology, some authors have argued that the variance regarding the integration of sustainability in the formation of new ventures is explained to a great extent by the individual’s motivation. Linnanen (2002), for example, explains this variance based on the fact that individuals pursuing triple-bottom line businesses follow a predominant desire to change the world, which is operationalized by prioritizing environmental and social business goals (Schaltegger, 2002). Walley and Taylor (2002) complement this view by emphasizing the role of the entrepreneurial mindset in guiding actions towards sustainability. The authors stress the relevance of the transformative, sustainability-driven mindset of these entrepreneurs as the mechanism through which they elaborate a vision for a sustainable society that requires a systemic transformation. According to the authors, this is the only alternative orientation that combines all three principles: economic, ecological and social-ethical sustainability. More recently in the context of ecologically-oriented entrepreneurship, Kirkwood and Walton (2010) emphasize that these entrepreneurs are motivated by a multiplicity of both ecological and commercial factors (i.e. green values; earning a living; passion; being their own boss; and seeing a gap in the market), which challenges traditional, and perhaps utopian, views of the phenomenon. The type of motivation, however, is contingent on the stage of the process. Fischer *et al.* (2018) show that while in early stages sustainable entrepreneurs tend to engage more with responsibility and security goals (i.e. prevention-focused self-regulatory process), in later stages the self-regulatory focus changes towards engaging more with growth and development goals, which is linked to promotion-focused self-regulatory processes.

Following motivation, intentions are central for explaining ***planned*** behaviour (Jarvis, 2016), which includes managerial decisions related to new business development. They depend on the perception of desirability and feasibility of the business opportunity and the interaction between these two types of perceptions (Fitzsimmons and Douglas, 2011). If the business opportunity at hand is complex and its evaluation involves more factors than simply the potential of economic gain (Shepherd and Patzelt, 2011), the perceptions of desirability and feasibility of that opportunity are also likely to be more complex. In this vein, Schlange (2009) stresses that the main driver of sustainable decision-making in new business development is the willingness or intention to combine and balance a desire to change the world with a desire to make money. Likewise, Gibbs (2009) proposes that sustainable decision-making in the context of entrepreneurship results from the intention to act upon a combination of green, ethical and social motives. As shown by Reynolds *et al.* (2017), intention in sustainable entrepreneurship is also a ***strategic*** tools enabling legitimacy. Ultimately, underlying such decisions, there is a desire to contribute to solving societal and environmental problems through the development of new businesses (Schaltegger and Wagner, 2011).

Positive attitudes and motivation towards sustainable changes require perseverance and determination if change is to be achieved. In order to transform attitudes into actual behaviour, individuals need to believe that they can accomplish whatever they set out to accomplish and therefore successfully achieve self-set goals (Shepherd *et al.*, 2013). Psychologists define this cognitive capacity as self-efficacy (Bandura, 1982), which is a task-oriented construct that involves the assessment of confident beliefs an individual has about internal and external constraints and possibilities (Drnovšek *et al.*, 2010).

Its centrality for sustainable decision-making stems from the fact that individuals with high self-efficacy exert more control over their own motivation, behaviour and social environment. Therefore, entrepreneurial individuals with strong values and motivation towards sustainable change are more likely to make the sustainable decisions they need when their self-efficacy levels are also high. This is reinforced by Bryant (2009) in his study of moral awareness amongst entrepreneurs. The author shows that entrepreneurs with stronger self-regulatory features, specifically self-efficacy, are more morally aware and relate such awareness to maintaining personal integrity and building inter-personal trust, values underlying sustainability-related motivations. Likewise, Smith and Woodworth (2012) conclude that individuals with strong belief in their abilities to effect positive social change will be more likely to engage, persist, and perform well in efforts that create social value. On the contrary, individuals exhibiting low levels of self-efficacy are more likely to morally disengage and hence are more likely to act unethically than those high in self-efficacy (Farnese *et al.*, 2011; Finn and Frone, 2004).

As evidenced in Table I, explanations of sustainable decision-making in the business context, and entrepreneurship in particular, have involved many characteristics ranging from values, knowledge, motivation and intention towards sustainable value creation. Beyond providing a comprehensive overview of the cognitive underpinnings of sustainable entrepreneurship, Table I serves to highlight the complexity of the phenomenon, as seen in the mixed evidence supporting the relationship between cognition and entrepreneurial sustainable decision-making.

So far, the factors highlighted in Table I have been investigated independently (Muñoz and Dimov, 2015), based on the assumption that each of them are necessary (and sometimes sufficient by themselves) to explain complex decision-making involving oftentimes conflicting aims. This is mostly due to the fact that, although cognition operates at different levels of analysis, management and entrepreneurship cognition research have mostly focused on studying cognition at single levels of human activity.

However, understanding the cognitive dynamics that affect the transformation of attitudes and their influence on judgment and behaviour requires explanations of how these elements come together to influence human action (Gregoire *et al.*, 2010). This research draws on a more comprehensive approach to cognitive science to explore the effects of multiple cognitive variables on entrepreneurial decision-making.

**Method**

In elaborating a cognitive map of sustainable decision-making, this study uses fs/QCA. Fs/QCA is a set-theoretic method and analytical technique that draws on systematic comparison of causal and outcome conditions to visualize and analyse causal complexity. By using Boolean algebra, counterfactual analysis and logical minimization[[73]](#footnote-74)1, fs/QCA allows for comparing cases as configurations of factors (Ragin, 2000), observing empirical information in a more parsimonious manner, and subsequently making causal interpretations based on the logic of causal necessity and sufficiency (Schneider and Wagemann, 2012). Unlike traditional approaches to causal explanations that focus on cases displaying a specific outcome and search for antecedent common conditions shared by all instances of the outcome, fs/QCA focuses on and allows for the possibility that the same outcome can follow from different constellation of conditions (Ragin, 1999). fs/QCA thus develops a conception of causality that leaves room for complexity and equifinality, which means that different causal paths, each being relevant in a distinct way, may ***produce*** the same result.

**Case selection and data collection**

In configurational comparative studies, case selection is guided by explicit theoretical concerns (Rihoux and Ragin, 2009). Once the conceptual framework is established (i.e. cognitive underpinnings of sustainable decision-making in entrepreneurship), two considerations need to be taken into account in defining the sampling strategy. First, the study must define an area of homogeneity, meaning that cases must parallel each other and be comparable in terms of their background characteristics. Allowing for varying degrees of membership, all cases need to be in line with the notion that this form of entrepreneurship involves the use and combination of resources to pursue entrepreneurial opportunities with the aims of addressing social needs (Mair and Noboa, 2003) and/or solving environmental problems (Walley and Taylor, 2002).

Within this conceptual space, maximum heterogeneity over a minimum number of cases needs to be achieved (Rihoux and Ragin, 2009). This means that the sample requires cases with both presence and absence of entrepreneurs establishing sustainability-related strategies, targets and measurement, i.e. positive and negative outcomes. While apparently similar, there is a central difference between the defined area of homogeneity and the variance in outcome. The former captures the main orientation or focus of the business, which may or may not be translated into specific strategies, targets and measurement.

Case selection in fs/QCA does not rely on random sampling or other mechanistic procedures, but rather on a tentative and iterative process where the criteria of sufficient homogeneity and maximum heterogeneity are constantly pursued (Rihoux and Ragin, 2009). The non-parametric nature of fs/QCA minimizes the threat of sample selection biases (Fiss, 2011), which generally affect studies that require random sampling (Berk, 1983).

In line with the criteria of sufficient homogeneity and maximum heterogeneity, 37 cases were purposively selected from a range of 67 self-identified sustainable ventures, all finalists and runner-up in North American business competitions with emphasis on social and/or environmental issues. All ventures took part in the competitions from 2009 to 2013. A total of 290 business founders were invited to participate and 67 of them responded the survey. All 37 ventures selected for the study (amongst the 67) declared having equal emphasis on social, environmental and economic aspects. While deemed sustainable, the remaining 30 ventures were discarded because the three objectives were not equally in balance[[74]](#footnote-75)2. Despite having similar background characteristics (given by the nature and selection process of the competitions), ventures vary greatly, ten different sectors are represented in this sample (see Table II). At the time, the median for years of trading for the entire sample was three years. The great majority of the ventures (67 per cent) reported having been trading for three years or less, 10 per cent of the ventures reported having been trading for five to seven years, and 23 per cent of them for four to five years. Sustainability-oriented competitions for entrepreneurs offer an adequate conceptual space for balancing the required case selection criteria. All ventures went through a similar evaluation process and then selected based on standardized criteria; however, the participating businesses are different enough since they belong to different industries, have different clients, and are in different stages of development, which inevitably affect the definition of strategies, targets and measurement systems.

The primary method of data collection was a survey questionnaire, which was complemented with follow-up semi-structured interviews with 14 relevant cases. In order to capture sustainable decision-making in entrepreneurship, only founders actively involved in the development and management of the business were considered and all of them expressed being in agreement with the following statement: sustainable entrepreneurship is focused on pursuing business opportunities to bring into existence future products, processes, and services, while contributing to improve the development of society, the economy and the environment. Survey data were collected in 2013 and follow-up interviews were conducted in 2013 and 2014. Although the configurational analysis was conducted using quantitative evidence, interview data was instrumental since it validates the results of the QCA analysis and assists in the explanation of how different configurations of cognitive factors lead to sustainable decision-making. Additionally, the use of multiple sources of evidence enables data triangulation, which increases the internal and external validity of the study. Semi-structured interviews were conducted using an interview guide focused on reconstructing the entrepreneurial process, i.e. decisions and actions involved in the development of the sustainable venture. Interviews lasted between one and two hours each and were recorded and transcribed.

**Outcome and causal conditions**

In defining sustainable decision-making in entrepreneurship as an outcome, instead of focusing on the individual, this paper focuses on a substantive conception of entrepreneurial behaviour, i.e. what sustainable entrepreneurs actually do in the pursuit and realization of a sustainability-oriented business (Muñoz and Dimov, 2015). This entails examining whether central decisions involved in the entrepreneurial process actually address social and environmental issues.

Sustainable decision-making therefore captures the degree to which the sustainable entrepreneur has explicitly developed and implemented measures, targets and strategies aimed at improving its impact on people and the environment. Based on the triad firm, community and value chain, participants were asked about specific actions and the extent to which they have set social and environmental responsibilities to the firm’s managerial team, promoted sustainable consumption behaviours amongst its clients, evaluated the quality of production and orientation of the organizations they have established relationships with, developed processes for managing social compliance, and invested in community development activities in the markets you source from and/or operate within. The idea of assessing action by focusing on measures, targets and strategies resonates with current literature (Ormiston and Seymour, 2011), which emphasizes the latter as central activities in the creation of sustainable business outcomes.

In defining cognitive conditions for sustainable decision-making in entrepreneurship five cognitive factors were considered, which are widely acknowledged in the literature as central to either mobilizing or constraining entrepreneurial efforts towards sustainable value creation, as shown in the literature review and summarized in Table I. As illustrated in the conceptual framework presented in Figure 1, cognitive factors are connected as building blocks leading to sustainable decision-making in entrepreneurship.

Sustainability-oriented entrepreneurial values (SOE-values) is measured on a six-item Likert scale (*α*=0.71). SOE values has been adapted from Kuckertz and Wagner (2010) and Muñoz and Dimov (2015) and seeks to capture underlying values and convictions related to the role of the entrepreneur’s venture in the society. It asks the participants about their degree of agreement with several considerations that an entrepreneur can have in the process of business formation. Sustainability-oriented opportunity awareness (SOO-awareness) is measured on eight-item Likert scale (*α*=0.9) reflecting the extent to which the entrepreneur is aware of the existence of a business opportunity for sustainable development and manifest an explicit intention of pursuing such opportunity. Based on the work of Tang *et al.* (2012) on entrepreneurial alertness, SOO awareness has been previously used in sustainable entrepreneurship research (e.g. Muñoz and Dimov, 2015) to capture the ways in which entrepreneurs sense and respond to economic, social, ecological, and inter-generational anomalies. Sustainability-oriented entrepreneurial motivation (SOE-motivation) is measured on an eight-item Likert scale (*α*=0.84) reflecting the central drivers of the entrepreneur in the process of setting up the objectives for its new business. The SOE motivation was derived from Dyllick and Hockerts (2002), Schlange (2006) and Cohen (2005), and it seeks to capture SOE-motivation by focusing on the intended outcomes of the ***planned*** action. The eight items pertain objectives normally used in sustainable strategizing representing momentary aspirations of the entrepreneur, and cover comprehensively all four dimensions of sustainability, i.e. social, economic, environmental and inter-generational. Sustainability-oriented entrepreneurial intention (SOE-intention) is measured on a five-item Likert scale (*α*=0.8) and assesses sustainability-oriented problem solving attitude (Larson, 2000). SOE intention draws on the work of Liñán and Chen (2009), and assesses the extent to which the entrepreneur has the ability and willingness to pursue sustainability opportunities, reflecting therefore the entrepreneur’s intention to act in a particular direction. Participants were asked to state their degree of agreement on statements referring to entrepreneurial attitudes towards the interplay between business development and sustainability. Sustainability-oriented entrepreneurial self-efficacy (SOE-efficacy) is measured on a seven-item Likert scale (*α*=0.8) adapted from the “Panel study of entrepreneurial dynamics” (Reynolds and Curtin, 2007), which assesses the degree to which the business founder consider they have the knowledge and skills to successfully establish a business. Examining SOE-efficacy requires a particular focus on the dynamic interaction between the individual and the environment, which explains what cognitive and motivational processes are involved in an individual’s decision to engage in entrepreneurial activities and how these processes are shaped by contextual and market factors (Drnovšek *et al.*, 2010). As an adaptation of traditional self-efficacy measures that focus primarily on commercial activities, this scale describes tasks and roles that are typical in the context of new business development, with an emphasis on sustainability. The details of all the measures used in the study are provided in Table AI.

The selection of outcome and conditions draws on the notion that the distinction between sustainable and other forms of entrepreneurship lies in the qualities and actual decisions of individuals (Light, 2009). In developing these measures, I used deductive and inductive techniques (Hinkin, 1998). Deductively, the items were derived from relevant literature and adaptations from extant instruments, which was inductively assisted by data from five semi-structured interviews conducted in an exploratory study. In addressing potential limitations, the content validity of these adapted measures was verified using academic experts in two-stage assessment that involved first reading and thinking aloud, and second, interviews to descriptively evaluate the conceptual relation between constructs and measures, and the extent to which the measures are useful in explaining the different constructs (Hardy *et al.*, 2011). Internal consistency reliability was assessed by means of Cronbach’s *α*, whereas construct reliability and criterion validity was assessed by means of composite reliability test (Table AII). Results confirm the consistency, validity and reliability of the measures. Tables AIII and AIV present descriptive statistics and correlation coefficients between the constructs based on calibrated scores, and the results of a heterotrait-monotrait ratio (HTMT) test (using partial least squares algorithm[[75]](#footnote-76)3). The low values in the correlation and HTMT tests do not raise concerns with discriminant validity among the conditions used in the analysis.

**Calibration and data analysis**

Data calibration is an essential procedure in fs/QCA studies. By means of a simple estimation technique it transforms variable raw scores into set measures, rescaling the original measure into scores ranging from 0.0 to 1.0 (Ragin, 2007). This enables to specify the score that would qualify a case for full membership in the set of sustainable decision-making, as well as in the set of each condition, and also the score that would completely exclude it from each of the sets. The calibration process requires the definition of thresholds for full inclusion (⩾ 0.95), full exclusion (⩽ 0.05) and the cross-over point (0.5), which acts as an anchor to establish deviation scores. In the present study, calibration seeks to create fuzzy-set scores that represent strong membership in casual conditions and the outcome. Therefore, in calibrating the conditions (five-point scales), 5 was established as the threshold for full inclusion, 3 for full exclusion and 4 as cross-over point. In terms of outcome measure (six-point scale) 5, 3, 1 were established as threshold points. Given the overall emphasis on sustainability across the sample, it is understood that neutral responses reflect reluctance to fully engage with sustainability-oriented cognitive activities or decisions. Doing so permits, in addition, reducing the possibility of leniency effects (Kane *et al.*, 2005). Skewed ratings represent a risk in survey research on sustainable development in small firms, due to cognitive biases (Roxas and Lindsay, 2011). The selected calibration thresholds minimize such risk. Calibration scores are shown in Table II, where membership in each conceptual category is defined when the case’s score surpasses the cross-over point (Ragin, 2007).

Once the measures are calibrated and the data collected, fs/QCA constructs a truth table listing the different logically possible combinations of causal conditions along with the cases conforming to each combination (Table III). In order to reduce the truth table to simplified combinations, two thresholds need to be defined. The frequency threshold specifies the minimum amount of cases to be considered in the analysis. Setting a frequency threshold of one observation is acceptable when the aim is to build theory from a relatively small sample (Ragin, 2007). The consistency threshold, on the other hand, defines the minimum acceptable level to which a combination of causal conditions is reliably associated with the each of the outcomes. Consistency thresholds of at least 0.8 and up to 0.95 are recommended (Ragin, 2006), but should not be applied mechanistically (Crilly, 2011). Following this recommendation, thresholds were selected in line with gaps observed in the distribution of consistency scores (Schneider and Wagemann, 2012). The truth table shows the resulting 16 combinations of conditions. In all, 29 cases (78 per cent) exceeded the lowest acceptable consistency, set at 0.8, and eight cases are below the consistency cut-off line.

**Results**

This study focuses on the consequences of relevant cognitive variables, and on how these variables act together to ***produce*** such consequences. In order to do so, it emphasizes the relevance of distinct types of cognitive combinations, whereby different configurations of variables can lead to the same outcome (i.e. equifinality). Qualitative comparative analysis is well suited to tackling this issue.

One of the major benefits of qualitative comparative analysis in building theory is that it allows for typology mapping, while preserving the integrity of cases as complex configurations of aspects. The concept of typology has been defined as the “conceptually derived interrelated sets of ideal types, each of which represents a unique combination of attributes that are believed to determine the relevant outcome(s)” (Doty, 1994, p. 232). Far from viewing typologies as means for ordering and comparing groups of elements and clustering them into categories, typologies need to be understood as complex theoretical statements that, unlike traditional linear or interaction models of causality, can accommodate multiple relationships between their constructs, thus considerable levels of causal complexity (Fiss, 2011).

Due to the fact that the purpose of a typology is to simplify the complexity of the real world, the process of typology development generally involves the pragmatic reduction of an extensive set of features to a limited set relevant to the purpose at hand. Instead of developing a monothetic typology, in which each feature is necessary for membership and the set of features is sufficient, this paper proposes an empirical, polythetic typological map of sustainable decision-making, which can be formed from different combinations of cognitive dimensions. This allows the grouping of cases that present similarities, tends to ensure greater parsimony and is considered superior for research actually intended to identify individuals as part of a type (Fiss, 2011). Therefore, the cognitive map of sustainable decision-making in entrepreneurship derives from the different solution paths detected by the fs/QCA.

**Configurational analysis: a cognitive map of sustainable decision-making in entrepreneurship**

The development of a cognitive map of sustainable decision-making in entrepreneurship involves the assessment of the combinatorial effect of cognitive conditions. This configurational analysis draws on Table III. Using the consistency threshold of 0.8 and a frequency of 1 (i.e. minimum number of cases required for a solution to be considered), fs/QCA applies a Boolean algorithm based on a counterfactual analysis of causal conditions to logically reduce the truth table rows to a solution table comprising simplified combinations of conditions, which can be understood as different causal recipes (Ragin, 2008) sufficient for sustainable decision-making. The full solution is available in Table AV, which is the basis for the cognitive map.

Sufficiency analysis found no single condition sufficient for sustainable decision-making. The derived explanation is thus equifinal with several quasi-sufficient combinations of conditions leading to sustainable decision-making in entrepreneurship, which are understood as alternative paths for the outcome and they are logically equivalent (Ragin, 2006). This confirms that the cognitive conditions linked to sustainable decision-making in entrepreneurship are combinatorial in nature, and that it is possible to distinguish relevant solutions paths or decisive combinations of cognitive dimensions when cases are viewed as configurations of aspects. The five cognitive configurations derive from five distinct causal recipes that explain the development and implementation of measures, targets and strategies aimed at improving the venture’s impact on people and the environment. All solutions present clear differences in terms of how conditions combine to ***produce*** the outcome and exhibit relatively high levels of coverage, meaning that the paths are distinct and only a few cases may be present in more than one solution. This sets the basis for mapping out the cognitive infrastructure behind sustainable decision-making in entrepreneurship, shown in Figure 2.

The cognitive map allows for distinguishing core and peripheral conditions within each unique configuration, which is based on how causal components are causally connected to the outcome. In each cognitive combination there are decisive causal ingredients that distinguish configurations, and complementary ingredients that only make sense as contributing factors (Grandori and Furnari, 2008; Ragin, 2008). As depicted in Figure 2, only SOE-motivation (M), and the combinations of presence of SOE-values and absence of SOO-awareness (V\*~A) and presence of SOE-values, presence of SOE-intention and absence of SOE-efficacy (V\*I\*~E) are causal mechanisms that exhibit a strong causal relationship with the outcome.

Causal combinations are evaluated in terms of consistency and coverage. Set-theoretic consistency assesses the degree to which the cases sharing a given condition or combination of conditions agree in displaying the outcome in question. It is estimated by dividing the number of cases that are present in a given configuration of conditions and exhibit the outcome by the number of cases that are present in the same configuration but do not exhibit the outcome (Fiss, 2011). Set-theoretic coverage, by contrast, assesses the degree to which a causal combination accounts for instances of an outcome (Ragin, 2006). If multiple configurations are sufficient for the outcome, raw and unique coverage provide assessments of their empirical relevance (Greckhamer, 2011). These set-theoretic measures of fit are descriptive, not inferential, and were developed as methods of exploring cross-case evidence in a configurational way.

The cognitive map (Figure 2) shows that the set relation between configurations of conditions and the outcome is highly consistent, with individual results above 0.78, and an overall consistency of 0.8, which indicates a strong set-theoretical relationship between the solution term and the outcome, as well as between the overall solution and the outcome (Ragin, 2006). The total coverage of the solution (i.e. joint importance of all paths) is 0.78, indicating that most of the outcome is explained by the five causal paths and thus the solution as a whole is empirically relevant. An overall solution is considered empirically relevant when the coverage score is ⩾ 0.65. The following section describes and provides illustrative evidence for each of the component parts of the cognitive map:

* Purpose-driven, determined sustainable decision-making combines the core condition of presence of SOE-motivation, with two complementary conditions: presence of SOE-values and presence of SOO-awareness (M\*V\*A). In this cognitive configuration, SOE-efficacy and SOE-intention are irrelevant conditions. This part of the map portrays a purpose-based decision-making driven by a single idea that combines strong aspirations regarding sustainable development, as reflected in business objectives, with strong convictions regarding the role of the venture in society and an explicit intention of pursuing a business opportunity that ultimately contributes to sustainable development. Unlike the following cognitive configuration, which continuously develops new sustainability-oriented business ideas, sustainable decision-making of entrepreneurs, when facing social or environmental problems, emerge as a result of profound sustainability motives and real-life experiences, to sub sequentially elaborate a single, concrete solution to that problem. It seems that deeply rooted drivers and motivation reduce the array of possible business solutions and minimize the need for iterating over diverse business ideas. Across the sample, this cognitive type is prominent in those sustainable ventures focused on resolving a particular social and environmental problem and use strategies, measures and targets to demonstrate commitment and determination, which in most cases is used to support sustainable narratives and ignite social movements. Interestingly, a great number of the purpose-driven, determined entrepreneurs decided later in the process to get certified as a B Corporation and get B Corp legal status[[76]](#footnote-77)4. The following quote of one of the founders of a sustainability-oriented media platform illustrate this cognitive profile: “The only way of putting this business approach into practice is through a rigorous application of a business framework where social, environmental and economic values are not separated as different aspects of the venture’s value proposition. These three functions need to be integrated and fully assessed if one is to maximize social, financial and environmental value creation. […] (our company) is one of the first companies to actually start with that principle (blended value). That’s actually how we’re doing it. We created ourselves as a company to model, to try to model the emerging, best thinking around triple-bottom line. Yeah, what it means for our company again is setting ourselves up to operate as a triple-bottom line company”.

1. Value-based, vacillating sustainable decision-making combines the core conditions of presence of SOE-values, presence of SOE-intention and absence of SOE-efficacy with one complementary conditions, lack of SOO-motivation (V\*I\*~E\*~M). In solution 2, SOO-motivation is considered a complementary ingredient that only makes sense as a contributing factor that reinforce the central features of the core conditions. In this cognitive configuration, SOO-awareness is an irrelevant condition. This part of the cognitive map portrays a value-based decision-making, driven by multiple ideas. The following quote of one of the founders of an equity, sustainability-oriented fund illustrates this cognitive profile: “[…] people say there is a specific need and I’m going to go and fix that need. For me, it was really a lot of different (social) issues that I was trying to tackle at once and then whatever filters out is then the platform from which the company grows. And so I approached it from a very macro level point of view, which I think is different to the way in which a lot of people approach entrepreneurship […] I never connected to the leadership role necessary to start my own company and I think that’s really important to be able to view yourself as a leader. So working with women who had been running their companies for a long time gave me that extra, I would say, confidence, that I needed”.
2. Value-based, unintended sustainable decision-making combines the core conditions of presence of SOE-values and absence of SOO-awareness, with two complementary conditions, presence of SOE-intention, and absence of SOE-motivation (V\*~A\*I\*~M). As in cognitive map 1, SOE-efficacy is an irrelevant condition. This cognitive map portrays a value-based, unintended sustainable decision-making. A founder of a digital crowdfunding platform for social enterprises is part of this group. During the interview, he stated: “I wanted to start my own social enterprise, but the more I thought about the more I didn’t know how to get things started, how to get the initial capital I needed, initial supporters, and the more I thought about it the more I change from my enterprise to thinking about the broader social entrepreneurship ecosystem. There are a lot of good ideas […] then I thought, what can we do to help people action on their ideas and making things happen. So we saw the crowdfunding model, the idea that people put a little bit of money for good, so hey, we thought, why don’t we try that model. It was September 2010 when we had the idea or conceptualized. At that point we realized it’s going to be a web-based platform, so we invited engineers, and a couple of friends of mine from UCLA, and talked to them about the project. While I was in grad school I met a guy who has recently moved to San Francisco and he runs this kind of social media for Ashoka, we were connected around the idea of using media for social change, so we contacted him and said “hey you do want to come join us for a community building around that kind of stuff?” he was interested, so we brought him on board.” As shown in the quote above, sustainable decision-making derives from iterating over multiple business ideas; however, there is no clear awareness of that the ideas under consideration entail entrepreneurial opportunities, nor he/she exhibit explicit intention of pursuing which might have been an opportunity.
3. Single motive, single solution sustainable decision-making is understood as the result of three complementary conditions, i.e. presence of SOO-awareness, presence of SOE-efficacy and absence of SOE-intention, and the one core condition of presence of SOE-motivation (A\*E\*~I\*M). As seen in the quote below, from one of the founders of a sustainable forestry company, this cognitive map portrays a purpose-based, conscious decision-making, which relies primarily on underlying sustainability-oriented attitudes: “My background is actually in community development. During our time in Peace Corps we all saw these logging trucks taking all of these old growth woods out of the region but we also saw some of the community members still continue with the slash and burn ***agriculture***. We kind of came up with the idea of an innovative land lease model that would give an incentive to not deforest the land based upon some incentives as far as profit sharing and utilizing the land in a more sustainable manner. This all came about around 2006. We all finished up in staggered terms and came up with this whole idea and decided to see if we could start a small project in doing that”. Here, sustainable decision-making emerges as result of confidence and SOO-awareness, but they exist only under strong SOE-motivation. Like the mental model 1 (i.e. purpose-driven, determined), sustainable decision-making of entrepreneurs, when facing sustainability issues, emerge as a result of profound sustainability motives and deep-life experiences, which leads to a single response and subsequent solution to those issues.
4. Purpose-driven, hesitant sustainable decision-making emerges as a result of three complementary conditions, i.e. presence of SOE-intention, absence of SOE-efficacy and absence of SOO-awareness, and the one core condition of presence of SOE-motivation (I\*~E\*~A\*M). The following quote, from the founder of a bio lubricant company illustrate the purpose-driven hesitant character of this type of decision-making: “I feel extremely strongly about eliminating the toxins present in our lubricants (cadmium, arsenic, etc.). They all cause cancer, and right now in the US we are going to dump 3.6 billion gallons of lubricant and only 10 per cent of that gets re-refined. That is really the key driver of this work. But the idea, the aha moment came from ‘what else can we made out plant and algae oil besides fuel?’, and we started doing experiments in the organic lab, we tested some ideas and then we got the results back from the third-party lab → these are unbiased folks that are just doing the numbers → and we said ‘wow’ we really change something here, and then we said ‘wow’ we can actually replace this product”. This cognitive map, as evidenced in the quote above, also portrays a purpose-based, conscious decision-making. However, it emerges as a results of iterating over multiple solutions that rely neither on the entrepreneurs’ confidence nor on their intention to solve a sustainability problem through a new venture.

**Confirmatory analysis of necessity**

An observation across types enables the identification of core cognitive conditions presumably central for sustainable decision-making, for example, SOE-values or SOE-motivation. While relevant, a simple overview of the configurational results may lead to claims of necessity or quasi-necessity, when in fact such causal relationship may not exist. In other words, inferring the necessity of values for sustainable decision-making based only on the merits of its presence in most of the solution terms is analytically inadequate.

One mechanism to avoid the risk of claiming false necessity is the use of a direct test of necessity. A given condition can be considered necessary if, whenever the outcome of interest is present the condition is also present. As Ragin (2006) points out: “an argument of causal necessity is supported when it can be demonstrated that instances of an outcome constitute a subset of instances of a causal condition” (p. 297). In set-theoretical terms, this means that the outcome is a subset of the condition.

As Table IV shows, no single condition has been found necessary or quasi-necessary for sustainable decision-making in entrepreneurship. Although SOE-values exhibits a high consistency level (⩾ 0.88), its empirical relevance is low. The high consistency level of SOE-values resonates with most of sustainable entrepreneurship literature (e.g. Kuckertz and Wagner, 2010; Miller *et al.*, 2012); however, in light of the results one cannot sustain the argument that strong presence of attitudes and convictions regarding the role of the new business in the society leads (always or almost always) to implementing measures, targets and strategies aimed at improving the business’s impact on people and the environment.

These results shed light on an important issue in traditional linear reasoning, which currently dominates our field of research. This is that conditions, assumed to be essential to triggering entrepreneurial effort, are neither necessary nor sufficient for sustainable decision-making. Often times, key conditions only make sense when considered together. In this sense, this analysis extends current purpose-driven entrepreneurship models (e.g. Kuckertz and Wagner, 2010; Miller and Wesley, 2010), which assume necessary and sufficient effects for the variables under examination.

**Robustness tests**

In order to assess the robustness of the results, three tests were conducted, namely: sensitivity test, frequency test and negate analysis. Sensitivity test evaluates whether the findings from the configurational analysis are robust to the use of different consistency specifications. This is done by squaring and root squaring the calibrated membership scores, which creates higher and lower degrees of membership in the set of each condition. The use of modifiers (i.e. *Xi*2 and √*Xi*) can have a major impact on patterns of necessity and sufficiency, therefore this procedure is central to support the necessity and sufficiency arguments. Squaring fs membership scores moves causal conditions downwards, creating sets with very strong membership. The test shows presence of SOE-motivation (M2), presence of SOE-intention and absence of SOO-awareness (I2\*~A2), and presence of SOE-values, absence of SOE-efficacy and presence of SOO-awareness) (V2\*~E2\*A2) as core conditions confirming the stability of the main results. However, the analysis derives eight solution terms (instead of five) with similar consistency and coverage scores (0.83, 0.8), affecting negatively thus the parsimony of the solution as a whole. Root-squaring fs membership scores moves causal conditions upwards, creating the sets with more or less strong membership. Similarly, the analysis confirms presence of intention and absence of awareness (√I\*~√A) as core conditions; however, it combines presence of values, intention, awareness and motivation into one single set of core conditions (√V\*√I\*√A\*√M), disregarding the centrality of motivation as independent core condition. The analysis derives two solution terms (instead of five) with lower consistency and coverage scores (0.79, 0.76), maximizing the (already) limited diversity and affecting the heterogeneity and conceptual richness of the shown causal relationships.

In order to assess the stability of the solutions, I replicated the analysis with a frequency threshold of 2. The test confirms presence of motivation (M), presence of intention and absence of self-efficacy (I\*~E) as core conditions. As expected, it also retains solutions 1, 2 and 3 from the main analysis with a similar consistency score, but much lower empirical power (0.69).

Finally, negate analysis evaluates conditions leading to the absence of the outcome. This test permits ruling out alternative explanations and confirming that the explanation of strong sustainable decision-making has higher explanatory power than the explanations for the absence of it. In configurational comparative studies it is possible to find combinations of conditions leading to sustainable decision-making, also leading to the non-integration of strategies, actions and measurement. The results show only two solutions with combinations of absent conditions, discarding such possibility. Additionally, the solution’s empirical power is much lower (0.22), with only three cases are above the consistency cut-off line (0.8). This confirms that finding sufficient conditions for the presence of sustainable decision-making is more effective that looking for conditions for its absence.

**Discussion**

Despite the increasing scholarly attention to sustainability in the context of entrepreneurship (Hall *et al.*, 2010; Martin, 2015; Muñoz and Cohen, 2018b; Wang and Bansal, 2012), limited progress has been made in terms of understanding the cognitive conjunctures that account for decisions and actions leading to sustainable outcomes. As seen in Table I, different streams of research have tried to tackle this issue, yet none of the factors covered by these studies can by themselves explain sustainable decision-making in entrepreneurship.

The point of departure is that although explanations of sustainable decision-making in entrepreneurship have involved various characteristics, it is not yet clear how they play a role in empirical terms. In elaborating a cognitive map, rather than viewing cross-case patterns through the lens of relationships between variables, this research compares and contrasts configurations of conditions for sustainable decision-making, understood as the development and implementation of measures, targets and strategies aimed at improving the venture’s impact on people and the environment. Therefore, the cases were analysed in terms of the aspects they combine respect to the outcome of interest. Based on this analysis, this study demonstrates that no single condition (thought to be essential) is necessary or sufficient for triggering decisions involving social and environmental concerns. Understanding what precedes these kind of decisions requires combinatorial thinking, because sustainability-oriented decisions not only emerges as a result of a combination of cognitive factors, but also it can follow different non-overlapping mental states, which is recognized as multiple conjunctural causation.

This study revealed not one but five mental models leading to sustainable decision-making. Each of these mental model emerges from distinct combinations of cognitive factors, constituting unique cognitive recipes that explain the development and implementation of measures, targets and strategies aimed at improving its impact on people and the environment. Interestingly, some of the cognitive factors, so far assumed to be necessary or central to sustain such decisions, are not dominant or sufficient by themselves. Their importance is contextual and dependent on the other cognitive factors building up the particular mental configuration.

While revealing this equifinality, this study makes several contributions to literature. First, it reconciles prior efforts aimed at characterizing sustainability decisions in the context of entrepreneurship (e.g. Font *et al.*, 2014; Hostager *et al.*, 1998; Gibbs, 2009; Schlange, 2009; Walley and Taylor, 2002; Wang and Bansal, 2012), opening up the field to new ways of observing, understanding and, most importantly, theorizing about the phenomenon.

While all five configurations are relevant by themselves, as they present five different ways of making sustainable decisions, altogether they also constitute one complex theory. Drawing on Doty (1994), Fiss (2011) argues that indeed typologies are a unique form of theory building. They allow for describing the “causal relationships of contextual, structural and ***strategic*** factors, thus offering configurations that can be used to predict variance in an outcome of interest” (p. 393). The cognitive map developed in this research is not a system of classification; on the contrary it constitutes a complex yet parsimonious explanation of distinct cognitive efforts leading to sustainable decision-making. The series of logical arguments that specifies a set of relationships among cognitive constructs and decision-making can indeed be tested. These are fine-grained set of expectations that go far beyond traditional bivariate or interaction theories, which have dominated the field so far (e.g. Kuckertz and Wagner, 2010; Muñoz and Dimov, 2017; Shepherd *et al.*, 2013).

Entrepreneurship literature, for example, stresses that awareness of the presence of particular opportunities mostly stems from either overall education and life experience, or education and experience specific to a given activity or context (Dimov, 2010; Ulvenblad *et al.*, 2013). In sustainable entrepreneurship, this involves particular knowledge of natural and communal environments (Hanohov and Baldacchino, 2017; Muñoz and Dimov, 2017; Patzelt and Shepherd, 2010). Results indicate that although these individuals are aware of their surrounding ecological and social environments, this does not entail nor warrant that they will be aware of the venture opportunities emerging from such contexts. This suggest that the relationship between start-up experience or sustainability-relevant knowledge and those skills that enable entrepreneurial action should not be treated as a linear one, as current literature normally does (e.g. Ulvenblad *et al.*, 2013), but in conjunction with other confounding factors. Interestingly, in this sample of sustainable entrepreneurs, sustainability-oriented opportunity awareness is absent in two of the solutions and rendered irrelevant in one occasion. When observed in the context of other conditions, it is plausible (and possible) that individuals prompting the development of new sustainable businesses will be driven by a desire to solve problems and ground their decisions on values and convictions related to the role of their venture in society, yet in the presence of a relatively weak awareness of the entrepreneurial nature of the opportunities underlying the social and ecological problems under consideration. Drawing on Morales and Holtschlag’s (2013) work, one could argue that the lack of awareness can be counteracted by the prominence of sustainability-related values. These are post-materialist values (e.g. self-expression, ecological balance, quality of life, democracy, human rights), which seem to move entrepreneurs away from traditional commercial activities towards considering alternative, more sustainable approaches to entrepreneurial value creation.

Furthermore, the discovery of ideal-typical cases, comprising alternative cognitive configurations, allows us to discard the imaginary picture of sustainable entrepreneurs being exceptional individuals with a supreme and altruistic set of cognitive factors (i.e. all determined, value-driven, highly motivated, etc.), which has been prominent in social and sustainable entrepreneurship literature alike (Doyle and Ho, 2010). By doing so, this piece of research contributes to recent (critical) calls for more research in the area, beyond heroism. As Hall *et al.* (2010) point out: “Numerous books that sound dire warnings of environmental disaster often end on an optimistic note, concluding that civilization’s salvation rests upon the shoulders of heroic social and environmental entrepreneurs […].Influential practitioner journals advance the idea that entrepreneurship may be a panacea for many social and environmental concerns […] yet, despite the promise entrepreneurship holds for fostering sustainable development, there remains considerable uncertainty regarding the nature of entrepreneurship’s role in the area of sustainability and how it may unfold.” (p. 440).

The findings also challenge extant models explaining sustainability decisions based on ethical normative frameworks (e.g. Eberhardt-Toth and Wasieleski, 2013). Most of them elaborate on ethical decision-making process models (e.g. Harris *et al.*, 2009; Jones, 1991; Wempe, 2005), therefore, overemphasizing the recognition of moral issues underlying sustainability contexts and the moral intent needed to articulate a sustainability-oriented decision. Results herein demonstrates that recognition and intention may be relevant to triggering socially and environmentally responsible decisions, but only to the extent that sustainability values and motivation are present. Intention is a central component in the explanation of entrepreneurial behaviour (Jarvis, 2016); however, its cognitive significance in triggering sustainability-oriented action seems to depend on other cognitive factors, which is only possible to uncover when these are observed together. Values and motivation exhibit strong causal relationships with the outcome across the different configurations yet requiring complementary factors to yield sustainable decision-making, which differ somewhat from the underlying structures supporting current ethical normative frameworks. There are of course unavoidable overlaps between ethical and sustainable decision-making. However, ethical decision-making, though theoretically robust, seems insufficient to cement formal lines of inquiry aimed at explaining sustainable decision-making in specific contexts. This resonates with recent work, which argue that the motivation underlying sustainable action is not merely inspired by ecological, social or ethical values but also by other traditional entrepreneurial drivers such as independence and income (Kirkwood and Walton, 2010).

**Conclusion**

By conducting a systematic comparison of causal and outcome conditions, this paper empirically identifies a number of causal recipes for sustainable decision-making. In the empirical world, the complex constellation of cognitive features combines in unique ways representing a full spectrum of cognitive antecedents and decision forms. This allows for organizing a seemly intractable heterogeneity into a coherent map that facilitates further understanding and theorizing on this topic.

By revealing this complex set of alternative cognitive antecedents of sustainable decision-making in entrepreneurship, this research opens up new areas of inquiry deserving attention. First, and moving beyond the idealized and heroic view of the phenomenon, future research can explore the counterintuitive side of sustainable entrepreneurial action, revealed in this paper. How, why and with what consequences some individuals, with no sustainable values, pro-social motivation awareness of social-ecological problems or self-efficacy, engage in such entrepreneurial activities remain largely unresolved. Cognition acts and influences behaviour by creating mental models of the world. Factors explored in this research enable a deeper understanding of the inner cognitive infrastructure supporting sustainable decision-making in entrepreneurship, but can only partially explain the role that such cognitive processes play in our social interactions, whereby sustainable decisions are turned into sustainable products or services and leading eventually to net positive social and environmental impacts. Examining the interactions between the different cognitive models (and their internal cognitive and emotional processes) and the social groups enabling or constraining action will be central to further understanding how sustainable decision-making turns into sustainable outputs, which will require news studies paying attention to contextualized information processing. Finally, there are unavoidable overlaps between sustainable and ethical decision-making. So far, we have simply assumed that these exist but have not yet examined the particular nature and consequences of such overlaps, and more importantly the consequences (and inevitable tensions) of the presence of non-overlapping spaces within a decision process assumed to lead to outcomes such social justice, fairness and environmental protection, which are certainly morally non-neutral.

The findings of this study have also profound implications for the practice of sustainable entrepreneurship, and more specifically for the development and implementation of support mechanisms aimed at fostering socially and ecologically friendly venturing. In light of the results, it seems now that most of the tools used by “sustainable” incubators, educational ***programmes*** and other instances rely on a narrow view of human cognition that recognizes as a sustainable entrepreneur only to those with a unique type of sustainable mindset, which points to highly specific cognitive skills and sets of values. The natural consequence of this view is an overemphasis on values, purpose and motivation in the selection and/or training of the next generation of sustainable entrepreneurs. On the contrary, this study shows that the implementation of sustainability-related actions can emerge from a wide range of individuals with different cognitive structures, where in some cases several value-laden or motivational factors, assumed central, are peripheral at best. This research invites a serious rethinking of the idealized view of sustainability-oriented action. Anyone, anywhere, however hesitant or unaware, can become one.

**Appendix 1**

Table AI

**Appendix 2. Assessment of discriminant validity**

Table AII

Table AIII

Table AIV

**Appendix 3**

Table AV

**Table I**  Summary of explanatory variables for sustainable decision-making

| **Paper** | **Aggregate rationale** | **Aggregated dimension** |
| --- | --- | --- |
| Martin (2015), Shepherd *et al.* (2009), Leiserowitz *et al.* (2006), Thomas and Walker (2016), Lafferty and Langhelle (1999), Cohen (2005), Cohen *et al.* (2008), Parrish (2010), Muñoz and Cohen (2018a) | Sustainability is an ideologically charged concept. Values and beliefs concerning environmental protection, social justice and economic development tend to be at the basis of the drivers and intentions guiding sustainable entrepreneurship. Stronger values enable specific goal setting and determination in the pursuit of sustainable ventures | Values |
| Patzelt and Shepherd (2010), Ulvenblad *et al.* (2013), Muñoz and Dimov (2017) | Ecological and social issues constitute opportunities that need to be exploited in the market. Individuals aware of those issues are more likely to recognize opportunities and act upon them | Awareness |
| Kuckertz and Wagner (2010), Fischer *et al.* (2018), Kirkwood and Walton (2010), Walley and Taylor (2002), Schaltegger (2002), Linnanen (2002) | Individuals pursuing sustainability-oriented business opportunities follow a predominant motivation to change the world through the development of new business. This is normally based on a transformative, sustainability-driven mindset | Motivation |
| Reynolds *et al.* (2017), Shepherd and Patzelt (2011), Schlange (2009), Gibbs (2009) | The desire and intention to solve social and environmental problems translate sustainability-driven values and motivation into action | Intention |
| Shepherd *et al.* (2013), Smith and Woodworth (2012), Farnese *et al.* (2011), Finn and Frone (2004) | Sustainability-oriented action requires goal setting and self-determination. Individuals with high self-efficacy exert more control over their own motivation, behaviour, and social environment. Sustainability-minded individuals are more likely to make the sustainable decisions they need when their self-efficacy levels are also high | Self-efficacy |

**Table II**  Calibration scores

| **Case** | **SOE values** | **SOE intention** | **SOE efficacy** | **SOO awareness** | **SOE motivation** | **SDM** |
| --- | --- | --- | --- | --- | --- | --- |
| Appliances | 0.891 | 0.051 | 0.141 | 0.571 | 0.501 | 0.181 |
| Appliances | 0.951 | 0.951 | 0.941 | 0.771 | 0.771 | 0.951 |
| Architecture | 0.891 | 0.861 | 0.231 | 0.501 | 0.501 | 0.951 |
| Architecture | 0.951 | 0.951 | 0.571 | 1.001 | 0.941 | 0.821 |
| Consulting | 0.921 | 0.921 | 0.501 | 0.351 | 0.021 | 0.991 |
| Consulting | 0.711 | 0.141 | 0.291 | 0.861 | 0.431 | 0.501 |
| Consulting | 0.711 | 0.861 | 0.431 | 0.941 | 0.861 | 0.951 |
| Consulting | 0.951 | 0.951 | 0.291 | 1.001 | 0.291 | 0.821 |
| Energy | 0.821 | 0.951 | 0.571 | 0.991 | 0.351 | 0.051 |
| Energy | 0.821 | 0.861 | 0.431 | 0.921 | 0.431 | 0.501 |
| Energy | 0.231 | 0.501 | 0.431 | 0.051 | 0.181 | 0.181 |
| Energy | 0.181 | 0.141 | 0.431 | 0.431 | 0.051 | 0.051 |
| Energy | 0.951 | 0.951 | 0.951 | 1.001 | 0.921 | 0.991 |
| Energy | 0.181 | 0.351 | 0.891 | 0.431 | 0.431 | 0.051 |
| Energy | 0.501 | 0.231 | 0.061 | 0.991 | 0.141 | 0.181 |
| Energy | 0.821 | 0.861 | 0.861 | 0.431 | 0.711 | 0.501 |
| Energy | 0.891 | 0.951 | 0.951 | 0.961 | 0.501 | 0.051 |
| Food | 0.951 | 0.351 | 0.891 | 1.001 | 0.951 | 0.991 |
| Food | 0.351 | 0.031 | 0.051 | 0.981 | 0.051 | 0.181 |
| Food | 0.951 | 0.951 | 0.861 | 0.991 | 0.821 | 0.821 |
| Food | 0.921 | 0.501 | 0.291 | 1.001 | 0.861 | 0.821 |
| Food | 0.351 | 0.651 | 0.711 | 0.181 | 0.711 | 0.951 |
| Food | 0.951 | 0.861 | 0.291 | 0.571 | 0.941 | 0.951 |
| Food | 0.951 | 0.861 | 0.771 | 0.951 | 0.951 | 0.501 |
| Local shop | 0.081 | 0.081 | 0.861 | 1.001 | 0.771 | 0.821 |
| Local shop | 0.921 | 0.501 | 0.711 | 0.991 | 0.771 | 0.991 |
| Local shop | 0.891 | 0.501 | 0.051 | 0.991 | 0.651 | 0.951 |
| Digital platform | 0.921 | 0.951 | 0.711 | 0.951 | 0.501 | 0.991 |
| Digital platform | 0.951 | 0.861 | 0.571 | 1.001 | 0.501 | 0.951 |
| Digital platform | 0.821 | 0.651 | 0.231 | 0.431 | 0.001 | 0.181 |
| Digital platform | 0.951 | 0.861 | 0.891 | 0.991 | 0.951 | 0.821 |
| Packaging | 0.711 | 0.051 | 0.941 | 1.001 | 0.711 | 0.051 |
| Packaging | 0.651 | 0.921 | 0.771 | 1.001 | 0.941 | 0.991 |
| Recycling | 0.651 | 0.501 | 0.291 | 0.991 | 0.141 | 0.951 |
| Recycling | 0.651 | 0.891 | 0.291 | 0.991 | 0.951 | 0.181 |
| Water | 0.651 | 0.861 | 0.711 | 0.571 | 0.061 | 0.181 |
| Water | 0.951 | 0.951 | 0.951 | 0.431 | 0.951 | 0.991 |

**Table III**  Truth table

| **SOE values** | **SOE intention** | **SOE efficacy** | **SOO awareness** | **SEO motivation** | **Cases** | **SDM** | **Cons.** |
| --- | --- | --- | --- | --- | --- | --- | --- |
| 1 | 1 | 1 | 0 | 1 | 2 | 1 | 0.940 |
| 1 | 0 | 0 | 1 | 1 | 1 | 1 | 0.923 |
| 1 | 1 | 0 | 1 | 1 | 6 | 1 | 0.897 |
| 1 | 1 | 1 | 1 | 1 | 11 | 1 | 0.895 |
| 0 | 1 | 1 | 0 | 1 | 1 | 1 | 0.869 |
| 1 | 1 | 0 | 1 | 0 | 3 | 1 | 0.862 |
| 0 | 0 | 1 | 1 | 1 | 1 | 1 | 0.850 |
| 1 | 0 | 1 | 1 | 1 | 2 | 1 | 0.850 |
| 1 | 1 | 1 | 0 | 0 | 1 | 1 | 0.833 |
| 1 | 1 | 0 | 0 | 0 | 1 | 1 | 0.801 |
| 1 | 0 | 0 | 1 | 0 | 2 | 0 | 0.787 |
| 1 | 1 | 1 | 1 | 0 | 2 | 0 | 0.774 |
| 0 | 1 | 0 | 0 | 0 | 1 | 0 | 0.772 |
| 0 | 0 | 0 | 1 | 0 | 1 | 0 | 0.746 |
| 0 | 0 | 0 | 0 | 0 | 1 | 0 | 0.688 |
| 0 | 0 | 1 | 0 | 0 | 1 | 0 | 0.632 |

**Table IV**  Confirmatory analysis of necessary conditions

| **Condition tested** | **Consistency** | **Coverage** |
| --- | --- | --- |
| SOE values (V) | 0.88 | 0.74 |
| SOE intention (I) | 0.80 | 0.76 |
| SOE efficacy (E) | 0.68 | 0.75 |
| SOO awareness (A) | 0.86 | 0.68 |
| SOE motivation (M) | 0.76 | 0.82 |

**Note:** Outcome variable: sustainable decision-making

**Table AI**  Full list of items

|  |  |
| --- | --- |
| SOE values (*?*=0.71) | *Q. The following statements describe considerations that any entrepreneur can have during the process of development of business ideas, please indicate the extent to which these apply to you?*I strongly believe in the power of my business in contributing to solve many of the problems we have as a societyMy firm has an obligation to society that extends beyond making moneyThe firm I am about to create has to give back to society since it derives its profits from societyRegardless of the nature of my business, it has to trade fairly with customers and suppliersRegardless of the nature of my business, it has to make a responsible use of natural resourcesWhen I was choosing between the business ideas I had in mind, I always chose the one that contributed to building a better society |
| SOO awareness (*?*=0.9) | *Q. Please think about your awareness or attention to what was occurring by the time you were exploring possible ideas for this business. In this context, to what extent do you agree or disagree with the following statements?*I was fully aware of the sustainability problem(s) I was trying to solveI was conscious of the existence of a number of business opportunities that might have been useful for solving the sustainability problemI was fully aware of the business opportunity I was pursuingI spent enough time gathering information about the business opportunityI was conscious of the relation between the business idea and my willingness to solve some sustainability problemAll of my ideas and concerns were consciously considered in the business evaluationI considered the potential economic, social and environmental impacts in evaluating the business ideaI knew that pursuing this business idea implied more than just making money |
| SOE motivation (*?*=0.84) | *Q. The following objectives can be present in any organization. Please indicate how important these objectives were in starting this new business*Improving health and well-beingCreating and distributing economic value amongst all stakeholdersImproving the quality of life in a particular communityCreating employment opportunitiesProtecting or restoring the natural environmentCreating ethical and fair productsEstablishing fair trading with suppliersPromoting democratic business models |
| SOE intention (*?*=0.8) | *Q. The following statements can be used to describe some people. How well would they describe you?*I am able to find solutions to current challenges and problemsI am regularly coming up with new ideas on how to create a better worldI like taking ideas and make something important of themI am constantly seeking business ideas with the potential of making contributions beyond making moneyI do what it takes to create value for others |
| SOE efficacy (*?*=0.8) | *Q. The following statements can be used to describe some people. How well would they describe you?*If I work hard, I can successfully start a businessOverall, my skills and abilities will help me start a businessMy past experience will be very valuable in starting a businessThere is no limit as to how long I would give maximum effort to establish my businessWhen I make ***plans*** I am almost certain to make them workMy solid business ethic will help me to develop a meaningful businessI can persuade others about the importance of my ideas |
| SDM | *Have you:*Set or taken steps to set social and environmental responsibilities to the firm?s managerial teamPromoted or taken actions to promote sustainable consumption behaviours amongst its clientsEvaluated or taken steps to evaluate the quality of production and orientation of the organizations they have established relationships withDeveloped or taken steps to develop processes for managing social complianceInvested or taken steps to invest in community development activities in the markets you source from and/or operate within |

**Table AII**  Composite reliability

|  |  |
| --- | --- |
| 1. SOE values | 0.875 |
| 2. SOE intention | 0.867 |
| 3. SOE efficacy | 0.798 |
| 4. SOO awareness | 0.914 |
| 5. SOE motivation | 0.841 |

**Table AIII**  Descriptive statistics and correlations

|  | **Mean** | **SD** | **1** | **2** | **3** | **4** | **5** |
| --- | --- | --- | --- | --- | --- | --- | --- |
| 1. SOE values | 0.746 | 0.261 |  |  |  |  |  |
| 2. SOE intention | 0.656 | 0.326 | 0.583\*\* |  |  |  |  |
| 3. SOE Efficacy | 0.563 | 0.298 | 0.095 | 0.306 |  |  |  |
| 4. SOO awareness | 0.790 | 0.282 | 0.337\* | 0.029 | 0.028 |  |  |
| 5. SOE motivation | 0.574 | 0.326 | 0.378\* | 0.294 | 0.472\*\* | 0.340\* |  |
| 6. SDM | 0.622 | 0.377 | 0.445\*\* | 0.398\* | 0.161 | 0.18 | 01.489\*\* |

**Notes:** \*,\*\*Significant at 0.05 and 0.01 levels, respectively

**Table AIV**  Heterotrait-monotrait ratio

|  | **SOO awareness** | **SOE intention** | **SOE motivation** | **SOE efficacy** |
| --- | --- | --- | --- | --- |
| SOO awareness |  |  |  |  |
| SOE intention | 0.194 |  |  |  |
| SOE motivation | 0.502 | 0.345 |  |  |
| SOE efficacy | 0.375 | 0.512 | 0.543 |  |
| SOE values | 0.353 | 0.353 | 0.385 | 0.424 |

**Table AV**  Solution table

|  |
| --- |
|  |

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[***Washington: WORLD BANK ACCOUNTABILITY ACT OF 2017***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5RFG-21T1-JDG9-Y42R-00000-00&context=1516831)

Impact News Service

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**Body**

Washington: The Library of Congress, The Government Washington: of USA has issued the following house proceeding:

 General Leave Mr. HENSARLING. Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative days in which to revise and extend their remarks and to submit extraneous material on the bill under consideration. The SPEAKER pro tempore (Mr. Aderholt). Is there objection to the request of the gentleman from Texas? There was no objection. The SPEAKER pro tempore. Pursuant to House Resolution 693 and rule XVIII, the Chair declares the House in the Committee of the Whole House on the state of the Union for the consideration of the bill, H.R 3326. The Chair appoints the gentleman from Tennessee (Mr. Duncan) to preside over the Committee of the Whole.

{time} 1449 In the Committee of the Whole Accordingly, the House resolved itself into the Committee of the Whole House on the state of the Union for the consideration of the bill (H.R 3326) to increase accountability, combat corruption, and strengthen management effectiveness at the World Bank, with Mr. Duncan of Tennessee in the chair. The Clerk read the title of the bill. The CHAIR. Pursuant to the rule, the bill is considered read the first time. The gentleman from Texas (Mr. Hensarling) and the gentlewoman from California (Ms. Maxine Waters) each will control 30 minutes. The Chair recognizes the gentleman from Texas. Mr. HENSARLING. Mr. Chairman, I yield myself such time as I may consume. Mr. Chairman, I rise today in support of H.R 3326, the World Bank Accountability Act. Frankly, I don't quite understand why every Member is not rising in support of H.R 3326. [[Page H441]] This is important legislation, which is sponsored by my friend from Kentucky (Mr. Barr), the chairman of the Monetary Policy and Trade Subcommittee. It was cosponsored by a senior Democrat on our committee, the gentleman from California (Mr. Sherman). Mr. Chairman, it passed our committee by a unanimous vote 60-0. Again, Mr. Chairman, this measure passed our committee by a unanimous vote of 60-0. H.R 3326 makes a share of future World Bank appropriations contingent upon vitally needed reforms, with focus on the World Bank's International Development Association, known as IDA, which is the World Bank's concessional lending window, dedicated to 75 of the world's poorest countries. Mr. Chairman, the reforms in this bill have emerged from five different oversight hearings held in our committee over the past 2 years and they all enjoy bipartisan support. The bill also supports the administration's goal of ensuring that the World Bank's work is consistent with U.S priorities that are, obviously, financed by the U.S taxpayer. In the President's FY 2018 budget, the administration called for a holding to account international organizations whose missions don't advance U.S foreign policy's interest or which haven't been well managed. H.R 3326 would enact the administration's request for a 15 percent reduction on authorized funds for IDA. In addition, Mr. Barr's legislation contains crucial national security provisions, including a prohibition on World Bank assistance to countries that knowingly violate U.N Security Council sanctions on North Korea. Also, safeguarding our national security is a provision that helps ensure World Bank assistance won't be used for state sponsors of terrorism. Mr. Chairman, this is a commonsense requirement that benefited from the input of our democratic colleague on the committee: again, Mr. Sherman from California. So, again, Mr. Chairman, it does kind of beg the questions: Why are we here today? Why are we debating a bill that received support from every single Republican and Democrat on the committee? As some who may be viewing our proceedings know, there is such a thing known as a suspension calendar for relatively noncontroversial items. This bill should have been dispensed with on what is known as a suspension calendar since it passed our committee 60-0. But now, apparently, the ranking member has had a change of heart on opposing a bill that she voted for on committee. So some may be confused, and indeed we are confused. It is interesting that we now see opposition to linking these IDA payments to reforms, but that is exactly what Democrats on the Financial Services Committee did in 2005. It is exactly what they did when they voted to withhold 25 percent of IDA funds in a foreign operation's appropriations bill. Last July, the ranking member, the gentlewoman from California (Ms. Maxine Waters), consistent with her earlier vote, voted in support of H.R 3326 as well. So, again, some of us are confused as to why it is being opposed now if she has voted for the policy of withholding twice, including voting for the very bill we are debating today. It is also important to note, Mr. Chairman, that the reforms included in this bill are those that the World Bank itself deems are important. As far back as 1992, a bank management review highlighted its perverse staff incentives that made pushing money out the door more important than making a dent in global poverty. And as recently as 2014, a bank evaluation report confirmed that these very same perverse incentives are still in place. Then there is the notorious case of mismanagement in the Uganda Transport Sector Development Project: a scandalous bank initiative, where basic lack of project oversight led to sexual exploitation of underage girls, repeated harassment of female staff, and deficient safety measures that very well may have resulted in five fatalities-- lest we forget. In 2015, the World Bank's president had this to say: The multiple failures we have seen in this project on the part of the World Bank, the government of Uganda, and a government contractor are unacceptable. It is our obligation to properly supervise all investment projects to ensure that the poor and vulnerable are protected in our work. In this case, we did not. I am committed to making sure that we do everything in our power, working with other stakeholders first, to fully review the circumstance of this project, and then to quickly learn from our, and other's, failures so they do not happen again. Mr. Chairman, if the World Bank thinks these reforms are necessary, shouldn't we all think these reforms are necessary? And how about the testimony of Sasha Chavkin, a reporter for the International Consortium of Investigative Journalists, who testified before our committee? Sasha said: We found that, over a decade, spanning from 2004 to 2013, projects financed by the World Bank physically or economically displaced an estimated 3.4 million people around the world. Mr. Chairman, these are some of the world's most vulnerable displaced by the World Bank that screams out for more reforms. Mr. Chairman, I thank Mr. Barr for saying with his legislation that enough is enough. He has ***produced*** a serious, long overdue reform bill, one that was supported in our committee unanimously 60-0. We typically could not get a 60-0 vote on a Mother's Day resolution, yet we have it for this bill. Again, it just begs credibility and credulity as to why are we here today debating a bill that was passed unanimously in committee. I urge the House to adopt it unanimously. Mr. Chairman, I reserve the balance of my time. Ms. MAXINE WATERS of California. Mr. Chairman, I yield myself such time as I may consume. Mr. Chairman, I rise in opposition to H.R 3326, the World Bank Accountability Act of 2017. Last year, Democrats on the Financial Services Committee joined our Republican colleagues in favorably reporting H.R 3326 out of committee to support the bill's authorization of a U.S contribution of $3.29 billion to multilateral development efforts and to enforce the importance of U.S leadership at the international financial institutions, but the favorable report in committee came with clear conditions for the future of the bill. Democrats made it clear during consideration of this bill in committee that our ongoing support for the measure would depend upon changes to provisions in the bill moving forward that put critical U.S funding at risk. But here we are today and Republicans have not made any effort at all to address our very specific concerns. Namely, the bill would cut up to 30 percent of the U.S contribution to the International Development Association--IDA--in any year in which the Treasury Secretary does not certify to Congress that the World Bank has adopted or is taking steps to implement two sets of reforms mandated in the bill. IDA is the arm of the World Bank that provides grants and other assistance to the world's 77 poorest countries, which are home to more than 450 million people living in extreme poverty. Cuts to U.S funds to IDA would punish millions of children and other vulnerable people in Africa, Latin America, and Asia, who are living in extreme poverty, who are suffering from famine, or who are emerging from conflict. Democrats do not believe that cutting U.S funds for, and diminishing U.S influence at, the international financial institutions is an effective approach to reform. {time} 1500 To remedy this problem with the bill, Representative Moore, who is the ranking member on our committee's Subcommittee on Monetary Policy and Trade, had sought to offer an amendment on the floor to strike the provisions in the bill that would give the administration cover to cut U.S funding from multilateral efforts aimed at alleviating global poverty. The amendment would have maintained both sets of reforms currently in the bill and directed the Secretary of the Treasury to actively promote these policy goals through advocacy and direct engagement with World Bank management as well as the World Bank's other major shareholders. Unfortunately, the Rules Committee refused to make this amendment in [[Page H442]] order, thus depriving the House of the opportunity to decide for itself which approach it prefers to take: reforming the World Bank by fiat with a threat to cut funding or reforming the World Bank through the exercise of U.S influence and power at the World Bank based on the merits of the reforms themselves. Mr. Chairman, the process by which this bill has come to the floor stands in stark contrast to our committee's long history of working together on issues relating to global economic governance. For many years, the Financial Services Committee has worked in a bipartisan fashion to achieve a number of important reforms at the World Bank, including increased transparency, the creation of the inspection panel, more disclosure of information, and closer consultation with local communities most affected by World Bank projects. We were able to successfully advance these policy goals through serious and direct negotiations and sustained engagement with both the Department of the Treasury and the World Bank itself, not by threatening to walk away from our commitments, but the Trump administration has consistently demonstrated troubling attitudes toward the role of the U.S in the world. In November of last year, in testimony before the Financial Services Committee, David Malpass, Treasury's Under Secretary for International Affairs, expressed the administration's view that globalism and multilateralism have gone substantially too far. In December, the Trump administration refused to pledge any funds for the next replenishment of the International Fund for ***Agricultural*** Development, a small multilateral development bank that helps the poor in remote, rural areas where few donors operate. Of course, just last week, this President made ignorant, racist, and deplorable comments about Africa, where, as it happens, IDA focuses a great deal of its resources and energy. Mr. Chairman, the more committed we are to our goals and to our ideals, the more morally obligated we are to do everything we can to advance those goals. The legislation before us today, in its current form, fails to meet that test, so I will be opposing this legislation, and I urge my colleagues to do the same. We can, and we should, do better. Mr. Chairman, I reserve the balance of my time. Mr. HENSARLING. Mr. Chairman, I yield 5 minutes to the gentleman from Kentucky (Mr. Barr), the sponsor of the legislation that passed unanimously 60-0 in our committee and the chairman of the Financial Services Subcommittee on Monetary Policy and Trade. Mr. BARR. Mr. Chairman, I thank the chairman for yielding, and I thank him for his support and leadership in bringing my legislation to the floor. As Chairman Hensarling has already noted, H.R 3326 passed the House Financial Services Committee by a unanimous vote of 60-0. No amendments were offered by any of our Democratic colleagues during that markup. So it is disappointing to me that the ranking member is standing in opposition today, despite voting for this bill in committee and then waiting half a year before proposing any changes. Nonetheless, I want to address the gentlewoman's criticism of the withholding mechanism in this legislation, because she seems to share a philosophy endemic at the World Bank, which basically says this: money equals impact. But this runs counter to the evidence we have heard again and again during multiple oversight hearings. It also runs counter to how the World Bank itself operates with its borrowers. The World Bank lends to poor countries by attaching conditions. People can disagree if that conditionality is too much or too little, but the World Bank affects behavior by telling governments that there are no blank checks. The ranking member knows this, and it goes without saying that there are many elements to World Bank conditionality that the ranking member and her Democratic colleagues passionately support, but if the gentlewoman from California would never tolerate the World Bank writing blank checks to governments, it is odd that she wants Congress to write a blank check to the World Bank. Here is how a former, longtime senior staff member of the World Bank put it in testimony before our subcommittee last Congress: `` . . . the reality is that bank staff are assessed by the volume of their lending, dollars of money lent. And that is just a poor indicator of impact on poverty. You have impact on poverty sometimes when you don't lend at all.'' This perverse lending culture at the World Bank has been documented for at least a quarter century and documented by the World Bank itself. Mr. Chairman, I want to draw your attention to a 1992 bank management review entitled, ``Effective Implementation: Key to Development Impact'', commonly known as the Wapenhans Report, which details a pressure to lend that distorts staff incentives at the expense of management and project implementation. Again, this is from 1992. Well, fast forward to 2014, and a report by the bank's own evaluation office entitled, ``Learning and Results in World Bank Operations: How the Bank Learns,'' concludes that the pressure to lend is alive and well. In addition to focusing on better incentives and management at the World Bank, H.R 3326 requires the World Bank to more effectively support secure property rights, due process, and economic freedom. As distinguished academics such as Nobel economics laureate Angus Deaton, New York University's William Easterly, and the University of Chicago's James Robinson have found, foreign aid makes little positive difference if we are indifferent to the poor's right to exert control over their livelihoods, own land and other assets, and be free from arbitrary government interference. Now, Mr. Chairman, if the World Bank supports a corrupt government, that doesn't mean that it is going to help the condition of the impoverished in that country that is denied economic freedom. Why doesn't the ranking member support these commonsense principles? If the bank doesn't lend with the rights of the poor in mind, then the ranking member's concerns about withholding money aren't serious. If money is being squandered and it isn't helping the poor to begin with, why would you not want to withhold it? Again, our Democratic friends love conditionality at the World Bank; they just had a change of heart when a Republican-sponsored bill is holding the World Bank to high standards. So let no one watching this debate be fooled by crocodile tears. Let me close by touching on the national security elements of this bill, which the ranking member also ***plans*** to vote against. H.R 3326 incentivizes the World Bank to strengthen its work to fight violent extremism and keep state sponsors of terrorism away from World Bank resources. This latter provision was a direct result of bipartisan discussions that we had in our subcommittee, so it is shocking to see anyone on the other side of the aisle oppose the legislation. Finally, this bill would also ensure that the U.S oppose World Bank financial assistance to countries that knowingly fail to enforce U.N Security Council sanctions against North Korea. Our committee passed nearly identical language as part of the Otto Warmbier North Korea Nuclear Sanctions Act, which I am proud to have sponsored, and the provision benefitted directly from input from my subcommittee ranking member, Ms. Moore. The committee vote, yet again, was unanimous on that bill, and the House went on to pass it by a vote of 415-2. It boggles the mind that any Member of this body would vote against that language as part of H.R 3326. In closing, if the ranking member is upset that we take the interests of the poor more seriously than the interests of the World Bank, then so be it, but I believe the World Bank's interests and the poor's interests should be aligned, not just in theory, but in practice, and if they are not, it is the World Bank that should look at itself in the mirror. Mr. Chairman, I urge my colleagues to support H.R 3326. Ms. MAXINE WATERS of California. Mr. Chairman, the gentleman from Texas really has presented rather hollow arguments that have no place in this debate. This is about our humanitarianism and about our ***strategic*** position in the world. [[Page H443]] Mr. Chairman, I yield 3 minutes to the gentlewoman from New York (Ms. Velazquez). Ms. VELAZQUEZ. Mr. Chairman, I thank the ranking member for yielding. Mr. Chairman, I rise in opposition to H.R 3326, the World Bank Accountability Act of 2017. Let me be clear, from the outset, that I support the World Bank and its mission. The World Bank is a vital source of financial and technical assistance to developing countries. It works to reduce poverty and support development around the globe. Let me also be clear that I support this bill's authorization of $3.29 billion to the World Bank's International Development Association, which provides grants and very low-interest loans to the poorest 77 countries on the planet. These countries use this funding for a wide array of investments in areas like education, health, public administration, infrastructure, and resource development, but when I voted for this bill in committee, I joined the ranking member and the rest of my Democratic colleagues in making clear that my support was dependent on working together on making changes to the bill as we moved to the floor. This is about the right of the minority to provide meaningful input into legislation, and that was an agreement that we struck before we voted on the bill. Despite Democrats' best efforts, that did not happen, and there continue to be provisions in this bill that need to be addressed. For example, the bill calls for withholding 30 percent of the U.S contribution to IDA in any year over a 6-year period in which the Treasury Secretary cannot certify to Congress that the World Bank has adopted or is taking steps to implement two sets of reforms mandated in the bill. In addition, if the Treasury Department cannot report that the World Bank has met either or both of these reforms in any given year, the bill forces U.S funding to the World Bank to be withheld and makes it more difficult for the World Bank to implement these reforms going forward. As currently drafted, this bill reflects a total misunderstanding of how the international system works. Multilateral institutions, like the World Bank, which we set up, require sustained U.S involvement and leadership. It is unrealistic to think that the U.S can impose its will on the World Bank. Withholding funds is not an effective approach to reform. The only way to achieve the reforms we are seeking at the World Bank is through our participation and commitment. At times like this, we must not retreat from our involvement or responsibility on the world stage. The Acting CHAIR (Mr. Curtis). The time of the gentlewoman has expired. Ms. MAXINE WATERS of California. Mr. Chairman, I yield an additional 30 seconds to the gentlewoman. Ms. VELAZQUEZ. Placing restrictions on our involvement or undermining international efforts that promote growth and reduce poverty is not something that we should support. Mr. Chairman, I encourage every Member in the House to vote ``no'' on this bill. Mr. HENSARLING. Mr. Chairman, I yield myself 10 seconds just to say when my colleague on the other side of the aisle talks about meaningful participation, not one single amendment was offered by my Democratic friends. It was a perfect bill. It passed 60-0. I would also point out the only leverage we have as the United States is our contribution, and that is what this bill does. Mr. Chairman, I yield 4 minutes to the gentleman from Michigan (Mr. Huizenga), the chairman of the Financial Services Subcommittee on Capital Markets, Securities, and Investments. {time} 1515 Mr. HUIZENGA. Mr. Chairman, I rise in strong support of the World Bank Accountability Act, sponsored by my friend from Kentucky (Mr. Barr). Having had the opportunity last Congress to chair the subcommittee that Mr. Barr now leads, I can tell my colleagues that the reforms in this bill are real and they're urgent. Let me highlight one case of management failure at the World Bank that I focused on last Congress, alongside with my ranking member, the distinguished gentlewoman from Wisconsin (Ms. Moore). I think the scandal will illuminate not only the reasoning behind the reforms demanded by H.R 3326 but, also, the mechanism for achieving those reforms, as the chairman was pointing out. It is the power of our purse that will effect change. In 2015, the World Bank canceled an IDA--International Development Association, as has been referred to--road project in Uganda. This initiative saw appalling lapses in basic management by the Bank which, literally, enabled sexual exploitation of children to happen. When local Ugandans complained to the Bank staff, they were ignored. Only after the Bank's ombudsman became involved directly did the Bank really investigate the abuses. My colleagues on the Financial Services Committee and I were so outraged by the scandal that I, along with Ms. Moore, my ranking member, wrote a letter on July 14 of 2016 to the World Bank demanding corrective action. Here is the thing: To underscore the gravity of the Bank's management failures, we originally proposed a letter at the highest levels of the committee, including the chairman and the ranking member. In fact, the letter as it went out--and I will include it in the Record--was on the letterhead of Chairman Hensarling and Ranking Member Maxine Waters. And, unfortunately, the ranking member then refused to sign the letter, then just leaving it as a subcommittee letter that went out by myself and Ranking Member Moore. Committee on Financial Services, House of Representatives, Washington, DC, July 14, 2016. Dr. Jim Yong Kim, President, World Bank Group, Washington, DC. Dear Dr. Kim: We are writing to express our alarm over the World Bank's cancelled Uganda Transport Sector Development Project. As you know, the Bank is facing serious allegations related to misconduct by a Chinese contractor, including sexual exploitation of minors, repeated harassment of female staff, and deficient safety measures that may have resulted in five fatalities. The Bank has admitted that its supervision of the project was inadequate, particularly with respect to protecting Ugandan girls. In addition to negligent supervision, the Bank's slow response to local communities' accusations is troubling. According to the Bank's own timeline, Ugandans had to wait six months from the time they first voiced their complaints until the Bank's Country Director wrote to public authorities requesting follow-up by law enforcement. Ten months elapsed before the Bank suspended the project, and delays in the Management Response meant that the Bank's Inspection Panel did not visit Uganda until one year following the initial allegations. As the Panel continues to investigate this case, we urge you and Bank management to cooperate fully while respecting the Panel's independence. We also ask that any findings of negligence and wrongdoing lead to appropriate disciplinary action, The failure of this project to protect, let alone benefit, Ugandans should inform supervision in all sectors and regions going forward. We believe that the Bank must strengthen its role in supervising and monitoring its projects to ensure that the poor are protected in the Bank's work. Any actions by the Bank that would weaken its oversight could undermine support for the institution. Additionally, the Bank has long faced criticism, including from its own staff, for a culture that too often places the volume of lending above concerns for the effectiveness of that lending. Last October, the Subcommittee on Monetary Policy and Trade held a hearing on the multilateral development banks that explored this very problem, and a report by the Bank's Independent Evaluation Group notes how the ``pressure to lend'' has characterized the Bank's culture for decades, often at the expense of development outcomes. It is clear that such a culture can distract from the proper preparation and administration of projects, including monitoring and supervision, thus putting development at risk. In the case of Uganda, the Bank clearly should have made supervision a higher priority. We hope that future beneficiaries, be they in Africa or elsewhere, will encounter more capable and responsive partners at the Bank. Sincerely, Bill Huizenga, Chairman, Subcommittee on Monetary Policy and Trade. Gwen Moore, Ranking Member, Subcommittee on Monetary Policy and Trade. Mr. HUIZENGA. Mr. Chair, I think what America just heard from the last two speakers on the other side of the aisle was that, literally, the Democrats [[Page H444]] wanted the money to the World Bank but not the reforms. That is why they voted for the $3 million-plus to go into that account, that IDA account. How cynical. I mean, funding of IDA is about as good as putting a Band-Aid on a car accident victim; right? It is not doing anything, ultimately, if there is such woeful inadequacy in trying to provide the true issues that need to be addressed. So, the sexual abuse of underage Ugandans, not really interested in talking to you about that; harassment of female project staff, not really interested in talking about that on the other side of the aisle; deficient project safety that may have resulted in five fatalities, not interested in talking about that. So, when they rise, talking about how much they care about the poor and those who are underserved--forgive me if I am cynical, Mr. Chairman--it rings a bit hollow. For the Bank, it got even worse. After sending this letter with Ms. Moore, we received a response that the Bank was undertaking cosmetic steps to improve their projects and their actions, such as creating a task force. Again, forgive me for being a little cynical about the task force, but not only was the country manager associated with the Ugandan project not held accountable, he was promoted to country director for the Congo. It still gets worse. Last November, we learned that the Bank was suspending yet another road project in the Congo due to allegations of sexual violence against women. The investigation is still underway today, Mr. Chairman. And the Bank has already admitted that it ignored repeated requests to the beneficiaries in the Congo to look at the other complaints, but we are beginning to see a theme: let's just keep the money flowing anyway. Here is the thing: it was the same projects, the same people in place. I am just wondering why they--whether it is the ranking member or others who voted for this in subcommittee--refused to keep the Bank's feet to the fire. The Acting CHAIR. The time of the gentleman has expired. Mr. HENSARLING. Mr. Chairman, I yield the gentleman from Michigan an additional 30 seconds. Mr. HUIZENGA. Mr. Chairman, I am just confused as to why my colleagues on the other side of the aisle refuse to hold the Bank's feet to the fire because we have known about these issues for several years. Task forces haven't been sufficient; rhetoric hasn't been sufficient. We need real accountability in the Bank, and we need it now. It needs to be initiated immediately, and then it needs to be maintained and institutionalized. So I thank my friend from Kentucky for taking this commonsense approach and for demanding that the World Bank live up to its commitments to the poor, whether they are in Africa or in other places in the world. I urge my colleagues to support H.R 3326. Ms. MAXINE WATERS of California. Mr. Chair, I yield 3 minutes to the gentleman from New York (Mr. Meeks). Mr. MEEKS. Mr. Chair, I thank the gentlewoman for yielding time. Today, I rise in opposition to H.R 3326, the World Bank Accountability Act of 2017. Let me start by stating how important our Nation's contributions are to the World Bank's International Development Association, IDA. Those funds support the largest source of development finance for the world's poorest nations, including those in Africa, Latin America, and Asia. That is why, at the committee level, I voted in favor. Both Democrats and Republicans agreed that funding the World Bank's development finance for poor nations represented America's highest ideals and interests. And, naturally, I would support a bill like this, but we had agreed that it wasn't the last word, that we would work and there would be additions thereto and/or subtractions in reviewing the bill. In my estimation, looking at the bill, it also cedes too much authority to the executive, and those concerns have not been addressed in the final bill. For me, particularly in light of this administration's statements just a few days ago, it is troubling that it could be misused by this administration. As written, the President, who has indicated a complete disdain for poor nations and people of color, could withhold foreign assistance if the World Bank does not conform to his administration's policies. It would be a mistake to allow the President to coerce the World Bank to fit his flawed world view, especially this President whose world view is inconsistent with America's past leadership around the globe, and that is whether it was a Democrat or Republican President. Furthermore, the procedures in this bill do little to rebuild the world's faith in our Nation because we are having a problem with all of our allies, particularly the poor nations of the world, as to where we stand. So, clearly, our vision, this Nation, has deteriorated under the current administration. Under this bill, our Nation could lose further credibility around the world during a time when countries, especially our allies, are uncertain about where our country stands on fundamental democratic values. Ultimately, the procedures in this bill could punish millions of children and the vulnerable families in Africa, Latin America, and Asia who could go without food and basic resources. The Acting CHAIR. The time of the gentleman has expired. Ms. MAXINE WATERS of California. Mr. Chair, I yield the gentleman from New York an additional 30 seconds. Mr. MEEKS. Mr. Chair, since we know of the President and his will to withdraw from multilateral organizations and not work with others and just work by himself, we know what his position is. I urge my colleagues to vote ``no'' on H.R 3326. Mr. HENSARLING. Mr. Chairman, I am pleased now to yield 4 minutes to the gentleman from Texas (Mr. Williams), the vice chairman of Financial Services Subcommittee on Monetary Policy and Trade. Mr. WILLIAMS. Mr. Chairman, I rise today in strong support of H.R

3326, the World Bank Accountability Act. I would like to thank the chairman of the Subcommittee on Monetary Policy and Trade, Mr. Andy Barr, for his hard work on this piece of legislation and for his leadership on this important issue. H.R 3326 passed through the Financial Services Committee unanimously, with an overwhelmingly bipartisan vote of 60-0. Mr. Chair, right now, the World Bank's International Development Association, IDA, is an irresponsible benefactor for the world's neediest nations. At the core of my concerns within the World Bank, I take great issue with the Bank's offering employee incentives for approving new loans. The Bank, itself, has even documented that they harvest a culture that encourages loan volume rather than approval based on merit and approval based on need. H.R 3326 will help eliminate these illogical incentives at the World Bank that prioritize pushing money out the door rather than delivering authentic and helpful solutions. In addition to mass lending from the Bank, careless lending is equally disconcerting and has made it easier for corrupt regimes to abuse their citizens and exploit the money for terrorism-related efforts. To address this issue, H.R 3326 ensures that the World Bank cannot approve funds for a country that has been classified by the United States as a state sponsor of terrorism, and it demands that the U.S decline Bank loans to countries that knowingly fail to impose U.N Security Council sanctions against the North Korean regime. Additionally, this bill will encourage improvements within the World Bank by withholding up to 30 percent of future appropriations for the World Bank's IDA until the Treasury reports that the Bank has undertaken meaningful reforms in order to combat corruption, strengthen management accountability, and undermine violent extremism. By passing this legislation, we require the World Bank to put more faith in free enterprise as opposed to corrupt regimes that abuse the poor. If the World Bank is serious about helping those who need it most, it should make certain that borrowing governments are committed to the welfare of their citizens. The World Bank has been slipping through the cracks far too long, and it is time to implement meaningful and lasting reforms. [[Page H445]] Once again, I commend Representative Barr for introducing this necessary legislation. I encourage the House to follow the Financial Services Committee's lead by passing H.R 3326. In God we trust. Ms. MAXINE WATERS of California. Mr. Chair, I yield 3 minutes to the gentleman from Illinois (Mr. Foster), the senior member of the Subcommittee on Monetary Policy and Trade of the Financial Services Committee. Mr. FOSTER. Mr. Chairman, I rise today in opposition to H.R 3326 as it currently stands. This is a disappointment to me. I, like many of my colleagues, originally voted to support this legislation in committee, with the understanding that both sides of the aisle would continue to work to allay the concerns that elements of this bill would give the Trump administration new and disruptive tools that would likely be used to the detriment of the World Bank's mission and our relationships with other countries. There was an understanding to negotiate changes, but this legislation we will be voting on today does not reflect that promise. In light of that failure, my colleague, Gwen Moore, offered an amendment that would have set aside our concerns, but this amendment was not made in order, so we will not be voting on that either. This bill does have elements that are important to our country's obligation to some of the poorest countries in the world. The World Bank provides grants and highly concessional loans through the International Development Association, the IDA, to the world's 77 poorest countries. This money goes a long way towards raising the standard of living, public health, and economic growth for the 450 million people who live there. Since World War II, the United States has stood as a strong partner and a leader in the multilateral work to improve the quality of life around the world. Our success has relied on the diligent support of American lawmakers, diplomats, and groups around the world that work closely with allies and partner organizations throughout the world to provide assistance in times of great crisis. But our confidence that this administration's broad discretion to defund the IDA--provided in the bill we will be voting on--would not be abused, frankly, was not improved by the President's recent racist remarks last week. We are constantly reminded of the continuing importance of this mission and the need to pledge our support to the poorest countries in the world, to offer aid for the neediest individuals. Time after time, however, the Trump administration has shown itself incapable of using the resources that Congress gives it to work in constructive ways within multilateral organizations, instead, alienating our allies and undermining our country's reputation and mission. While I support this legislation's authorization of $3.29 billion for multilateral development efforts for these countries, the poorly conceived and defined conditions in this legislation make it impossible to support. Any withholding of U.S contributions to IDA is a serious action that would have devastating consequences. It would punish millions of children and other vulnerable groups in Africa, Latin America, and Asia, many of whom live in absolute poverty. It would also limit our ability to help individuals in famine-ridden parts of the world and refugees in fragile areas. They rely on humanitarian assistance for food and water. The Acting CHAIR. The time of the gentleman has expired. Ms. MAXINE WATERS of California. Mr. Chair, I yield an additional 30 seconds to the gentleman from Illinois. Mr. FOSTER. Mr. Chair, they rely on humanitarian assistance for food, water, and basic medical care and could face death without this assistance. Many of the provisions in this bill, as written, would place conditions on U.S contributions to IDA that, in the hands of the Trump administration, would not be an effective approach to reform and could very well undermine efforts to reduce poverty and promote growth. This would damage our country's historic and noble mission to lead the world in assisting the poorest countries with food, clean water, and medical help. So, with reluctance, I have to encourage my colleagues to vote ``no'' on this bill and hope that it comes back to the floor with the bipartisan input that we were promised. The Acting CHAIR. Members are reminded to refrain from engaging in personalities toward the President. {time} 1530 Mr. HENSARLING. Mr. Chairman, I yield 4 minutes to the gentleman from Ohio (Mr. Davidson), another hardworking member of the Financial Services Committee who knows this bill passed 60-0 with no Democratic amendments offered. Mr. DAVIDSON. Mr. Chairman, I thank the chairman of our committee and the chairman of our subcommittee for making great points and for pushing forward this great legislation. The Members opposed to this legislation were for it before they were against it, as has been pointed out. But the other thing is the premise of the argument that is being made in opposition to this bill: that the United States should somehow give money, just spend the money, regardless of how poorly the World Bank will deploy this capital, regardless of whether they are effective or not in accomplishing the important mission of helping address poverty in some of the poorest nations in the world. The specific purpose of this fund is to address poverty, and it has not done a very good job of doing that. Frankly, they have abused the funds they have had. So the premise would be that somehow we can just spend the money and trust that somehow they are going to get better. Well, thankfully, when we were talking about it in committee and when we have talked about it on this side of the argument here--and I hope there is truly broad bipartisanship support for this bill to show to the American people we do expect a return on our dollars. We expect results for the money that comes to this body to spend on behalf of the United States of America. I think the other premise is that somehow, unless we just send the money with no strings attached and no expectation of results, then we are not engaged in the world, that somehow we have withdrawn from the world and we don't care. Nothing could be further from the truth. Because we do care, we are putting terms and conditions on the money. Because we do care about poverty and the results, we care that the World Bank operates, frankly, to accomplish its mission. So while some would look for bigger, bolder reforms and maybe better use of U.S tax dollars, we certainly expect some accountability for those results. This is a very measured objective in this bill, and I commend our committee for coming to this consensus 60-0 in committee. Mr. Chairman, I hope for a similar outcome when we call the vote on the floor of the House. Ms. MAXINE WATERS of California. Mr. Chairman, I yield 3 minutes to the gentleman from Michigan (Mr. Kildee), the vice ranking member of the Financial Services Committee. Mr. KILDEE. Mr. Chairman, I thank the ranking member for yielding. I appreciate the opportunity to express my concerns with the way this bill has moved to the floor today. Mr. Chairman, I support the bill's authorization of a U.S contribution to the International Development Association, IDA, the part of the World Bank that helps the world's poorest countries through loans and grants to boost economic growth, to reduce inequality, and to improve the standard of living across the world. The IDA provides assistance for basic healthcare, primary education, clean water and sanitation, and infrastructure. I also support the idea that the bill would reestablish the U.S ' engagement on global economic cooperation. When this bill came up in the Financial Services Committee markup, as has been pointed out, I, along with many of my colleagues, expressed concerns over the bill making a U.S contribution contingent on President Trump's determination that the World Bank is implementing these important reforms. Our support for the bill was based on the understanding that those concerns would be addressed. So we supported [[Page H446]] the bill in good faith, hoping that, in fact, those issues would be addressed. It has been pointed out that no Democratic amendments were offered in committee. We took on faith that those issues would be addressed. Ms. Moore, a member of the committee on the Democratic side and a leader on this issue, offered an amendment, which the majority rejected in the Rules Committee and did not allow this House to vote on in order to--what we would say would be--improve the legislation. The amendment was not even made in order. We support good governance and accountability, but those goals ought to be advanced on their own merits. Allowing President Trump to make the determination to withhold money from these countries based on his interpretation as to whether they have met his standard was a bridge too far for many of us. The nature of the reforms outlined in the bill give some pause when we consider the recent actions and the recent words. It is impossible for any of us to, first of all, erase the hateful comments made by the President of the United States in reference to countries such as those that benefit from the work of the IDA. So setting aside for a moment the concerns that members of the committee addressed--and this happens from time to time in committee, let's not pretend that it doesn't, where there are concerns that we decide we will address as the bill goes forward. Very often those are worked out. When they are not, we are not going to be put in the position as members of the committee of having to say: Well, that never happened. It did happen. The Acting CHAIR (Mr. Culberson). The time of the gentleman has expired. Ms. MAXINE WATERS of California. Mr. Chairman, I yield an additional 1 minute to the gentleman from Michigan. Mr. KILDEE. Mr. Chairman, I understand we may come to different conclusions ultimately on how the bill comes to the floor, and Members ought to feel free to vote their conscience, but it is not the case that we did not express those concerns with the hope that they would be addressed before the legislation moved to the floor. Nobody saw it as a perfect bill, unless, of course, those individuals were not listening to the issues being raised by Democratic Members during the debate in committee. Mr. Chairman, I will end with this: when the President of the United States, just in recent days, uses vulgar and hateful terms to depict entire populations, many of whom live in countries that are the principal beneficiaries and people who themselves are the principal beneficiaries of this work, I have a very difficult time granting authority to that same administration to make a determination as to whether those countries are worthy of the help that the United States would offer. Mr. HENSARLING. Mr. Chairman, I yield myself 10 seconds again to say it is an interesting narrative being told by the minority, but they offered no amendments, voted for the bill 60-0. We have heard nothing for 6 months until last Friday, the first time they decided to articulate a specific concern about a bill they had already supported. Mr. Chairman, I yield 4 minutes to the gentleman from Arkansas (Mr. Hill), the majority whip of the Financial Services Committee. Mr. HILL. Mr. Chairman, I thank our chairman of the full committee and the chairman of the subcommittee, Mr. Barr from Kentucky, for bringing this bill, H.R 3326, to the floor today because this is precisely what the American people want out of their government in Washington, D.C : accountability. Mr. Chairman, our constituents ask us all the time: Do you monitor the money that you send and spend around the world to further America's interests? There are always a lot of people just kind of looking around. And how do we verify that? Well, Mr. Chairman, here is an opportunity to verify that. This important piece of legislation would require the World Bank to implement real incentives, particularly through staff evaluation standards, that prioritize antipoverty results and capable project management over just the volume of loans they ***produce***. It is that classic management expertise, quality over quantity. Of course we want poverty eradicated. The taxpayers of this country wouldn't vote for us to approve spending like this if it wasn't done right to further America's interests around the world and to alleviate poverty around the world. If the World Bank is serious about that, then it would defend the poorest's freedoms more vigorously. In other words, Mr. Chairman, no reforms like we propose, then poverty is not eradicated; the poor are not helped. So H.R 3326 insists on greater efforts by the World Bank to fight corruption in its projects. Just because the World Bank may have to work in corrupt environments does not mean it needs to add to the graft by pouring money in it for the taking. No one is for that. That is why the vote was 60-0. That is why the gentlewoman from Wisconsin (Ms. Moore) was so supportive of this in our subcommittee. It withholds appropriations until the World Bank raises the quality of its work, raises the quality of its forensic audits, which are designed to unmask the systemic corruption we find in the Third World, inadvertently or advertently supported by the efforts of the World Bank. We are tired of it. That is why, on a bipartisanship basis, we support the foreign policy goals contained in H.R 3326. Mr. Chairman, I thank my friend, Mr. Barr, for his thoughtful work to implement this. These are needed changes. These are bipartisanship changes. These improve transparency, end corruption, better spend our taxpayer resources, and demand accountability of the World Bank, which is notoriously unaccountable. I thank Mr. Barr and I thank Mr. Hensarling for their efforts. Ms. MAXINE WATERS of California. Mr. Chairman, I yield 2 minutes to the gentleman from Nevada (Mr. Kihuen), a member of the Financial Services Committee. Mr. KIHUEN. Mr. Chairman, I rise to briefly speak about H.R 3326, the World Bank Accountability Act, which the House is voting on this afternoon. Mr. Chairman, last summer, I joined my Democratic and Republican colleagues in supporting H.R 3326 in the Financial Services Committee to authorize the United States to participate in replenishing the International Development Association, the IDA. However, Democrats made it clear during consideration of this bill in committee that our support depended on changes to certain provisions. Specifically, we believe that prohibitions in the bill put the U.S funding at risk and make it too easy for the administration to cut off funding for vulnerable nations. Mr. Chairman, I am disappointed that my Republican colleagues have chosen not to uphold our agreement and address these concerns. Given the recent events and remarks by President Trump degrading developing nations and the people who live in them, we should be concerned about giving the administration this power. It is critical that Congress provide moral leadership and demonstrate to the world that the United States will not ignore or punish countries that are struggling with poverty or conflict. We must send a strong signal that the United States Congress respects people of all backgrounds and nationalities. Mr. Chairman, for these reasons, I urge my colleagues to vote ``no.'' Ms. MAXINE WATERS of California. Mr. Chairman, I yield myself the balance of my time. In closing, let me say that Democrats did view this legislation as an important marker of international engagement from our committee, which has not in recent times demonstrated a great deal of interest in global economic leadership. We viewed this measure as an opportunity to reinforce the importance of global economic cooperation. Given that, it seemed to us a mistake to then reject the possibility of cooperation with our own Republican colleagues. So we supported the bill for that reason as well, and I regret we couldn't come to an accommodation. {time} 1545 On another matter, let me also say that I won't question the sincerity of my Republican colleagues' commitment to reforming the World Bank, but [[Page H447]] I do wonder why, if these reforms are as pressing and as urgent and as critical as they say, why did they take so long? Chairman Hensarling has been at the helm of our committee for over 5 years, and, during that time, the Obama administration requested legislation to authorize U.S participation in three other replenishments, including the previous IDA-17. But the committee refused to act on any of these requests, not only shirking its oversight responsibility, but also missing a number of opportunities to press for reforms which presumably were as urgent then as they are now. In fact, in November of 2014, near the end of the 113th Congress, I wrote to Chairman Hensarling urging him to turn his attention to the three pending authorization requests before Congress adjourned. I made a number of arguments in support of the multilateral development banks, the MDBs, which apparently did not persuade the chairman. Mr. Chairman, I include that letter in the Record. U.S House of Representatives, Committee on Financial Services, Washington, DC, November 19, 2014. Hon. Jeb Hensarling, Chairman, Committee on Financial Services, Washington, DC. Dear Chairman Hensarling: I write to urge you to turn your attention before Congress adjourns to the Administration's requests for authorizations for U.S participation in the replenishments of three concessional windows at the multilateral development banks (MDBs)--namely, the World Bank's International Development Association (IDA-17), the Asian Development Fund (AsDF-11), and the African Development Fund (AfDF-13). As you know, these concessional facilities provide grants and low-cost development financing to the world's poorest countries. They support projects that combat hunger and poverty while promoting private-sector growth and global stability. Well-designed multilateral aid ***programs*** help create more equitable societies and more stable democracies. It is also crucial to U.S interests that developing nations continue to grow. Exports have been the most rapidly growing share of our economy, and exports to developing countries have been an important part of that. America is also fighting a war on terrorism, and while the forces that give rise to terrorism are complex, poverty and despair provide a fertile feeding ground. Moreover, U.S contributions to the development banks also provide tremendous value for the money. Every dollar we commit is leveraged many times over by contributions from other donor nations, as well as from the internal resources of the institutions themselves. Today, we have another very important, and potentially far- reaching, reason why the U.S should promptly meet its commitments to the MDBs. The last few years have unfortunately seen a weakening of the commitment to multilateralism by the United States, which has led to widespread doubt about U.S leadership on global economic governance. In response, a number of developing countries, led by China, have begun to act independently, with initiatives viewed as the first serious, coordinated effort to reshape the global financial architecture and challenge western dominance in the world economy. Last month, China announced an agreement with 21 other developing countries to create a multilateral development bank called the Asian Infrastructure Investment Bank (AIIB), which will focus on financing infrastructure development projects in the Asia-Pacific region. A clear rival to the Asian Development Bank, the AIIB will be led by China, its largest shareholder, and headquartered in Beijing. Separately, in July, the so-called BRICS nations (Brazil, Russia, India, China and South Africa) announced ***plans*** to launch an international development bank of their own, which they hope will rival the strength and influence of the World Bank. The ``New Development Bank,'' as it is called, will be headquartered in Shanghai and focus on infrastructure investment throughout the developing world. Development experts agree that global infrastructure needs in developing countries is tremendous, and there are many who welcome the contribution that the new development banks can make in helping to build sustainable economic infrastructure both in Asia and elsewhere. But these new institutions also reflect frustration by the world's major emerging economies with the slow pace of governance reforms at the Bretton Woods institutions, especially the IMF. In fact, the now-stalled agreement to realign the quota shares at the IMF, negotiated by the Bush Administration, was a critical effort to preserve its legitimacy and keep emerging economies firmly anchored in the multilateral system that the U.S helped design. U.S inaction in meeting its commitments to the MDBs, as well as its refusal to ratify IMF governance reforms, is what led, in large part, to the creation of these new institutions that will increasingly pose a challenge to the global financial order created by western powers after World War II. We should be mindful that a world in which countries such as China and Russia are acting outside of the established international financial institutions, or other global bodies, is one that could drift beyond our control. Moreover, it remains to be seen what values these new rising powers will articulate and promote in their vision of a new global economy. I believe this makes U.S leadership at the multilateral development institutions today more important than ever. They are directed at some of the most central challenges faced by the U.S --***strategic***, economic, political and moral--and, in many ways, they are often our most effective means for responding to those challenges. I strongly urge you to take prompt action to affirm U.S support for, and U.S leadership at, these institutions, which have served both U.S interests and the global public good for so many years. Sincerely, Maxine Waters, Ranking Member. Ms. MAXINE WATERS of California. Nevertheless, here we are, at a historic moment when U.S credibility on the global stage is in serious question. We have the option of choosing to lead and show the community of nations that the hateful words of the President will not be followed by misguided and enabling actions by Congress. Today, I speak on behalf of the world's poorest countries and their people. Today, I stand with Africa, and I urge my colleagues to oppose this legislation and its misguided, cynical approach to multilateralism. Mr. Chairman, I urge my colleagues to reject this legislation as a signal to the world that Trump doctrine is not the American doctrine or a broader sign of American unreliability and indifference. Mr. Chairman, I would like to take a moment to tell you what is being said about us from some of these countries and around the world. From Haiti, Trump comments saying that they were ``based on stereotypes.'' ``In the spirit of the people of Haiti, we feel in the statements, if they were made, the President was either misinformed or miseducated about Haiti and its people.'' From Laurent Lamothe, the former Haitian Prime Minister: ``It shows a lack of respect,'' he says, ``and ignorance never seen before in the recent history of the U.S by any President.'' Let's see what Jessie Duarte, Deputy Secretary General of the African National Congress, has to say. He said, ``Ours is not a s----hole country, neither is Haiti or any other country in distress.'' From the Government of El Salvador: ``We have addressed a note of protest to the Government of the United States highlighting in this document also the high value of Salvadorans.'' From Salvador Sanchez, President of El Salvador: The statement by the President of the United States hits the dignity of the Salvadoran people. El Salvador demands within the framework of the principles governing relations among states respect for the dignity of their noble and courageous people. Hugo Martinez, El Salvador's Foreign Minister, said: ``It's always been a foreign policy priority of our government to fight for the respect and dignity of our countrymen independent of the immigration status. ``Our countrymen are hardworking people who are always contributing to the countries where they are living and, of course, also to our country.'' And according to the State Department, Senegal also summoned the U.S Ambassador for an explanation. And so Macky Sall, President of Senegal, said: ``I am shocked by the words of President Trump on Haiti and Africa. I reject them and condemn them vigorously. Africa and the Black race deserves the respect and consideration of all.'' And then there is John Mahama, former President of Ghana. He said: ``Africans and Haitians come from s----hole countries? Isn't Trump demonstrating that he is nothing but a racist and pursuing a policy of `Make America White Again'? I congratulate Botswana for showing the way. Our AU Presidents must respond strongly to this insult.'' I could go on and on about comments that are coming from our friends and [[Page H448]] our allies. Some of them may be poor countries but who have had respect for us in the past and who have stood with us in times of adversity. I absolutely know that this country has demonstrated, time and time again, that we are humanitarians, that we understand the importance of giving support to the poorest countries in this world, and they appreciate us so much. They honor us, they have respected us, and they have done everything to show that they will stand with us when they need us to do that. And here we are at a time when we are willing to put them at risk with a piece of legislation where we have some Members on the opposite side of the aisle who think they know better than the World Bank, who think they know better than all of the Members, Democrats and Republicans, who have worked together for years in our support of the World Bank; in our support of giving support to the 77 poorest countries in the world; and giving our support to the 450 million people, many of them who are living in abject poverty, many of them who don't know where the next meal is going to come from, and many of them whose lives are at risk every day. How can we, the richest country in the world, turn our nose up at them, talk about somehow they are not credible, talk about somehow they are all corrupt? I reject it, and I ask the Members of this Congress to vote ``no'' on this misplaced, misguided piece of legislation. Mr. Chairman, I yield back the balance of my time. The Acting CHAIR. The Chair would remind Members that remarks in debate may not engage in personalities toward the President, including by repeating remarks carried elsewhere that would be improper if spoken in the Member's own words. Mr. HENSARLING. Mr. Chairman, may I inquire how much time I have remaining. The Acting CHAIR. The gentleman has 4\3/4\ minutes remaining. Mr. HENSARLING. Mr. Chair, I yield myself the balance of my time. First, Mr. Chairman, let me get the whole process debate out of the way. Anybody who is watching this debate has got to be scratching their head at the proposition that every single one of my Democratic colleagues who come to the floor to denounce H.R 3326 have already voted for it. They voted for it 60-0 in committee. Mr. Chairman, do you know how many amendments they offered in that markup, their opportunity to refine the legislation, their opportunity to improve the legislation, their opportunity to put their imprimatur on the legislation? Do you know how many amendments they offered? Zero. Zero amendments were offered by the minority who now claim that somehow they were cut out of the process. For 6 months, we have been waiting, waiting to bring this bill, waiting to hear about these improvements, and only three legislative days ago did, finally, the Democrats deign to offer any new improvement to this bill. So I think, Mr. Chairman, she doth protest too much. And now what I don't understand, Mr. Chairman, is how my Democratic colleagues can defend some of these rogue regimes and some of the activities of the World Bank. Dr. Jean Ensminger, Edie and Lew Wasserman professor of social science at Caltech, testified that there is corruption throughout World Bank projects in remote areas of Kenya near the Somali border. She said: ``As I dug more deeply, it became apparent that corruption had been entrenched in the project since 2000.'' And we are talking about the poorest of the poor. She goes on to say: As the board was about to renew the project for 5 years, finally, the internal investigation showed that 62 percent of the transactions were fraudulent. Except my friends on the other side of the aisle: It doesn't matter. Don't worry about the fraud. Just send them U.S taxpayer money. It doesn't matter that the poor aren't actually helped. Just send them money because it makes us feel good. Sasha Chavkin from the International Consortium of Investigative Journalists testified--and I alluded to this earlier about the forced displacement of the poorest of the poor caused by projects financed by the World Bank. He went on to testify: ``We found, instead, that the bank repeatedly funded governments that not only failed to adequately resettle communities, but, in some cases, were accused of human rights abuses such as rape, murder, and violent evictions associated with bank projects. We found in several cases that the World Bank continued to bankroll these borrowers even after evidence of these abuses came to light.'' We have a bill to reform that, to make sure the poor are actually helped, to ensure that instead of taxpayer money going to rape, murder, and violent evictions, that it actually goes to help the poor. And why my Democratic colleagues who were once for it are now against it is beyond me. We certainly know about the infamous World Bank project, road project, in western Uganda where it was associated with an increase in sexual exploitation of young girls. Teenage girls were being sexually harassed on the way to school. Many were sexually exploited or wagged by project workers, and once this became known, the World Bank denied it. So we have the simple bill to say that the U.S taxpayer will demand accountability. We will demand reforms. People should be aghast at how this money has been spent at the World Bank. It is not how much money you spend. It is how you spend the money. And if we want reforms, we are going to have some accountability, something that my friends on the other side of the aisle used to support, and they should be ashamed that they are not supporting it today. We must all support H.R 3326. I very much commend the gentleman from Kentucky for bringing this valuable piece of legislation to the floor. Mr. Chairman, I urge its adoption, and I yield back the balance of my time. The Acting CHAIR. All time for general debate has expired. Pursuant to the rule, the bill shall be considered for amendment under the 5-minute rule. It shall be in order to consider as an original bill for the purpose of amendment under the 5-minute rule the amendment in the nature of a substitute recommended by the Committee on Financial Services printed in the bill. The committee amendment in the nature of a substitute shall be considered as read. The text of the committee amendment in the nature of a substitute is as follows: H.R 3326 Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, SECTION 1. SHORT TITLE. This Act may be cited as the ``World Bank Accountability Act of 2017''. SEC. 2. WITHHOLDING OF FUNDS UNTIL CERTAIN CONDITIONS ARE MET. (a) Institutional Reforms.-- (1) In general.--With respect to each of fiscal years 2018 through 2023, in addition to any amounts withheld from disbursement under subsection (b), 15 percent of the amounts provided in appropriations Acts for the International Development Association for the fiscal year-- (A) shall be withheld from disbursement until the conditions of paragraph (2) or (3) are satisfied; and (B)(i) shall be disbursed after the conditions of paragraph (2) are satisfied; and (ii) may be disbursed after the conditions of paragraph (3) are satisfied (2) Initial conditions.--The conditions of this paragraph are satisfied with respect to the amounts provided in appropriations Acts for a fiscal year if, in the fiscal year, the Secretary of the Treasury reports to the appropriate congressional committees that the International Bank for Reconstruction and Development-- (A) is implementing institutional incentives, including through formal staff evaluation criteria, that prioritize poverty reduction, development outcomes, and capable project management over the volume of the Bank's lending and grantmaking; (B) is taking steps to address the management failures described in Inspection Panel Investigation Report 106710-UG, and to prevent their recurrence in countries that are eligible for World Bank support; and (C) is taking measures to strengthen its management of trust funds, with the goal of increasing the accountability of the trust funds for poverty reduction and development outcomes. (3) Subsequent conditions.--The conditions of this paragraph are satisfied if the Secretary of the Treasury reports to the appropriate congressional committees, in each of the 3 fiscal years most recently preceding the fiscal year in which the report is made, that the International Bank for Reconstruction and Development has instituted the measures described in paragraph (2) of this subsection and the measures described in subsection (b)(2). [[Page H449]] (b) Governance and Anticorruption Reforms.-- (1) In general.--With respect to each of fiscal years 2018 through 2023, in addition to any amounts withheld from disbursement under subsection (a), 15 percent of the amounts provided in appropriations Acts for the International Development Association for the fiscal year-- (A) shall be withheld from disbursement until the conditions of paragraph (2) or (3) are satisfied; and (B)(i) shall be disbursed after the conditions of paragraph (2) are satisfied; and (ii) may be disbursed after the conditions of paragraph (3) are satisfied (2) Initial conditions.--The conditions of this paragraph are satisfied with respect to the amounts provided in appropriations Acts for a fiscal year if, in the fiscal year, the Secretary of the Treasury reports to the appropriate congressional committees that the International Bank for Reconstruction and Development-- (A) is emphasizing in appropriate operational policies, directives, and country strategies its support for secure property rights, due process of law, and economic freedom as essential conditions for sustained poverty reduction in World Bank borrowing countries; (B)(i) in the preceding fiscal year, has not approved any loans or grants assistance by the Bank to a country designated by the United States as a state sponsor of terrorism; and (ii) is strengthening the ability of Bank-funded projects to undermine violent extremism; (C) is taking steps to conduct forensic audits of projects receiving assistance from the Bank, increase the number of the forensic audits, and strengthen the capacity of the Bank's Integrity Vice Presidency, and that not less than 50 percent of the forensic audits initiated by the Bank in each fiscal year are of projects randomly selected from among International Development Association borrowing countries; and (D) is taking measures to detect and minimize corruption in all World Bank projects involving development policy lending. (3) Subsequent conditions.--The conditions of this paragraph are satisfied if the Secretary of the Treasury reports to the appropriate congressional committees, in each of the 3 fiscal years most recently preceding the fiscal year in which the report is made that the International Bank for Reconstruction and Development has instituted the measures described in paragraph (2) of this subsection and the measures described in subsection (a)(2). (c) Appropriate Congressional Committees Defined.--In this section, the term ``appropriate congressional committees'' means the Committees on Financial Services and on Appropriations of the House of Representatives and the Committees on Foreign Relations and on Appropriations of the Senate. SEC. 3. REPORTS TO CONGRESS. The Chairman of the National Advisory Council on International Monetary and Financial Policies shall include in the report required by section 1701 of the International Financial Institutions Act for each of fiscal years 2018 through 2023 a detailed description of the actions undertaken by the International Bank for Reconstruction and Development in the fiscal year covered by the report to institute the measures described in subsections (a)(2) and (b)(2) of section 2 of this Act. SEC. 4. OPPOSITION TO WORLD BANK ASSISTANCE FOR GOVERNMENT THAT FAILS TO IMPLEMENT OR ENFORCE MEASURES REQUIRED UNDER AN APPLICABLE UNITED NATIONS SECURITY COUNCIL RESOLUTION. The Bretton Woods Agreements Act (22 U.S.C 286 et seq.) is amended by adding at the end the following: ``SEC. 73. OPPOSITION TO ASSISTANCE FOR GOVERNMENT THAT FAILS TO IMPLEMENT OR ENFORCE MEASURES REQUIRED UNDER AN APPLICABLE UNITED NATIONS SECURITY COUNCIL RESOLUTION. ``The Secretary of the Treasury should instruct the United States Executive Director at the International Bank for Reconstruction and Development to use the voice and vote of the United States to oppose the provision of assistance to the government of a borrowing country of the International Development Association if the President of the United States determines that the government has knowingly failed to implement or enforce sanctions required under an applicable United Nations Security Council resolution (as defined in section 3 of the North Korea Sanctions and Policy Enhancement Act of 2016 (Public Law 114-122; 22 U.S.C 9202)) that is in effect.''. SEC. 5. EIGHTEENTH REPLENISHMENT OF THE INTERNATIONAL DEVELOPMENT ASSOCIATION; REDUCTION FROM IDA-17 AUTHORIZED LEVEL. The International Development Association Act (22 U.S.C 284 et seq.) is amended by adding at the end the following: ``SEC. 30. EIGHTEENTH REPLENISHMENT. ``(a) Contribution Authority.--The United States Governor of the International Development Association may contribute on behalf of the United States $3,291,030,000 to the eighteenth replenishment of the resources of the Association, subject to obtaining the necessary appropriations. ``(b) Limitations on Authorization of Appropriations.--In order to pay for the contribution provided for in subsection (a), there are authorized to be appropriated, without fiscal year limitation, $3,291,030,000 for payment by the Secretary of the Treasury.''. The Acting CHAIR. No amendment to that committee amendment in the nature of a substitute shall be in order except those printed in part A of House Report 115-518. Each such amendment may be offered only in the order printed in the report, by a Member designated in the report, shall be considered as read, shall be debatable for the time specified in the report equally divided and controlled by the proponent and an opponent, shall not be subject to amendment, and shall not be subject to a demand for division of the question. Amendment No. 1 Offered by Mr. Norman The Acting CHAIR. It is now in order to consider amendment No. 1 printed in part A of House Report 115-518. Mr. NORMAN. Mr. Chair, I have an amendment at the desk. The Acting CHAIR. The Clerk will designate the amendment. The text of the amendment is as follows: Page 6, line 2, after ``economic freedom'' insert ``, including reduction of government barriers to entrepreneurship,''. The Acting CHAIR. Pursuant to House Resolution 693, the gentleman from South Carolina (Mr. Norman) and a Member opposed each will control 5 minutes. The Chair recognizes the gentleman from South Carolina. Mr. NORMAN. Mr. Chairman, I rise today to support my amendment to H.R 3326, the World Bank Accountability Act. I also want to thank the chairman of the full committee and Andy Barr, who is the subcommittee chairman, for introducing this legislation and working with me on this amendment. The purpose of the underlying bill is simple: to ensure that the World Bank is effective in supporting projects abroad that work and actually reduce poverty. One aspect of the bill requires that the U.S may withhold part of its funding from the World Bank unless the Treasury Department reports that the World Bank is emphasizing proven antipoverty solutions such as secure property rights, due process under the law, and economic freedom. My amendment would make a small and positive change to the bill which clarifies that the World Bank should also focus on reducing government barriers to entrepreneurship in addition to the other requirements. {time} 1600 This simple modification is important for a couple of reasons: First, multiple studies have found that entrepreneurship is an essential part of reducing poverty abroad because it gives people the ability to use their skills and God-given talents to foster innovation and create jobs in their individual communities. Foreign governments often create barriers to entrepreneurship through excessive fees, burdensome licensing requirements, and lengthy permitting processes. Second, this modification is consistent with United States foreign policy, which, in part, is to promote market solutions to international poverty. This will ensure that individuals will have the capability to pull themselves out of poverty without excessive barriers put up by their government, ultimately improve the efficiency of United States development assistance and improve the economic situation in impoverished nations. For these reasons, I urge my colleagues to support my amendment. I appreciate the committee's willingness to work with me on this issue. Mr. Chairman, I yield back the balance of my time. Mr. BARR. Mr. Chairman, I rise in opposition to the amendment, although I am not opposed to the amendment. Ms. MAXINE WATERS of California. Mr. Chairman, I rise in opposition to the amendment. The Acting CHAIR (Mr. Palmer). Is the gentlewoman opposed to the amendment? Ms. MAXINE WATERS of California. Yes, I am opposed to the amendment. The Acting CHAIR. The gentlewoman is recognized for 5 minutes. Ms. MAXINE WATERS of California. Mr. Chairman, I rise in opposition to the amendment offered by the gentleman from South Carolina (Mr. Norman). While the amendment speaks to reducing government barriers to entrepreneurship, the real-world impact of adopting this amendment would be to enlist the World Bank in the business [[Page H450]] of really what they are going for, diminishing labor standards. The World Bank's prior ``doing business'' report is a prime example of why we must reject this amendment. The World Bank should be encouraging sustainable and inclusive growth, not policies that diminish workers' rights. So I would urge all Members to oppose this amendment. Mr. Chairman, I yield 1 minute to the gentleman from Kentucky (Mr. Barr). Mr. BARR. Mr. Chairman, I thank the gentlewoman for yielding. Mr. Chairman, I want to thank the gentleman from South Carolina for his very thoughtful amendment. His amendment addresses an issue dear to our heart, and that is economic freedom. By making the bill even more explicit in its support for entrepreneurship, his contribution makes a good piece of legislation better. Still, it is important to remember that the poor, wherever they may be in the world, can succeed if their government lets them, and that is a principle we should all wholeheartedly support. I hope the World Bank will subscribe to it as well. I would just say one other thing about the debate that has transpired here today. This is hardworking American taxpayers' generosity. It is their charity. It is the American taxpayers trying to help people who live in impoverished countries. It is unfair to hardworking taxpayers and it dishonors the generosity of the American people to not hold the World Bank accountable. I applaud the gentleman, Mr. Norman, for his amendment, which will unleash entrepreneurship in these lesser developed countries. Ms. MAXINE WATERS of California. Mr. Chairman, I yield back the balance of my time. The Acting CHAIR. The question is on the amendment offered by the gentleman from South Carolina (Mr. Norman). The amendment was agreed to. Amendment No. 2 Offered by Mr. Connolly The Acting CHAIR. It is now in order to consider amendment No. 2 printed in part A of House Report 115-518. Mr. CONNOLLY. Mr. Chairman, I have an amendment at the desk. The Acting CHAIR. The Clerk will designate the amendment. The text of the amendment is as follows: Page 7, line 22, insert ``, to institute the measures described in section 203 of the William Wilberforce Trafficking Victims Protection Reauthorization Act of 2008 (8 U.S.C 1375c), and to ensure that persons to whom a G-5 visa (as defined in such section 203) has been issued and who are employed by a diplomat or staff of the Bank are informed of their rights and protections under such section 203'' before the period. The Acting CHAIR. Pursuant to House Resolution 693, the gentleman from Virginia (Mr. Connolly) and a Member opposed each will control 5 minutes. The Chair recognizes the gentleman from Virginia. Mr. CONNOLLY. Mr. Chairman, I yield myself such time as I may consume. Mr. Chairman, I rise today to offer an anti-human trafficking amendment to the World Bank Accountability Act. The chairman of the National Advisory Council on International Monetary and Financial Policies is already required by law to submit to the Speaker of the House, the President of the Senate, and the President of the United States an annual report on the effectiveness and operations of international financial institutions as well as other goals for development assistance and financing already specified by Congress. The base text of the World Bank Accountability Act already includes several additions to the chairman's annual report. This amendment would make one addition to that report. The amendment would require the chairman to report on the detailed actions undertaken by the World Bank to institute certain protections for G-5 nonimmigrant visa holders and inform these individuals of the rights afforded to them by the William Wilberforce Trafficking Victims Protection Reauthorization Act of 2008. That legislation was sponsored by my good friend and former chairman of the House Foreign Affairs Committee, Howard Berman. G-5 nonimmigrant visas are reserved for foreign domestic employees of diplomats and international organizations, such as the World Bank. Prior to the enactment of the William Wilberforce Trafficking Victims Protection Reauthorization Act, these foreign domestic employees had very few protections. However, the bill enacted several important reforms on how we prevent abuse and trafficking of foreign domestic employees in the United States on G-5 nonimmigrant visas. The law mandated that all such visa holders have an employer-employee contract that includes, inter alia: One, an agreement by the employer to abide by all Federal, State, and local laws; Two, information on the frequency and form of payment, work duties, weekly work hours, holidays, sick days, and vacation days; and Three, have an agreement by the employer not to withhold the passport, employment contract, or other personal property and documents of the employee. Among other things, the law also permits these foreign domestic employees to remain legally and work in the United States while seeking legal redress against their employers, as required. As a Representative for Northern Virginia, I count among the residents of my district many of the hardworking and dedicated employees of the World Bank who work in offices throughout the D.C metropolitan area. As a result, I also represent the foreign domestic employees of those who work in the World Bank and such institutions. Unfortunately, sometimes, some of these individuals have been subject to abuse by their employers. Since 2010, there have been at least five Federal civil trafficking cases in the United States involving the World Bank, and a majority of those cases were filed in the Eastern District of Virginia. All of these cases resulted in either a settlement, a default judgment for the plaintiff, or a guilty plea--all of them. According to the GAO report on household workers for foreign diplomats, ``The people who come to the United States on G-5 visas are among the most vulnerable who enter our borders legally. They are often poor, uneducated, and unfamiliar with their rights under United States law. If they find themselves in an abusive situation, their ability to hold their employers accountable can be limited, particularly if their employers hold full diplomatic immunity and inviolability.'' According to a 2017 survey, 85 percent of domestic worker trafficking survivors report having pay withheld or being paid well below minimum wage, in violation of our own domestic laws. Seventy-eight percent have had employers threaten to report them for deportation if they complained. Sixty-two percent report having their passports or other identification documents taken away or withheld illegally by their employers. We must empower all individuals who find themselves victims of abuse or human trafficking and provide them with a way out. Too often their plight is obscured by their vulnerability and their susceptibility to these kinds of threats. I hope this amendment helps shed more light on one corner of this problem and offers victims currently suffering under an abusive employer a way out of the shadows. This is a matter of human decency, human freedom, and a reaffirmation of human autonomy. Mr. Chairman, I urge its adoption. I thank the chairman and his staff and the ranking member and her staff for their cooperation fashioning this amendment. Mr. Chairman, I yield back the balance of my time. Mr. BARR. Mr. Chairman, I rise in opposition to the amendment, although I am not opposed. The Acting CHAIR. Without objection, the gentleman from Kentucky is recognized for 5 minutes. There was no objection. Mr. BARR. Mr. Chairman, I thank the gentleman from Virginia for his efforts, and I am willing to accept his amendment. The language he proposes would ensure that the Treasury keeps Congress updated on the World Bank's efforts to ensure that certain visa holders at the World Bank are aware of the provisions of current law. [[Page H451]] This addition to the bill is unobjectionable. I am pleased to support it. Mr. Chairman, I yield back the balance of my time. The Acting CHAIR. The question is on the amendment offered by the gentleman from Virginia (Mr. Connolly). The question was taken; and the Acting Chair announced that the ayes appeared to have it. Mr. CONNOLLY. Mr. Chairman, I demand a recorded vote. The Acting CHAIR. Pursuant to clause 6 of rule XVIII, further proceedings on the amendment offered by the gentleman from Virginia will be postponed. Amendment No. 3 Offered by Mr. Barr The Acting CHAIR. It is now in order to consider amendment No. 3 printed in part A of House Report 115-518. Mr. BARR. Mr. Chairman I have an amendment at the desk. The Acting CHAIR. The Clerk will designate the amendment. The text of the amendment is as follows: Page 8, line 13, insert ``(a) In General.--'' before ``The Secretary''. Page 8, line 13, strike ``should'' and insert ``shall''. Page 8, line 16, insert ``financial'' before ``assist-''. Page 8, line 17, after ``ance'' insert ``, other than assistance to support basic human needs,''. Page 8, line 24, strike the close quotation marks and the period that follows. Page 8, after line 24, insert the following: ``(b) Waiver.--The President may waive subsection (a) for not more than 180 days at a time with respect to a foreign government if the President reports to the Congress that-- ``(1) the failure described in subsection (a) by the foreign government is due exclusively to a lack of capacity of the foreign government; ``(2) the foreign government is taking effective steps to prevent the failure from recurring; or ``(3) the waiver is vital to the national security interests of the United States.''. The Acting CHAIR. Pursuant to House Resolution 693, the gentleman from Kentucky (Mr. Barr) and a Member opposed each will control 5 minutes. The Chair recognizes the gentleman from Kentucky. Mr. BARR. Mr. Chairman, I rise to offer a straightforward amendment that would simply make this bill's language more consistent with legislation the House has already passed with an overwhelming bipartisan majority. As reported, H.R 3326 calls on the Treasury Department to oppose World Bank assistance to IDA countries that knowingly fail to enforce U.N Security Council sanctions against North Korea. As the U.N Panel of Experts has concluded, lax enforcement, including in developing countries eligible for IDA support, has significantly undermined the effectiveness of U.N sanctions against the Kim regime. All my amendment does is change the word ``should'' to ``shall,'' making U.S opposition to World Bank assistance for those countries mandatory. At the same time, the amendment adds Presidential waiver authority so that the administration can exempt countries that may be facing limits to their government capacity or which are making an effort to correct their enforcement failures. There is also a national interest waiver included in this provision. The Financial Services Committee has already passed this stronger mandatory provision in the Otto Warmbier North Korea Nuclear Sanctions Act, which I am proud to have sponsored along with my subcommittee ranking member, Ms. Moore from Wisconsin. Ms. Moore's input was important to making this provision both tough and flexible enough to incentivize foreign countries to work harder on sanctions enforcement. Our committee passed the Otto Warmbier sanctions bill unanimously, and it passed the full House in October by a vote of 415-2. Again, this is a minor change to align this bill's language with a policy that the House has already endorsed on a bipartisan basis. Mr. Chairman, I urge my colleagues' support. Before I conclude, I do want to just make a general comment about the wisdom of this legislation and the approach to enforce accountability on the World Bank. We heard some of the arguments from our friends on the other side of the aisle--our colleagues on the other side of the aisle. I would just say, on a bipartisan basis, we are the guardians and the custodians of the American taxpayers' charity. We are the guardians of their hard-earned income that they pay in the form of taxes to their government, and they ask us to be wise stewards of those tax dollars. These taxpayers work hard to pay their taxes. So when that money comes to Washington, they expect when we are fighting poverty in Third World countries with their tax dollars that we make it work because the American people--and we all agree here--want to fight poverty in these Third World countries. We want to make sure that these Third World countries are not either knowingly or unknowingly supporting circumventing these sanctions against North Korea. We want to make sure that they are promoting economic freedom and actually helping people rise out of poverty and achieve their God-given potential in these countries that need our humanitarian assistance. So for goodness' sake, let's support accountability at the World Bank so that we don't have rape, murder, and violent evictions associated with World Bank projects, which is what everybody knows the testimony has been in our oversight. This is not about turning our backs on the poor. It is about standing up for the poor. It is about making sure that the money that our taxpayers are giving to the World Bank is actually helping alleviate poverty and not exacerbating the problems in these poor countries. {time} 1615 If the Bank can't undertake the reforms in this bill--again, reforms that the minority supported--then, by definition, the Bank's money is not benefiting the poor. If it is not benefiting the poor, how could withholding a portion of it be punishing the poor? For goodness' sake, let's honor the charity of the American taxpayers. Let's not dishonor it. Let's honor it by actually making reforms to the World Bank so that it can fulfill its important mission and not undermine its important antipoverty mission. Mr. Chairman, I yield 30 seconds to the gentleman from Texas (Mr. Hensarling), the distinguished chairman of the full committee. Mr. HENSARLING. Mr. Chairman, I thank the gentleman for yielding. Mr. Chairman, not only do I want to thank him for his leadership in providing accountability to the World Bank to ensure that the poorest of the poor are truly helped and that the hardworking, beleaguered taxpayer has his funds respected, but I also want to thank him for this amendment and his previous work to ensure that sanctions on one of the most dangerous regimes on the face of the planet, North Korea, are actually effective. We know the threat that North Korea presents to all of our constituents and our country. So I thank the gentleman from Kentucky for his leadership, and I urge the adoption of his amendment. Mr. BARR. Mr. Chair, I yield back the balance of my time. Ms. MAXINE WATERS of California. Mr. Chairman, I rise in opposition to the amendment, though I do not intend to oppose it. The Acting CHAIR. Without objection, the gentlewoman is recognized for 5 minutes. There was no objection. Ms. MAXINE WATERS of California. Mr. Chairman, this amendment, offered by the gentleman from Kentucky, Representative Barr, would make changes to section 4 of the underlying bill dealing with opposing World Bank assistance for governments that fail to enforce U.N Security Council sanctions against North Korea. These changes are welcome and would bring this section of the bill in line with a provision that was adopted on a bipartisan basis in the Financial Services Committee as part of our commitment in the Otto Warmbier North Korea Nuclear Sanctions Act. Just as the bipartisan measure that was passed through our committee included a clearly defined waiver authority, the amendment offered by Representative Barr would add, in this same waiver, provisions to the underlying bill. In doing so, the amendment not only makes section 4 of the bill consistent with the approach used in [[Page H452]] other contexts, but, more importantly, it ensures that we allow the President to waive the withholding of assistance for countries that fall short in applying sanctions on North Korea when such failure is due exclusively to a lack of capacity of the foreign government and the foreign government is taking effective steps to prevent the failure from recurring. While I do not believe the underlying bill should become law in its current form, I do believe we should take a consistent and thoughtful approach to cutting off World Bank assistance to the poorest countries that are unable to fulfill their U.N Security Council obligations. This amendment would address this concern. Mr. Chairman, I thank the gentleman for giving credit to Ms. Moore for her work and her assistance with the work that was being done to deny North Korea any kind of assistance from any of our allies, as I understand it. This is not something that is done by the Republicans or the Democrats. This is truly bipartisan. We all feel the same way about North Korea, and we all feel that the sanctions should be honored. We all feel that no country, in particular those countries that we are supporting, in any way should do anything to give support to North Korea. In saying that, let me also point out that we don't come to this floor with any kind of empty rhetoric, talking about all of those countries are corrupt and somehow all of these countries in Africa and other places that are very poor are somehow disregarding the fact that the United States is being of assistance to them. Most of them know that their lives oftentimes depend on our generosity. They love us and support us. They want to emulate us. They get a little bit confused when we have people who charge them with being corrupt and irresponsible and noncaring and not having an appreciation for what the citizens of the United States are doing for them. That is not the kind of rhetoric that we need in order to enhance our posture or our image with our constituents and have them believe that we are saving them from these poor countries who are getting taxpayer money and don't care about them. That is not true. I cringe when I hear that kind of rhetoric on the floor of Congress. I cringe when I hear us using our position, our influence, to send a message that somehow we don't trust, we don't believe, we don't honor, and we don't respect many of those very, very poor countries. We are talking about 77 of the poorest countries in the world. You will see ads on television, from time to time, of nonprofit organizations that are trying to save the lives of little children who are dying from malnutrition. You see them every night, and they tell you: Send $21; send some money to this organization so we can save these children who are dying because they don't have clean drinking water, who are dying because they are victims of malaria, who are dying because they don't have any healthcare whatsoever, living practically outdoors. When we see these ads, many people are responding, joining in with their government to show our humanitarianism and helping the least of these. I want us to take credit, but I want us be respectful. I want us not to join in calling names. I want us to say to the President of the United States: ``Don't keep doing this.'' I want to say to the Members on the opposite side of the aisle: ``You are better than this, and you don't need this for your reelection. You don't need this to send a message to your citizens that you are saving them from poor, corrupt countries.'' Mr. Chairman, I yield back the balance of my time. The Acting CHAIR. The question is on the amendment offered by the gentleman from Kentucky (Mr. Barr). The amendment was agreed to. Mr. HENSARLING. Mr. Chairman, I move that the Committee do now rise. The motion was agreed to. Accordingly, the Committee rose; and the Speaker pro tempore (Mr. Holding) having assumed the chair, Mr. Palmer, Acting Chair of the Committee of the Whole House on the state of the Union, reported that that Committee, having had under consideration the bill (H.R 3326) to increase accountability, combat corruption, and strengthen management effectiveness at the World Bank, had come to no resolution thereon.

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**Section:** NEWS IN BRIEF

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**Body**

Americas

Union strike looms over Canadian Pacific Railway

The unions representing the workers at Canadian Pacific Railway are set to go on strike after overwhelmingly rejecting the latest contract offerings, the Canadian railroad confirmed. The railroad as of 26 May had received its second 72-hour strike notice from the Teamsters Canada Rail Conference – Train & Engine (TCRC) and the International Brotherhood of Electrical Workers (IBEW) and although CP said it continues to strive to reach an agreement, it has commenced its work stoppage contingency ***plan***.

US to start 25% tariff against Chinese goods

The US government ***plans*** to implement its proposed 25% tariff on $50bn worth of Chinese imports, according to a White House announcement. The announcement comes a little more than a week after the US Treasury department said trade issues between the two countries was on hold. The final list of Chinese imports will be announced by 15 June, and the tariff will be imposed shortly after, the government said. In addition to the tariff, the US will also “implement specific investment restrictions” by 30 June for Chinese persons and entities related to acquiring industrial technology.

Idled biodiesel facility in Illinois to be auctioned

A 12m gal/year (45.4m litre/year) biodiesel facility in Illinois will be forcibly auctioned in July, said auctioneer Maas Companies. It will hold a sealed auction process for the St Louis Biodiesel facility. Midwest Biodiesel Products, with which the facility was associated, could not be reached for comment. Built in 1995, the facility was converted into a biodiesel production plant in 2006, MAAS said. The plant can ***produce*** biodiesel from multiple feedstocks, including soybean and vegetable oil, the company said.

Koch to shut down Texas ethylene pipeline

Koch Pipeline has scheduled the shutdown of an ethylene pipeline in Chambers county, Texas. The pipeline will be shut down for the installation of a valve, according to the filing with the Texas Commission on Environmental Quality (TCEQ). The filing did not specify the duration of the shutdown, but emissions were expected 29-31 May. Chambers county is on the Texas coast, east of Houston. Koch Pipeline did not immediately return a request for comment.

Trucker strike disrupts operations in brazil

Braskem confirmed that it has lowered rates at its industrial units in all of Brazil following a recent trucker strike that crippled the country. Braskem did not say when it started lowering rates or when they should return to normal. Braskem did not say what the operating rate was at each plant. Braskem did not immediately respond to a request for more specific information about its plant operations. At AkzoNobel Specialty Chemicals, all of its Brazilian plants are either operating at reduced rates or have stopped production.

Indorama acquires Brazil M&G PET plant

Indorama Ventures Public Co Limited (IVL) has completed the acquisition of Mossi & Ghisolfi’s (M&G) polyethylene terephthalate (PET) plant in Brazil. The plant is in Ipojuca, Pernambuco state, and has a PET capacity of 550,000 tonnes/year. M&G operated the plant under M&G Polimeros Brazil.

Braskem, others may shut down at Sao Paulo

Braskem and several other chemical companies and distributors may begin to shut down their operations on Monday at the Grande ABC industrial park in Sao Paulo state, Brazil, just as a trucking union agreed to call off a strike that had crippled the nation. The park is having problems shipping out finished goods and receiving raw materials because of the trucker strike, which has lasted for a week, according to the Industrial Development Committee of the Grande ABC Industrial Park (Cofip).

construction under way on US ethylene terminal

Enterprise Products Partners and Navigator Holdings announced that construction is under way on their joint venture ethylene export terminal. The terminal will be located at Enterprise’s Morgan’s Point facility in Texas on the Houston Ship Channel, with commercial operations expected to begin in Q4 2019. The facility will have the capacity to export approximately 2.2bn lb/year (998,000 tonnes/year), with on-site storage for 66m lb and the capability to load ethylene at rates of 2.2m lb/hour.

Lubrizol expands TPU capacity at Ohio plant

Lubrizol has expanded thermoplastic polyurethane (TPU) capacity at its Avon Lake production facility in Ohio. The company said its $30m investment is part of Lubrizol’s ***strategic*** investment in engineered polymers, totalling nearly $80m worldwide. Lubrizol also said the expansion efforts are a reaction to anticipated demand for specialty polymers and compounds to grow at double-digit rates. The company did not specify an amount, but the expansion adds “significant new capacity”, plant manager Nathan Deutsch said.

ethanol groups sue EPA over refiner waivers

A coalition of ethanol and farm trade groups are suing the US Environmental Protection Agency (EPA). The Renewable Fuels Association (RFA), National Corn Growers Association (NCGA), American Coalition for Ethanol (ACE) and National Farmers Union (NFU) filed the suit in the US Court of Appeals for the 10th Circuit, challenging three EPA decisions to exempt three refineries from the Renewable Fuel Standard (RFS) requirements of the Clean Air Act.

europe

‘difficult’ fundamentals hit german exporters

German exporters’ business confidence fell in May, especially in the chemical intensive automotive sector, on the back of a “difficult global” economic environment, the country’s research institute Ifo said on 28 May. Ifo’s index for export expectations fell in May to 13.6 balance points, from 15.6 points in April. In May 2017, the index stood at 19.6 balance points and reached a four-year high in July 2017 at 23.7 balance points.

EU carmakers concerned about US import probe

The EU’s chemical intensive automobile industry expressed on 28 May its “concern” about a proposed investigation in the US into imports of vehicles and auto parts, according to the European Automobile Manufacturers’ Association (ACEA). The US recently announced it ***plans*** to launch a national security investigation into imports of vehicles and auto parts as it seeks to promote its domestic industry. ACEA said that EU-US auto-related trade currently accounts for around 10% of the total trade between the two regions.

SGL Carbon rebrands, realigns structure

Germany-based SGL Carbon has completed its “***strategic*** realignment” by launching a new brand concept including a newly developed company logo. The company said the new logo is a method of visually putting an end to its ***strategic*** realignment. “With the completion of the ***strategic*** realignment, a new era begins for us as a company,” said Jurgen Kohler, CEO of SGL Carbon.

Ciech idles trade with Iran, awaits us sanctions

Ciech will address the question of whether to continue importing polyolefins from sanction-hit Iran if and when another business opportunity presents itself, the Polish chemical ***producer*** said on 28 May. The group’s Ciech Trading subsidiary last September announced it was taking deliveries of Iranian polyolefins to be sold on European markets. However, Ciech Group spokesman Miroslaw Kuk told ICIS that the current situation is that the company was not “importing or delivering” either polyolefins or any other product from Iran.

Perstorp forms 3D printing materials JV

Sweden’s Perstorp has formed a joint venture with Dutch firm 3D4Makers to ***produce*** 3D printing materials. The joint venture will be called ElogioAM and will be based in Haarlem, the Netherlands. Perstorp said the first production manufactured will be a 3D filament, with the brand name Facilan. Parts made from Facilan C8 filament have “higher impact and tensile strength” than filament made out of ABS while still being based from compostable materials.

Perstorp progresses with plant upgrade

Perstorp has made “significant progress” in an upgrading project at its Warrington, UK, caprolactone monomer plant. The firm said the work involves the demolition of a 22-year-old plant, which will then be rebuilt to a more modern specification. “Demolition has been completed with new equipment now in place to better support the production facilities,” said executive vice president Marie Gronborg.

EC approves sale of Bayer assets to BASF

European regulators have approved the sale of a raft of assets by Bayer to BASF, as the Germany-based firm draws closer to acquiring US firm Monsanto. The Commission gave the green light for BASF to acquire all of the businesses to be divested by Bayer to address competition concerns over the impact of the Monsanto merger on European ***agriculture***. BASF was named as the purchaser of an initial 5.9bn sheaf of assets and a further 1.7bn remedy package.

Grangemouth shift at front of Scotland ***plan***

Chemical Sciences Scotland is to focus on transforming Grangemouth into a key European hub over the next seven years, it announced as part of its 2025 ***strategic*** ***plan***, which has been backed by Paul Wheelhouse, Scotland’s minister for business, innovation and energy. The Chemical Sciences Scotland Industry Leadership Group published its new ***strategic*** ***plan***, resetting its goals for the next eight years. Wheelhouse approved the strategy review in November 2017 and has now backed the resulting ***plan***.

OECD sees European growth tapering in 2018

European economic growth is likely to slip in 2018 from the previous year despite projected overall global expansion, the Organisation for Economic Co-operation and Development (OECD) said. Eurozone growth is likely to be 2.2% in 2018 compared to 2.6% the previous year, despite expectations that the global economy will expand by 0.1 percentage points year on year to 3.8% over the same period, driven by North America and India.

asia

Akzonobel starts coatings in Changzhou

AkzoNobel has begun production at its new 40m powder coatings plant in Changzhou, China. The plant, located at an existing site, will supply several powder coatings to meet growing demand for more sustainable coatings solutions. Key markets include the automotive, architectural and general industrial sectors. The plant also makes use of advanced sustainability technology such as a vacuum drum waste water recycling system which helps achieve full recycling of waste water and zero waste water emissions.

Fujian Zhongjing to use Lyondell tech

Fujian Zhongjing Petrochemical will be constructing two 600,000 tonne/year polypropylene (PP) units in China using LyondellBasell’s process technology. The fifth generation of Spheripol - a PP process technology pioneered by LyondellBasell - will be used for the units in Fuzhou, Chiina. The process technology deal represents “the world’s largest single PP plant license announced to date”, it added. Financial details of the licensing deal were not disclosed.

BASF starts China acid plus expansion

BASF has begun operations at a new electronic-grade sulphuric acid plant in Jiaxing, China, while it has also started work on expanding the facility in order to double its production capacity. Current or potential capacity figures were not disclosed by BASF, however it did say that it expects the expansion phase of the facility to be operational by the end of 2018. The electronic-grade sulphuric acid wil be used to serve China’s growing semiconductor manufacturing industry.

Shandong picks Honeywell for China PDH

Shandong Tianhong Chemical has chosen Honeywell UOP’s C3 Oleflex technology for the propane dehydrogenation (PDH) unit that it ***plans*** to build in Dongying, Shandong province in China. The plant will have a capacity to ***produce*** 250,000 tonnes/year of propylene, Honeywell said. Shandong marks Honeywell’s 32nd Oleflex award in China. Honeywell did not say when the PDH unit would start.

Zhong’an Lianhe to commission CTO

China’s Zhong’an Lianhe Coal Chemical is scheduled to commission its mega coal-to-olefins (CTO) project at Huainan in Anhui province on 30 August. The project will convert coal into intermediate product methanol and will then take methanol to ***produce*** olefins. Final products are 350,000 tonnes/year of polypropylene (PP) and 350,000 tonnes/year of linear low density polyethylene (LLDPE). The company is aiming to start up the facility middle next year.

Sinopec to buy Shell’s share of coal-to-gas

Shell has inked an agreement with Sinopec to sell its 50% stake in a coal-to-gas project at Yueyang in Hubei province to Sinopec. The transaction is expected to be completed in late June. Sinopec currently holds a 50% interest in the project, and therefore, will own the whole 100% after the deal. The facility started operations in 2006 and primarily supplies gas outputs to Sinopec Baling Petrochemical in the same city as feedstock.

Siam to own Vietnam’s Long Son project

Siam Cement Group will indirectly own 100% of Vietnam’s Long Son Petrochemicals (LSP) project, after acquiring an additional 29% stake for Baht (Bt) 2.9bn ($91m) from Vietnam Oil and Gas Group (PetroVietnam), the Thai conglomerate said on 28 May. Consequently, the group’s share to the ***planned*** Bt173bn project – which will be Vietnam’s first petrochemical complex – will increase by 31% to Bt70bn, SCG said in a filing to the Stock Exchange of Thailand (SET).

MIDDLE EAST/AFRICA huntsman to build polyurethanes in dubai

Huntsman is to build a new facility for the production of polyurethanes (PU) in Dubai, UAE, in order to increase its presence in the Middle East. The facility’s construction is expected to start by the second half of 2019, the company said. It did not disclose details about capital expenditure (capex) nor the production capacities. The facility will be located within the Jebel Ali Free Trade Zone (JAFZA).

JOURNAL : Farmers Weekly

John Deere’s basic Greenstar receiver StarFire iTC, which was introduced in the late 1990s and has not been sold in the UK since 2010, will receive its final phase-out on 1 June 2018 and will no longer receive support or updates from dealers.

See also: 6 budget GPS guidance system options for farmers

The receiver will still operate as normal but activations will no longer be transferable on to newer domes, such as the StarFire 3000 and 6000 models, with the company’s decision being influenced by the limited features the iTC model offers in comparison with the modern offerings.

Current users should get in touch with their dealers to discuss their future requirements.

JOURNAL : Farmers Weekly

Weed control is set to be a challenge for late-drilled beet crops, tackling stubborn weeds without hitting crops.

Many crops did not receive a post-emergence herbicide and broad-leaved weeds are becoming established.

“Weeds will have hardened up by now and will, therefore, be harder to hit,” says independent sugar beet expert Mike May.

See also: What the 5 new sugar beet varieties offer

The delayed season means farmers are going later, applying herbicides at a time of higher temperatures and big temperature fluctuations. Therefore, crop safety will need be a key consideration.

“Weeds are waxing up and you will need to use products that cut through the wax to help control weeds.”

But there is a danger of causing damage to the small beet plants with harsher tank mixes.

Bayer root crop campaign manager Edward Hagues advises care in what products to select, with the focus on formulations that are kinder on the crop.

Mr May says modern products tend to be safer and do not need an adjuvant which can cause problems, especially when temperatures are high. He points to Betanal MaxxPro (desmedipham + ethofumesate + lenacil + phenmedipham) as an example of a safer product to crops.

Another tip from Mr May is to consider splitting the application and going back in four to five days to help stop scorch.

Also avoid spraying in high intensity sunlight: early mornings or early evenings are best. “When temperatures get greater than 20-22C, then you need to worry.”

JOURNAL : Farmers Weekly

UK dairy processor, Meadow Foods has introduced a two-year fixed price milk contract element for its 650 dairy farmer suppliers.

The contract will pay 28p/litre for a 24-month period stretching between 1 July 2018 and 30 June 2020.

See also: Ditch dairy voluntary code and reform contracts, says NFU

Every Meadow ***producer*** will automatically be given 3% of their annual volume as forward fixed price litres, with the onus on farmers to opt out if they do not want to take up the offer.

Despite the modest initial figure, the milk buyer says it intends to increase the amount over time in order to provide ***producers*** with increased security and is in talks with other customers interested in forward fixed pricing.

The move follows the likes of Muller, Lactalis and Paynes Dairies who all have fixed milk price options.

[*https://infogram.com/meadow-fixed-1hmr6gyp083z6nl*](https://infogram.com/meadow-fixed-1hmr6gyp083z6nl)

“We’re pleased to be able to introduce this new pricing option as a direct result of feedback from our ***producers***. We’re committed to offering our ***producers*** a simple, secure and straight milk price,” said Meadow Foods chief executive, Mark Chantler.

We’re committed to offering our ***producers*** a simple, secure and straight milk price Mark Chantler, Meadow Foods chief executive

“Although we feel milk prices are likely to rise over the summer, it’s harder to forecast what the milk price will be for the 24-month period.

Mr Chantler added: “Having a 28p/litre fixed price for the full 24 months will give some ***producers*** the security they desire for a part of their allocated volume.”

Meadow Foods announced earlier in the month that it was looking to recruit new ***producers*** to match ever increasing customer demand.

JOURNAL : Farmers Weekly

At just 21, Laura Green is not just the youngest judge at this year’s Royal Highland Show (21-24 June) – she’s one of the youngest ever to hand out honours at the prestigious event.

“It’s something I would normally only dream of getting asked to do,” Laura says.

“Getting invited to preside over the Beef Young Handlers class is an amazing opportunity, so I’m really excited, although a little nervous. Once I get in the ring though, I know the nerves will disappear and I’ll relax.”

See also: Balmoral Show 2018 highlights and photos

Although a seasoned competitor in young handler classes herself – and having notched up lots of stock judging experience in other situations – this will be the first time she has judged at a show.

It's all in the presentation

The SRUC graduate from Morayshire has a clear idea of what she’s looking for. “The young handlers class is about presenting their animals to the best of their abilities.”

“I like to see the handlers paying attention to the judge and being very attentive to – and aware of – the animal itself. If you’re showing, you certainly can't let an animal see or sense you’re nervous. The handlers should also be dressed very smartly.”

The Green family has strong connections to the Highland Show, having attended for four generations and more recently exhibited with their world-renowned stock, winning the Simmental Champion title in 2014 and the Junior Interbreed titles in 2013 and 2016 with home-bred animals.

!function(e,t,n,s){var i="InfogramEmbeds",o=e.getElementsByTagName(t)[0],d=/^http:/.test(e.location)?"http:":"https:";if(/^\/{2}/.test(s)&&(s=d+s),window[i]&&window[i].initialized)window[i].process&&window[i].process();else if(!e.getElementById(n)){var a=e.createElement(t);a.async=1,a.id=n,a.src=s,o.parentNode.insertBefore(a,o)}}(document,"script","infogram-async","[*https://e.infogram.com/js/dist/embed-loader-min.js*](https://e.infogram.com/js/dist/embed-loader-min.js)");

This year the family are taking eight Simmentals under the family prefix of Corksie and two under the Garmouth prefix, which Laura founded in 2011 when she was given a nine-month-old heifer called Corskie Clover for her 15th birthday.

“My very first calf under my prefix, Garmouth Clover’s Elderflower, was Reserve Junior Champion at the Royal Highland Show in 2015,” she says. “The previous year, her mother was placed first in her class and together they won Best Cow and Calf in the Simmental section.

“We use Facebook quite a lot, but we don’t really do any advertising, so the event is a great shop window for the business. We also attend about 10 local shows and go to about six pedigree sales a year, mainly Thainstone, Carlisle and Stirling. We also sell a lot of stock privately.”

Going home to bury underpants

Laura returned home to work full-time alongside dad Iain on the 1,500-acre family farm after graduating from SRUC’s Craibstone campus last July with a distinction in a rural business management degree.

The course, she says, represented “the best of both worlds”, combining ***agriculture*** with finance, economics and management.

“I commuted over an hour each way every day, but that meant I could work on the farm the whole time I was at college. There were times that were incredibly busy – and I came close to missing deadlines on a few occasions but never did.”

The business has arable, sheep and pig enterprises, alongside the cattle – which are her main passion. "I love working with them – you get to know them all and their individual characters.”

It has recently become part of the QMS/AHDB Monitor Farm ***programme***, designed to spread best practice and help improve productivity and profitability. In fact, the farm made headlines recently as the site of a “pants-burying” experiment.

It was a bit of fun, but explored a serious point, recalls Laura. The idea was to bury pairs of cotton underpants in different soils and see how they decomposed.

If they rotted quickly, it would suggest the soil was healthy and full of bugs; if they didn’t, it would show the soil wasn’t the same quality. “STV news came out to the farm. The whole thing went viral.”

Technology lines

As well as the “best of the best” in the livestock lines, she’s looking forward to perusing the new technology at the show.

It’ll be a chance, as well, to catch up with old friends, including those she met through the Aberdeen Angus Youth Development ***Programme***, the Simmental Young Members or the Scottish Association of Young Farmers’ Clubs.

“I joined YFC as soon as I could and never looked back. I did everything from stock judging and sports to ropemaking and tug of war.”

She'll be at the show – which she first attended “as a toddler or even younger” – for the whole four days, staying in a caravan on the site.

“We’ll come back exhausted, but I can’t wait to be a judge. It’s so important to encourage and educate the younger generation in showmanship. It helps them improve their skills, meet new people and gain valuable knowledge in working at a high standard. Young people working at this level bring valuable enthusiasm and new ideas.”

Building up the herd

Meanwhile, Laura continues to build her own herd.

For Christmas 2014 she was given another heifer, Corskie Fame, which went on to win red rosettes at the local shows.

In April 2015 she made her first purchase at Carlisle, snapping up Sterling Verity’s Dumandy, who had Stirling Dumandy’s Glory at foot, for 4,200gns.

Clover has also gone out to ***produce*** more stock, including a full brother to Elderflower, Garmouth Iceman who won his class at the Scottish National Simmental Show in 2017.

She also recently bought two in-calf Shorthorns in a bid to meet the demand for bulls for their commercial herd. “It was my idea and, as my dad said, the day they arrived on the farm will be one I’ll never forget.”

And as if all this isn't enough, she’s also got a wedding to ***plan*** – she’s getting married next May.

As for why her and husband-to-be Robert picked that month, well, it's a relatively quiet time on the farm.

It's just before first-cut silage, the cows will have gone out to grass, the sheep will have finished lambing and it's just before the Highland Show. "I've got to make sure I'm back from honeymoon in time for that, after all!"

JOURNAL : Farmers Weekly

The government is seeking to beef up and expand the network of national parks and Areas of Outstanding Natural Beauty (AONB) as part of a review launched by Defra secretary Michael Gove.

According to Mr Gove, the creation of national parks almost 70 years ago “changed the way we view our precious landscapes – helping us all access and enjoy our natural world”.

See also: Defra cash injection to fund English peat bog restoration

“Amid a growing population, changes in technology and a decline in certain habitats, the time is right for us to look afresh at these landscapes,” he said.

“We want to make sure they are not only conserved, but enhanced for the next generation.”

The review is one of the key commitments under the government’s 25-year Environment ***Plan***, published last January.

The national parks network and review

There are 10 national parks and 34 Areas of Natural Beauty, covering about 25% of the landmass and home to more than two million people.

Defra claims they generate £20bn for the rural economy, and support 75,000 jobs.

The review will be chaired by associate editor at the London Evening Standard, Julian Glover, and will report in 2019 – the 70th anniversary of the first national park. It will not cover Wales, Scotland or Northern Ireland.

While stressing the aim is not to impose new burdens on people who live and work in the national parks, the terms of reference also make clear “weakening or undermining their existing protections or geographic scope will not be part of the review”.

“It will instead focus on how designated areas can boost wildlife, support the recovery of natural habitats and connect more people with nature,” said a statement.

Defra has also made clear it wants to explore ways of expanding the area covered by national parks and AONBs, and improving public access.

Question of balance

Commenting on the launch, the Country Land and Business Association (CLA) said it was essential the review struck the right balance between ensuring natural beauty and encouraging the right types of economic activity.

“Most businesses within designated landscapes experience significant opposition and hostility to development of any kind,” said CLA president Tim Breitmeyer.

“Success in this review will see more landowners, users, park authorities and conservation boards coming together to identify opportunities which deliver the right types of sensitive development to improve the use and enjoyment of these unique areas.”

But the Liberal Democrats have described Mr Gove as a “one-trick pony, reluctant to commit to anything more than a review or a consultation”.

Case study: Farmer’s diversification woes inside a national park

One farmer who has experienced issues with the national parks is Susie Macmillan, who keeps 18,000 organic layers at her farm in Ditchling, East Sussex.

Given the tight margins associated with egg production, she has been seeking to develop a camping diversification, including 20 wooden lodges in one of the fields on the very edge of the South Downs national park.

“It has been an absolute nightmare getting the required permission from the national park authority,” she said. “It has cost us £26,000, not to mention the time, uncertainty and stress it has put on us.

“We now have the ***planning*** permission, but it is subject to 30 conditions. It has been made so difficult – they just don’t want to see any change at all.

“I accept the national parks do a lot of good, for example in preventing the development of new housing estates on green spaces. But unless they become more flexible and more pro-farming – and recognise farming has to change and develop too – then more of us will be forced out of business.”

JOURNAL : Farmers Weekly

Defra secretary Michael Gove has pledged to protect British farmers against substandard food imports as he seeks to avoid a “race to the bottom” after the UK leaves the European Union.

Speaking at the Hay Festival, Mr Gove said UK food standards post-Brexit would be among the highest in the world. Imports of food ***produced*** using techniques banned in the UK would be allowed “over my dead body”, he told listeners on Friday (25 May).

See also: Brexit must deliver for farming, Theresa May told

More consumers were prepared to pay for food quality and provenance, said Mr Gove, who appeared keen to pre-empt accusations that “gold-plating” UK standards would leave British farmers unable to compete.

“The future for Britain – not just in this area but in other areas – is being seen to set some of the highest standards in the world. Of course there is the temptation to believe that left to their own devices politicians will conspire to lower standards everywhere.

Highest quality

“But actually, I think that the future British farming is to say we are not going to compete in a race to the bottom. We couldn't win it and we shouldn't try.

“We will succeed on the basis of consumers knowing that our food is of the highest quality and they can trace the journey from farm to fork and they can have absolute confidence that what they are buying is ethical and sustainable as well as being delicious and good value.”

Topics addressed by Mr Gove during an hour-long discussion included antibiotics in livestock production, promoting collaboration between farmers and his intention to base a new system of farm support based largely on environmental measures.

'Over my dead body'

At one point, Mr Gove was asked whether UK standards would ever permit the “wholesale import” of American food, which include chlorine-washed chicken or hormone-***produced*** beef – both methods banned in the UK. He replied: “Over my dead body, as it were.”

Mr Gove was also asked about messages emerging from responses to Defra's Health and Harmony public consultation on the future of farming, which closed last month. A common theme was that the government must recognise the diversity of UK farming, he said.

It was also important to underline that the government recognised farmers would only be able to contribute to environmental enhancement if their businesses were successful – and that meant having food production at their core.

Farm policy must focus on food, warns Batters

NFU president Minette Batters has criticised what she described as the lack of focus on food production in Defra's consultation on the future of farm policy post-Brexit.

Ms Batters was asked about the Health and Harmony consultation during a public discussion at the Hay Festival. “It didn’t really mention food at all, and we are farmers, that’s what we do – and we care for the environment as well – so I think that was a glaring oversight,” she said.

Much of the consultation document focused on ***plans*** to replace direct payments to farmers with a system of support based on rewarding farmers who undertake environmental measures. Ms Batters said Mr Gove had since acknowledged that it should have focused more on food.

The NFU had submitted a 100-page consultation response to emphasise the importance of food production, said Ms Batters. She added: “Apparently, he did design the title himself. I did point out to him that it is a beauty salon in Essex if you Google 'health and harmony'.”

Most countries across the world supported farmers in order to keep food affordable, said Ms Batters. It was vital to ensure farmers were able to secure a fair return from the market before changing farm support, she suggested.

Radical changes were needed if the government really wanted to introduce a system of public money for public goods because farming was driven by global pricing. “You can’t just shut your eyes and say the market can run itself because the market is a savage beast,” said Ms Batters.

JOURNAL : Farmers Weekly

The National Sheep Association (NSA) has called for a wider cull of ravens in Scotland, after Scottish Natural Heritage (SNH) came under fire for sanctioning a limited cull.

The latest licence was granted by SNH to a conservation group in Strathbraan, Perthshire, which requested permission to cull ravens to see if that would help a recovery in curlew, lapwing and oystercatcher numbers.

See also: Farmer uses alpacas to guard sheep flock

The group blamed ravens for predation and was awarded a licence to cull 69 ravens this year, with more to come over the next five years.

But the decision led to a backlash, with SNH chairman Mike Cantlay even receiving death threats following public complaints by BBC Springwatch presenter Chris Packham.

Justification

SNH issued a strong justification for licencing the cull, pointing out that the habitat around Strathbraan “is good for breeding waders, but raven numbers are increasing”, adding it was just a trial.

But it has since been revealed the culling of ravens is more widespread than first thought. Following a parliamentary question, the Scottish government confirmed that more than 400 licences for the killing of 3,334 birds have been issued by SNH over the past three years.

This has triggered further condemnation from animal rights groups. Director of OneKind, Harry Huyton, said he was “shocked” to find so many ravens were being routinely killed across Scotland.

“Ravens are supposedly a protected species, recovering from a long history of persecution,” he said.

High lamb losses

However, the NSA has offered its support for the culls, and says licences to reduce raven numbers should be more readily available in other parts of the country.

“With lambing now finished across the UK, the NSA has received reports of very high losses to ravens this year, including flocks in Scotland where 50-100 lambs have been killed,” said NSA chief executive Phil Stocker.

“Ravens target lambs in vulnerable moments, even striking the very moment they are born.”

NSA Scottish regional chairman John Fyall acknowledged it was an emotive issue for campaigners, “but there is nothing as emotive as seeing a newborn lamb trying to find a teat to feed from its mother with no tongue and no eyes”.

Legislation

Legislation allows the culling of ravens under licence “to prevent serious damage to livestock”.

But the NSA believes raven numbers are getting out of control and more licences to cull are needed to counter the knock-on effects on other species.

OneKind, however, says other, non-lethal methods of deterring raven predation should be pursued instead.

JOURNAL : Farmers Weekly

With more than a year under its belt, online input price quote and supply service Yagro has a growing band of farmer users looking to save time and money.

Launched late in 2016, the platform promised confidentiality and rapid input price quotes and has signed up 700 farmers.

As its database on prices grows, the business is refining information for users. For example, it has identified the optimum lead time for the best fuel quote is about 3.4 days before delivery is needed.

Users tend to be large farmers in the east and south of England, although the service is national and there is no minimum order or transaction size requirement.

See also: Farm succession - 'fair' and 'equal' are not necessarily the same thing

The first four months of 2018 has seen transactions conducted through Yagro at four times the level of the same period last year.

[*https://infogram.com/online-input-price-and-ordering-service-grows-in-numbers-1h7v4pmo1kd84k0*](https://infogram.com/online-input-price-and-ordering-service-grows-in-numbers-1h7v4pmo1kd84k0)

Many national and regional suppliers have signed up to the platform, which connects farm businesses confidentially with suppliers, enabling them to request rapid quotes and order online.

However, spring 2017 saw national agrochemical distributors which had signed up to the service pull out.

In response, Yagro recruited more regional merchants and suppliers and developed a new tool called Ag Chem Price Check.

Through this it analyses and benchmarks farm invoices against a database of verified prices, with a base of more than 10,000 price points.

This requires farmers to submit agrochemical invoices and, once this is done, the user can access market information for that product, including the range of prices other farmers are paying and alternative products with the same active ingredients and concentrations and their price ranges.

Users see only the range of prices paid, with no individual prices or details about participating farms.

“We’ve seen rebate opportunities for farmers of up to £44/ha on like-for-like products, and £67/ha savings for a farm switching to alternative brand chemistry,” says chief executive officer Gareth Davies.

Agrochemicals, fuel, lubricants, seeds and fertiliser are the most commonly priced and ordered inputs through the service, for which a mobile app has been developed.

Wearing metal machinery parts were introduced in summer 2017.

“Price spreads in commodities such as fuel and fertiliser are often 10% for the same product on the same terms,” says Mr Davies.

“The cheapest option is not always the same, as it depends on your suppliers’ capacity and cost position.

“In agrochemicals we’ve uncovered some stark variations, with farms in some cases paying 55% more than others on the same product on comparable other terms.

“This has no correlation to farm size or relationship to suppliers, it’s just a case-by-case basis reflecting how good a negotiator you are.”

[*https://infogram.com/yagro-facts-1hnq41x7dw8p23z*](https://infogram.com/yagro-facts-1hnq41x7dw8p23z)

What do farmers think?

Pixie Flather is a director of Norfolk family farming company CJC Lee (Saxthorpe), which runs contracting, haulage and green composting interests alongside its 1,214ha arable operation.

The business orders more than 1m litres of white and red diesel a year and Pixie began using Yagro for fuel price quotes in December last year. “I know I saved more than £500 on fuel this week,” she says.

“It’s very user-friendly and it’s the time-saving element that makes a big difference,” says Mrs Flather.

“The mobile app works very well – any time a farmer can spend out of the office is a priority and this way you can put in an order on the go.”

CJC Lee is now considering using Yargo for agrochemical sourcing and installing telematics equipment to help manage its fuel supply. This would see a meter in the fuel tanks automatically issue a reminder to order fuel when the tank level reaches a certain point. This can also be set up to automatically request price quotes through Yagro.

Fuel is also the main input which Tim Merry orders through Yagro for JV Farming in Dorset. He is operations director of the joint venture farming business on 1,800ha, growing combinable crops including maize for an AD plant.

“It’s very simple, convenient and obvious, it’s a wonder it hasn’t been done before,” says Mr Merry who finds he does not necessarily deal with the same suppliers as he did before using Yagro.

“It’s been an education and I’ve been pleased to see that smaller local suppliers can give the larger and sometimes more disorganised companies a run for their money.”

JOURNAL : Farmers Weekly

Fine weather has made for a good start to ***agricultural*** shows across the country, with some reporting record visitor numbers.

Glorious sunshine and the optimism surrounding the royal wedding helped attract more than 90,000 visitors over three days to the Devon County Show, making it one of the most successful for many years.

This week it’s the turn of the Royal Bath & West Show, which is expected to attract 155,000 visitors over three days (30 May to 2 June).

The event, near Shepton Mallet, is England’s biggest celebration of ***agriculture*** and rural life.

See also: Balmoral Show 2018 – highlights and photos

Country and ***agricultural*** shows are drawing in wider audiences, with people from towns and cities connecting more with the countryside.

The NFU has been working hard to promote the industry with the wider public and children.

The annual Linking Environment and Farming Open Farm Sunday event and television shows, such as Countryfile and Lambing Live, are helping provide an insight into rural life and the world of ***agriculture***.

But are ***agricultural*** shows still attractive for real farmers? Have your say in our poll.

(function(d,s,id){var js,fjs=d.getElementsByTagName(s)[0];if(d.getElementById(id))return;js=d.createElement(s);js.id=id;js.src='[*https://embed.playbuzz.com/sdk.js*](https://embed.playbuzz.com/sdk.js)';fjs.parentNode.insertBefore(js,fjs);}(document,'script','playbuzz-sdk'));

JOURNAL : Farmers Weekly

Young farmers have overwhelmingly indicated they have somebody they can speak to if they have a problem at work.

Farmers Weekly polled 100 YFC members, 83% of whom said they had somebody to share thoughts with if they had an issue, with 10% indicating that this was only the case sometimes.

See also: Read our full coverage of the NFYFC Annual Convention

!function(e,t,n,s){var i="InfogramEmbeds",o=e.getElementsByTagName(t)[0],d=/^http:/.test(e.location)?"http:":"https:";if(/^\/{2}/.test(s)&&(s=d+s),window[i]&&window[i].initialized)window[i].process&&window[i].process();else if(!e.getElementById(n)){var a=e.createElement(t);a.async=1,a.id=n,a.src=s,o.parentNode.insertBefore(a,o)}}(document,"script","infogram-async","[*https://e.infogram.com/js/dist/embed-loader-min.js*](https://e.infogram.com/js/dist/embed-loader-min.js)");

"There's always somebody to talk to in farming. This is especially the case with Young Farmers," said Jonathan Melhuish from Liskeard YFC.

"Everybody is friends in their clubs and in your groups everyone goes out on a Monday and has a yarn at the end of the night."

Mental health issues are coming to the fore in farming at the moment, especially for men, said Colin Poore, Hampshire YFC.

"A lot is being done to improve awareness and increase support for each other," he added.

The mental health of the nation’s food ***producers*** and the isolation of farming has been highlighted in recent months after increases in mental health issues in ***agriculture*** have made national headlines.

JOURNAL : Farmers Weekly

A new, mandatory sheep carcass classification system is being proposed by Defra, which will run on similar lines to the grid systems that have existed for cattle and pigs for many years.

According to a consultation launched on Wednesday (30 May), qualified assessors working in abattoirs will use a standard grid to classify sheep and so determine how much a ***producer*** should be paid.

See also: 5 sheep crushes on test: Which handles best?

Defra farm minister George Eustice described the idea as “an important step in improving fairness for sheep farmers and ensuring they get a fair deal for their excellent ***produce***”.

According to the consultation, there are two options – to either adopt the Europ grid system already established by the EU or, post Brexit, develop a bespoke system for England to take account of future market opportunities and needs.

“If we implement a bespoke system, we would consult again on the specifics of the system before imposing mandatory sheep carcass classification,” says the report.

Productivity

According to the consultation, greater transparency will lead to productivity improvements, as ***producers*** will better understand the classification of their animals and make the necessary adjustments.

There are about 151 abattoirs registered to slaughter sheep in England, though just 34 account for more than 90% of all throughput.

A number of these already operate voluntary carcass classification systems.

The ***plan*** is to exempt smaller abattoirs – those handling less than 1,000 sheep a week – from the requirement to operate a classification system.

Commercial abattoirs taking part would be obliged to report deadweight prices back weekly to the AHDB, which would publish the aggregated information.

The government is also considering requiring them to publish other charges, such as the cost of cleaning animals, classification charges and insurance.

Reaction

The National Sheep Association (NSA) says it welcomes the consultation. “Having a mandatory system is the only way to get everyone to act,” said NSA chief executive Phil Stocker.

“It will hopefully put an end to things like rounding down of weights or random shifts in carcass grades.”

Exempting some smaller abattoirs also made sense. “The small abattoir sector is under severe pressure, so we don’t want to add to their costs. Besides, they have a very different relationship with their suppliers.”

Livestock Auctioneers Association executive secretary Chris Dodds also supported the principle of greater transparency, adding the sheep carcass classifications should be sent back to marts, who could then feed it on to farmers.

Norman Bagley of the Association of Independent Meat Suppliers said developing a “bespoke” system for England, post Brexit, could be useful if it involved building in additional criteria, such as “eating quality” to help differentiate UK lamb from cheaper imports.

JOURNAL : Farmers Weekly

Sheep flocks with abortion rates higher than 2% can have ewes tested for two key loss-causing pathogens under a subsidised diagnostic scheme.

Toxoplasmosis and enzootic abortion account for about two-thirds of all diagnosed abortions, according to MSD Animal Health, which has subsidised the Expertis FlockCheck testing scheme for more than 10 years.

The company explained that when abortion rates climbed above 2% it suggested an infectious cause and should be investigated.

See also: Only half of farmers store vaccines correctly, survey finds

The subsidised scheme, open to sheep farmers nationwide, is available through vets until 31 July. It requires vets to take blood samples from six to eight aborted, unvaccinated ewes.

Test results

MSD Animal Health veterinary adviser Stephanie Small said test results from 2017 revealed that more than 80% of ewes which aborted had been exposed to toxoplasmosis while almost three-quarters indicated enzootic abortion and two-thirds tested positive for both diseases.

“Aggregated data from the 2017 FlockCheck scheme highlighted that 81% of flocks tested showed evidence of exposure to the parasite Toxoplasma gondii, which causes toxoplasmosis,” Ms Small explained.

If either toxoplasmosis or enzootic abortion has been diagnosed in a flock, vaccination is the most effective way to help protect against these diseases for future years Stephanie Small, MSD Animal Health

“The data also showed that approximately three-quarters of flocks had been exposed to Chlamydophila abortus bacteria, the organism causing enzootic abortion,” Ms Small said.

“If either toxoplasmosis or enzootic abortion has been diagnosed in a flock, vaccination is the most effective way to help protect against these diseases for future years,” she added.

Breeding females can be vaccinated against toxoplasmosis between four months and four weeks before tupping and are then protected for at least two lambing seasons.

Vaccines for enzootic abortion can protect the ewe for  at least three years and all breeding females should be vaccinated any time between four months and three weeks before tupping, Ms Small advised.

JOURNAL : Farmers Weekly

A farmhand has been handed a suspended prison sentence for illegally driving a tractor while over the limit.

Owen Collinson took a McCormick tractor from his grandfather’s farm, in Carlin How, North Yorkshire, where he lived and worked, and went on a drunken joy ride.

Teesside Magistrates’ Court heard how the 19-year-old was pursued by police at about 11pm on 19 April following reports of two young men drink-driving in the Skelton area of North Yorkshire.

See also: Tractors on the roads – rights, wrongs, rules and regulations

Mr Collinson, who was already banned from driving, was pursued by police at 25mph. After a five-mile chase, officers eventually caught up with him at the junction of Marske Road and the A174 road.

He fled the tractor on foot but was chased by officers who caught up with him on the Coast Road at Redcar.

Mr Collinson was arrested at the scene and charged with drink-driving, driving while disqualified, driving with no insurance and failing to stop for police. He later pleaded guilty to all four charges in court.

Over the limit

When he was breathalysed, his reading was 50 microgrammes of alcohol in 100 millilitres of breath – the legal limit is 35.

The court was told he had been drinking vodka and cans of beer before deciding to take a friend for a ride in the tractor.

Mr Collinson, of Brotton Road, Carlin How, was sentenced to eight weeks in prison, suspended for 12 months. He was banned from driving for 14 months and given a 20-day rehabilitation activity requirement. He was also ordered to pay £200 costs.

A 30-year-old man who was arrested at the scene was released without charge.

JOURNAL : Farmers Weekly

Young farmers in Wales hoping to benefit from a scheme offering a start-up grant of £40,000 have a fortnight left to express their interest.

The Young People into ***Agriculture*** scheme will support 150 young farmers looking to establish a new business in their own right or develop a fledgling one.

The aim is to support the next generation of farmers, focusing on those who have the skills and potential to drive change in the wider industry.

See also: Four young farmers on setting up successful dairy joint ventures

Expressions of Interest (EOIs) are being sought from “high achieving” young farmers who were under the age of 40 on 1 April 2018 and were setting up as head of the holding for the first time.

Successful applicants will have to demonstrate they have the potential to lead dynamic new businesses or deliver change in an existing business.

Their businesses must either have been set up in the 12 months before 1 April 2018 or be established by 1 September 2018.

Working capital

The £40,000 funding will be paid in three instalments up until 31 March 2020, if applicants can prove they have successfully delivered on an agreed set of Key Performance Indicators (KPIs).

The money is working capital and so can be used to pay for the running costs of the business, or to facilitate the purchase of land, machinery or other equipment.

Application criteria

The EOI paperwork will be scored and ranked in order until a list of 150 potential candidates has been reached.

Only these applicants will be invited to the second stage of the application process, which will involve submitting a business ***plan*** and a schedule of KPIs on which applicants feel their performance should be measured.

The government has published a scoring matrix which shows how the EOIs will be marked.

It shows that extra points will be awarded to applicants operating on tenanted land with a degree-level education.

Horticulture and dairy businesses will also score higher than beef, cereals, pig, poultry or sheep enterprises (the score for sheep being the lowest).

Applications will also be assessed on the business ***plan*** supplied with them – with a Farming Connect business ***plan*** securing a higher score than other forms of business ***plan***.

Expressions of interest must be submitted by 12 June.

JOURNAL : Farmers Weekly

Tributes have been paid to a young trainee mechanic killed in an accident involving a tractor.

Neil Graham, died after the accident at a farm in County Fermanagh on Tuesday (22 May).

Emergency services were sent to Boho Road in Springfield, Enniskillen following a 999 call at 2.39pm. An air ambulance was also dispatched.

See also: Certification and staff training – all you need to know

Paramedics treated Mr Graham for his injuries, but they could not save him and he was pronounced dead at the scene.

The 17-year-old had been a studying as a trainee mechanic at Portora Royal School, in Enniskillen.

‘He loved the outdoors’

Paying tribute, Mark Ovens told the Belfast Telegraph his cousin was a “typical Fermanagh young farm hand” who loved his home of Garrison.

“He was brilliant, really witty and very popular. Everyone thought the world of him,” Mr Ovens said.

He said the teenager was a “typical mischievous 17-year-old” who owned a pet goat and pet chickens.

“He loved where he lived, he loved the outdoors and he loved getting his hands dirty,” he added.

“He was a typical Fermanagh young farmhand who worked on the family farm. He and his father Eddie were very close. Neil was the youngest of four children.”

‘In our prayers’

DUP leader and Fermanagh and South Tyrone Member of the Legislative Assembly Arlene Foster sent her condolences to the family.

“This is immensely sad news for the Garrison community. This was a well-known, young man with his life in front of him who had died in very tragic circumstances,” said Mrs Foster.

“Our thoughts turn to Neil’s family who are mourning the loss of their son.

“They will feel the pain of his loss most acutely and they are very much in our prayers in the days and weeks ahead. Garrison is a close-knit area and I have no doubt the community will give help and support to the family as they grieve Neil’s loss.”

The Health and Safety Executive in Northern Ireland is investigating the circumstances surrounding Mr Graham’s death.

Mr Graham is survived by his parents Edward and Joy, his brother Jonathan and his sisters Cherith and Rebecca. His funeral will take place on Friday (25 May) at Garrison Parish Church followed by burial in the adjoining graveyard.

JOURNAL : Farmers Weekly

Two red Massey Ferguson tractors worth about £70,000 in total have been stolen from a farm in West Lothian.

Police Scotland is appealing for witnesses following the high-value theft of ***agricultural*** equipment in West Calder.

The incident happened sometime between 9pm on Monday 22 May and 7am on Tuesday 23 May at Longford Farm.

See also: Farmers’ top tips to fight rural crime

Thieves entered a shed on the farm and stole two Massey Ferguson tractors. The first is a red 5470 model with registration number SF57 HJZ and chassis number S074034. It was fitted with pallet forks.

The second is a red 6460 model with registration number KO06 SDY and chassis number R200008. It was fitted with a red Kverneland topper at the rear.

PC Louise McReight, investigating, said: “The value of the stolen tractors is about £70,000 and we are pursuing a number of lines of inquiry to trace the vehicles and identify those responsible for their theft.

“Stealing two tractors would require a large truck and so anyone who remembers seeing such a vehicle around Longford Farm on Monday evening or Tuesday morning, or who witnessed any other suspicious activity in the area, should contact police immediately."

Anyone with information is urged to contact Police Scotland on 101 and quote incident number 1159 of 23 May, or Crimestoppers anonymously on 0800 555 111

Four balers stolen in north Somerset

Police in north Somerset are investigating the theft of four balers from farm buildings in Hewish.

The equipment, which is used to compress crops into bales, is worth an estimated £2,000.

Avon and Somerset Constabulary officer Katy Drabble, investigating, said: “We’d really like to prevent any more farmers being targeted, so please secure baler equipment where possible – particularly access to the knotter part of the machinery.

“We can offer a free marking system and also advise on security measures landowners can take.

“If you have any information on these thefts, or the whereabouts of this machinery, please call 101 quoting reference 5218104714. Or, if you’d like to remain anonymous, call Crimestoppers on 0800 555111.”

The police run a Farm Watch scheme. For further details, email [*ruralcrimeteam@avonandsomerset.police.uk*](mailto:ruralcrimeteam@avonandsomerset.police.uk)

JOURNAL : Farmers Weekly

Thousands of Young Farmers have landed in Blackpool for this year’s National Federation of Young Farmers’ Clubs' (NFYFC) Annual Convention, raising more than £900 for charity as they arrived.

The club members showed their amazing generosity by donating hundreds of pounds for The Farming Community Network (FCN), as the 2018 extravaganza got under way.

NFYFC members dug deep to raise a grand total of £918.28 in just under an hour, as young farmers arrived in their droves at the Las Vegas of the North West for a well-deserved blowout.

See also: More coverage of the NFYFC Annual Convention

Convention-goers were asked to make a donation to FCN in exchange for one of 1,000 T-shirts on offer at the Farmers Weekly stand during registration on Friday afternoon (4 May).

All of the cash raised will go to the charity, which helps more than 6,000 farmers a year with its 24-hour hotline, providing assistance with farming, business, personal and mental health issues.

To contact FCN, call 03000 111 999 or email [*chris@fcn.org.uk*](mailto:chris@fcn.org.uk)

JOURNAL : Farmers Weekly

Our latest What’s in your Shed? heads to Cheshire to visit mixed farmer Graham Lowe.

The families’ workload load includes a herd of beef cattle along with arable cropping and baling, as well as a farm shop and equine business.

We find out why he is so loyal to the New Holland brand and still runs a brace of older TM models on the frontline

How did you get started?

My dad moved here in 1958 when the farm was just 12ha.

He opened a simple farm shop a couple of years later and we have gradually built up the business from there.

Now we are farming a total of about 200ha, roughly half of which is rented, and we grow 40 types of vegetable to sell through the shop.

The shop itself was rebuilt and extended in 2015 and we are ***planning*** to add a café next.

See also: What's in Your Shed? visits an Irish grassland contractor

How brand loyal are you?

We have been very brand loyal over the years, as we have two superb local dealers that we like to work with. One is Malpas Tractors, which is why we have a fleet of New Hollands, and the other is John Bownes.

Most of my other machinery comes from him and I also have quite a few classics that he sourced for me.

Business facts: DJ Lowe and Partners, Shanty Farm, Byley, Cheshire

Farming: 200ha mixed farm

250 head of beef cattle

65ha of cereals including wheat, barley and oats

10ha potatoes

40 different types of vegetable sold through the farm shop

Contracting: Baling, wrapping, silage

Other: Farm shop and equine feed business

Staff: Graham, Tracy, Tom and Sam Lowe, plus two full-time in shop and six to 10 part-time staff

I have also had some classic Fords from John Tomkinson at Market Drayton, and Ellis Machinery at Gaydon, Warwickshire, is good to deal with – its machinery is always immaculate and the service is excellent.

Favourite piece of kit?

Our Kuhn Primor straw chopper. When we got it 11 years ago it massively reduced our straw use. We’ve only had to replace one set of blades in that time and it still looks as good as new.

Least favourite?

We had a Bomford Falcon Evo hedgecutter that we just couldn’t get on with. It was a high-spec machine with variable forward reach, but we found it very hard to control and almost impossible to keep the top of the hedge flat. We replaced it with a simpler Kuhn Pro-longer that we’ve been really happy with.

In the shed

Tractors: New Holland T7.235, T7.200, T6.180x 2, TM155, TM140 and 8260, Ford 3910, 4610 and 3600, Valtra A73

Balers: New Holland Combi 125 round baler/wrapper, BB950 big square baler and BC5070 conventional baler, Kuhn Intelliwrap bale wrapper, McHale mini bale wrapper

Grass kit: Kuhn front and rear mower, Krone six-rotor tedder, Kuhn twin-rotor rake

Cultivation kit: Kverneland EG85 five-furrow vari-width plough, Heva 3m Combilift, Amazone 3m power harrow, Standen 3m rotavator, Dalbo 6.3m Cambridge rolls

Drill: Kuhn Integra 3m combi drill

Trailers: Richard Western SF11 and  SF12 silage trailers, Weeks 8t and 10t grain trailers, West 8t and 10t grain trailers, AW cattle trailer, 21ft Marshall bale trailer x 2, 25ft Predator bale trailer

Telehandler: JCB 526S

Veg kit: Grimme DL15 and row over potato harvesters, Standen bedformer and destoner, Reekie potato planter, assorted small-scale veg equipment

Other: Kuhn Primor straw chopper, Bunning Lowlander 90 muck spreader, JCB 3CX excavator

What’s your latest purchase?

We have just taken delivery of an ex-demonstrator New Holland T6.180 that’s on about 200 hours.

It’s the newer shape machine and is so much more comfortable than the T6.175 we had before. We have only done a few hours in it, but so far it looks like a good purchase.

Best tractor you’ve had?

We used to have a K-reg Ford 7840 with retrofit turbo that was fantastic. We had it for 10 years and it easily coped with our Reco Mengele SH40 forager, which was fairly power hungry.

The tractor was supposedly running at 125hp, but we think it was putting out a fair bit more than that.

The only spare part it had other than oil and filters was the fan belt. It got traded in for a TM135 when it was on 7,840 hours, but I wish we had kept it, really.

Our current T7.235 Power Command comes a close second. It has more than enough power for what we need and it’s very smooth.

Worst tractor you’ve had?

The worst was a New Holland T5 with a loader. The tractor itself wasn’t too bad, but the mounting brackets for the loader were too far forward, meaning it was incredibly front heavy.

After 12 months we got fed up with how light it was at the rear end and moved it on. Shortly after that I think New Holland changed the brackets on them, so later or modified models might have been fine.

How long do you keep your machines?

We tend to keep our frontline tractors for three years and, because we only do about 500 hours a year, they’re still under warranty when we come to sell them.

To make sure we get the best trade-in prices, we look after them as best we can and they get treated to a full valet every season. It only costs £35 a tractor and it gets them looking like new.

Our older New Holland tractors get the same treatment, but we have no ***plans*** to change these.

The rest of our kit is changed when it’s worn out or we fancy a change. We are fastidious about looking after it all and everything gets stored under cover.

Biggest machinery bargain?

Our best buy has to be our New Holland 125 Combi baler. It was a demonstrator model that had done 700 bales and we were offered it for £20,000 less than the new price.

It’s very easy to use and so much quicker than running a separate baler and wrapper. We also like the fact that it drops the wrapped bale on to a mat, reducing the chance of wrap getting punctured.

A lot of our haylage is sold to horse owners, so it’s important we keep the quality high. For that reason we also put eight layers of wrap on each bale. Speed is pretty decent too, with it comfortably popping out 40 bales an hour.

Oldest machine still at work?

We are still using an old 1950s Robot potato planter that my dad bought. It’s very simple with a land wheel and chain to turn the planting cups, but it does everything we need.

What’s next on your wish list?

We’re looking to get an 80x70 square baler. At the moment we’re doing round, conventional square and 120x70s, but we think there is good demand for that interim size.

They are also good for the equine market as they’re just about small enough to handle manually. All our current balers are New Hollands, and this one probably will be too.

Biggest machinery mistake?

I was cutting a neighbour’s hedges, which I’d done for years, when I ran over the valve on a new underground gas tank they’d had installed.

It caused the tank to leak and the emergency services shut the road for 24 hours while it was sorted. My insurance company also had to provide a new tank.

Biggest repair bill?

We were landed with a £6,000 bill on our New Holland BB950 baler when one of the needles pushed something tough (we’re not sure what) into the knotter and smashed it. Malpas Tractors did the repairs for us and thankfully our insurance covered the fee.

Best invention?

It’s very simple, but we made an inter-row side-hoe weeder out of an old ridger. It works well, cost us nothing and was quick to put together.

What’s your everyday transport?

I have one of the last twin-cab Land Rover Defender pickups. I used to buy them with discount vouchers from the NFU and change them every three years, but obviously that has had to stop now.

I sold the last one to the tuning house Kahn Design, which was ***planning*** to bling it up, and it only cost me £3,000 to change. This latest model is on 16,000 miles so far and I’ll be hanging on to it.

Do you have any classics?

I have quite a few that I’ve picked up over the years, most of which are Fords and David Browns. A few of them still get used on our vegetable ground, but most are stored. They are all run up at least once a year though.

JOURNAL : Farmers Weekly

Failing to create official contracts for family members that detail the terms and conditions of employment could lead to legal problems, succession ***planning*** issues, and even the break-up of families, a legal expert has warned.

Although there has often been relaxed agreement among family members, with discretionary payments the norm until a partnership agreement is put in place, this approach could land employers in hot water, says Lindsey Knowles, employment solicitor and partner at Kirwans law firm.

She is warning parents that when it comes to employing family – even children who they are ***planning*** to bring in as partner  – they have to assume the role of employer.

See also: Business Clinic: How can I recruit good farm staff?

The fine print

Depending on the employee's age, working time restrictions may need to be in place

Be aware of the various types of contracts you could offer and pick the most suitable

If an employed child is over 16 and earns more than the National Insurance contributions primary threshold, the employer will have to pay these on their behalf

Employers must be able to provide evidence that the money has actually been paid to their child or relative

Relatives are entitled to the same rights as non-family staff members, including a clear role and job description, performance expectations, appraisal schemes, hours of working and overtime arrangements

As an employee, a family member will also have the same legal rights as other employees, meaning they could bring claims for discrimination or unfair dismissal

That means following the law on pensions, minimum wages and working conditions for employees.

Self-employed farmers who live and work with relatives helping on the farm as part of their family chores don’t need to worry about contracts or the minimum wage for as long as that situation remains in place.

The difficulty comes when the arrangement veers from a straightforward set-up.

For example, if the adult child has moved out of home yet is still working on the farm, or if the farm has evolved into a limited company status, then an employment contract has to be drawn up.

Ms Knowles recommends having a solicitor either create, or at the very least look over, new contracts to ensure that any newly employed family member is treated in exactly the same way as other non-family employees, as there could be trouble ahead for those who fail to do so.

Each employee, including family members, has to be hired to do actual work on at least the national minimum wage, or the ***agricultural*** minimum wage if it states that in their contract and it started prior to 1 October 2013, or – in Wales – the Welsh ***agricultural*** minimum wage if it is higher than the national minimum wage.

There must also be evidence that this work is taking place and the wage must be realistic; HMRC may question a £50/hour rate for picking fruit.

Farmers also need to check whether the employee requires a workplace pension scheme, and ensure that employers’ liability insurance is in place.

Other staff members

Talk to staff in advance about the new appointment to reassure them of minimal change

Consider introducing performance-related pay if this is not in place to reduce concerns of preferential treatment for your relative

Ensure your offspring or family member is not treated differently from current members of staff in terms of working conditions, promotions, wages or respect

Encourage open communication to avoid any build-up of resentment

JOURNAL : Farmers Weekly

With rising incidence of fusarium ear blight and changes to mycotoxin legal limits on the horizon, experts are advising wheat growers to adopt a more water-tight, integrated approach to minimising the problems in future seasons.

Fera started recording incidence of Fusarium ear blight symptoms in 1991 and since that point, there have been three seasons of severe infection: in 1998, 2007 and 2012 (see graph 1).

While there have been fluctuations after each disease explosion, levels have never returned to pre-epidemic heights and each has represented a step change in risk to the yield and quality of UK wheat crops.

See also: Angled sprayer nozzles give best wheat ear disease control

Of the Fusarium species, F culmorum has historically dominated UK populations, but over the past dozen years, F graminearum has come to the fore (see graph 2) and, worryingly, it is the most significant mycotoxin ***producer***.

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!function(e,t,n,s){var i="InfogramEmbeds",o=e.getElementsByTagName(t)[0],d=/^http:/.test(e.location)?"http:":"https:";if(/^\/{2}/.test(s)&&(s=d+s),window[i]&&window[i].initialized)window[i].process&&window[i].process();else if(!e.getElementById(n)){var a=e.createElement(t);a.async=1,a.id=n,a.src=s,o.parentNode.insertBefore(a,o)}}(document,"script","infogram-async","[*https://e.infogram.com/js/dist/embed-loader-min.js*](https://e.infogram.com/js/dist/embed-loader-min.js)");

In addition, unlike F culmorum which is spread locally by rain splash, F graminearum completes its sexual phase on crop debris and ***produces*** air-borne spores capable of travelling greater distances.

Risk factors

The rising occurrence of ear disease and the shift to a more dominant mycotoxin-***producing*** F graminearum began in the South-West and moved across the south coast and up the eastern seaboard to the East Midlands, around the Wash.

According to Harper Adams University expert Simon Edwards, a combination of factors is at play, with increasing maize production and a slight rise in temperatures favouring its proliferation.

In hotspots such as the East Midlands, although maize is now grown more widely, an increase in reduced or zero tillage establishment methods in an intensive cereal-growing area is also contributing.

The combination seems to be creating a perfect storm, which, given the right conditions for F graminearum – wet and warm at anthesis – could result in levels of disease, mycotoxin infection and unsaleable grain not seen before.

The mycotoxins ***produced*** by F culmorum and F graminearum include deoxynivalenol (DON) and nivalenol (NIV). Both ***produce*** zearalenone (ZON) later in a delayed harvest.

Looking ahead, Prof Edwards says it was recently confirmed at the European Commission’s Mycotoxin Forum that the permitted threshold in grains for human consumption looks set to change.

So, with increased fusarium risk and potentially less wriggle room on mycotoxin limits in the future, what should growers consider for countering the threat?

Fera expert Phil Jennings says three key factors influence the occurrence of fusarium and subsequent mycotoxins, including the region where a farm is located, the season and agronomic practices.

Tillage choices

The first two factors growers can do little about, but agronomic practices can be tweaked to minimise risk, such as not overloading rotations with maize and re-evaluating tillage practices.

While reduced or no-till is now considered a key component in improving soil health, there may be a trade-off in exposing crops to increased F graminearum risk – something seen in North America where it is a devastating problem for wheat in no-till maize rotations.

With spore-***producing*** perithecia resting on infected crop debris, release of wind-borne ascopores readily infect surrounding wheat crops, so burying residue can help reduce inoculum build up.

“Growers should also be looking to apply appropriate fungicides at the right time during flowering,” Dr Jennings says.

Harvest management

Prof Edwards says another area that can be reviewed is harvest management, with any delays in getting wheat crops cut risking the build-up of DON and ZON, not to mention the loss of quality characteristics such as Hagberg falling numbers and specific weight.

He urges growers to look at combine capacity, with larger and more efficient machines capable of taking advantage of any small windows during a catchy harvest helping to minimise mycotoxin development.

“Also make sure the combine is well maintained and you have a good access to parts and service to minimise any downtime,” he says.

Along with reliable, high-output combining, boosting grain storage and drying capacity will also aid growers in the quest to minimise mycotoxin levels and rejected grain.

“***Plan*** to cut a proportion of the crop even if a few percent need to be knocked off the moisture content with the dryer, and prioritise milling wheats. It is a huge gamble leaving it out in the field,” adds Prof Edwards.

Future innovation to help battle fusarium and mycotoxins

1. One-stop decision support stop

The Europe-wide MyToolbox project is aiming to provide growers with a one-stop shop for decision making and advice to reduce mycotoxin levels in cereal crops.

Harper Adams University’s Simon Edwards has been involved in the project, which has been evaluating models used in several European countries, where farmers enter local data and are provided with a mycotoxin risk assessment.

This can then be used to influence decisions pre- and post-harvest, such as fungicide inputs, harvest scheduling and storage.

Currently, an Italian model is being tested with Dutch data and vice versa to establish accuracy in differing conditions. Data from the UK will also be fed into the two models to establish suitability.

It is hoped that an online tool will be launched in 2020 across Europe, which will include wide ranging information on the control of fusarium ear blight and mycotoxins.

2. Spore trapping for accurate fusarium control

Scientists at Rothamsted Research are investigating the use of automated spore traps to enable more targeted and accurate fungicide applications, working with industry partners on Innovate UK and AHDB-funded projects

***Produced*** by Rickmansworth-based Burkard Manufacturing Co, the spore traps process about 300 litres of air each minute. They can then identify which pathogens are in the “soup” and sends a text message to a website, allowing the farmer or agronomist to be alerted to the disease threat.

While much of the work so far has focused on potato blight, sugar beet diseases and other cereal and oilseed rape threats, Rothamsted’s Jon West says it could also be useful in quantifying fusarium risk as wheat crops reach flowering.

Some initial investigations have been carried out in conjunction with AHDB and ADAS, but only at the low fusarium risk site at Rothamsted, so Prof West would like more funding to broaden his research into hotspots such as the South West and around the Wash.

“This is a new type of precision ***agriculture***. It’s not only about knowing which fungicide to use, but also when to apply it and only when it’s absolutely necessary,” he explains.

3. Better varietal resistance in the pipeline

It is widely accepted that wheat varieties in the UK are more susceptible to ear blight than those in other parts of the world, but that may be about to change as researchers seek novel sources of resistance.

UK breeders haven’t needed to focus on Fusarium resistance, as it hasn’t been a problem until the recent hike in maize area and F graminearum becoming the dominant species.

In response to a growing concern, Paul Nicholson at the John Innes Centre in Norwich is leading a project which aims to address the weakness of UK wheats by introducing resistant traits.

He says there are three options for doing so, with the first bringing in genetic markers for “exotic” resistance traits from China, something that has been done with some success in North American breeding ***programmes***.

The second aspect of the research is looking at wild relatives that can be crossed into elite wheats in the hope that the progeny will inherit an ability to resist Fusarium.

The third is investigating the possibility of knocking out “susceptibility factors”. It is thought that Fusarium fungi disrupt the plant’s signalling pathways for growth and defence, so it can infect without any resistance.

If the “susceptibility” gene can be removed or disabled without interfering with other valuable traits, it could ***produce*** much more robust wheats.

“We hope to see a dramatic improvement in varietal resistance within 10 years,” adds Dr Nicholson.

In addition, he points out that AHDB is revising the way it scores resistance to ear blight in Recommended List trials, which will help better tease out subtle differences between current varieties.

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Americas

LYONDELLBASELL/SCHULMAN DEAL APPROVED

LyondellBasell has received US regulatory approval to move forward with the $2.25bn purchase of plastic compounder A Schulman, the US chemicals major said. The US Federal Trade Commission granted early termination of the waiting period stipulated under antitrust regulations, although approvals from other competition authorities and A Schulman shareholder assent are still required for the deal to close. Announced in mid-February, the acquisition is expected to be competed in the second half of 2018, LyondellBasell added.

TPC Group to ramp up C4 processing

TPC Group is ***planning*** to expand its crude C4 processing capacity on the back of a growing pool of feedstock supplies, the ***producer*** said, as large-scale production facilities for low-cost ethylene continue to come onstream on the country’s Gulf Coast. The company is ***planning*** to increase its crude C4 volumes by around 8% per year through to 2022, the company said, with capacity hikes expected to come from debottlenecking and infrastructure improvements rather than new installed capacity.

Celanese, Blackstone abandon acetate-tow

Celanese and Blackstone are abandoning ***plans*** to create an acetate-tow joint venture after hitting an impasse with European regulators, the compounder and acetyls ***producer*** said. The European Commission required too many divestitures, which eliminated the advantages that laid at the heart of the deal, Celanese said. Celanese and Blackstone announced the ***plans*** for the joint venture on 18 June 2017. Under the proposal, Blackstone’s Rhodia Acetow business would be combined with Celanese’s Cellulose Derivatives business.

Ashland may sell busi-ness, German BDO plant

Ashland is considering selling a butanediol (BDO) plant in Germany as well as its Composites segment, which makes unsaturated polyester resins (UPR), the fine-chemicals ***producer*** said. If Ashland decides to sell the plant and the segment, then it expects to sign an agreement by the end of 2018, the company said. Citi is helping Ashland during the ***strategic*** review process. The BDO plant is in Marl, Germany. Ashland ***plans*** to keep its BDO plant in Lima, Ohio, to ensure consistent supplies for internal use, the company said.

acquisition of electron-ics adhesives business

Specialty chemicals and adhesives firm Chemence has purchased the electronics adhesive business and technology of Supreme Recourses for an undisclosed sum, the company said. The acquisition includes adhesive technology for consumer electronics and industrial electronics, and strengthens Chemence’s already robust portfolio of cyanoacrylates, machinery adhesives, silicones and light curable adhesives, Chemence CEO James Cooke said. The company intends to integrate the electronics adhesive portfolio into its Krylex product line over the next 12 months.

Delek US Holdings sells renewable diesel plant

Delek US Holdings has closed on the sale of a renewable diesel plant and an idled refinery in California to World Energy, the company said. The deal, which includes the 3,000 bbl/day renewable diesel and renewable jet fuel facility, also includes associated pipelines and storage tanks, the company said. Proceeds are expected to be $72m. The sale should enable Delek to reduce costs, Yemin added. AltAir Paramount operates the renewable diesel plant. The idled refinery is in Paramount, California.

Calumet to downwardly revise Q4 ‘17 net income

Calumet Specialty Products expects its consolidated fourth quarter 2017 results will differ from the results presented in its earnings release from 8 March, the refiner said. The company expects a decrease in its previously reported net income and adjusted earnings before interest, tax, depreciation and amortisation (EBITDA) for the fourth quarter 2017 with a “commensurate decrease” in those items for 2017. Calumet’s chief financial officer West Griffin attributed the need for the revision to the company’s new enterprise resource ***planning*** system.

europe

MOL Group, JSR complete S-SBR plant

MOL Group’s and JSR Corporation have completed the construction of their solution-styrene butadiene rubber (S-SBR) plant in Tiszaujvaros, the Hungarian energy and petrochemicals company said on 19 March. The newly constructed plant, a joint venture between MOL (49% stake) and Japan’s JSR (51%), has a nameplate capacity of 60,000 tonnes/year. Key feedstock butadiene (BD) will be sourced from a 130,000 tonne/year plant at the same location, commissioned in 2015.

Novapex to expand IPA at Roussillon, France

European ***producer*** Novapex will expand the isopropanol (IPA) capacity at its plant in Roussillon, France, in quarter three 2018, according to a company source on 20 March. The expansion is expected to take place between 30 July and 20 August and will expand the plant’s nameplate IPA capacity by 10,000 tonnes/year. This will coincide with the company’s ***planned*** maintenance shutdown for IPA at Roussillon.

Shell to invest billions to boost chemicals

Shell will invest $3-4bn a year as part of its ***plan*** to grow the company’s chemicals earnings to $3.5bn to $4.0bn by 2025, the oil major said on 21 March. The annual capital investment will be “focused on growth through uniquely differentiated world-scale projects”, it said in a statement. Chemical earnings growth will also be boosted by the $500m improvement in annual earnings via cost reduction and margin improvement ***interventions***, the company said.

Oxea names partner for DOTP venture

Oxea has named Germany-based dimethyl terephthalate (DMT) ***producer*** Oxxynova as the partner for its project to develop 60,000 tonnes/year of new dioctyl terephthalate (DOTP) in the country, the German oxo-alcohols ***producer*** said on 21 March. Oxea is to construct the unit at Oxxynova’s Steyerburg, Germany, facility, supplying the partner with precursor 2-ethlhexanol (2-EH) and marketing the DOTP through its own sales channels.

US group KBR wins on Acron plant

US engineering and construction group KBR has won a contract by Acron subsidiary Dorogobuzh for equipment to revamp an ammonia plant in the Smolensk region of Russia. The firm will provide proprietary equipment for the production of low-cost ammonia, having previously agreed a deal to provide KBR’s proprietary ammonia technology to “significantly increase” the plant’s daily capacity to 2,100 tonnes. KBR did not disclose the plant’s capacity.

KEM ONE ***plans*** France PVC turnarounds

European polyvinyl chloride (PVC) ***producer*** KEM ONE will carry out ***planned*** maintenance turnarounds at several PVC plants in France during Q3, according to a company source on 21 March. The company’s Balan, France, plant will shut for two weeks in mid-to-late August, whilst the St Fons plant will be under maintenance for four weeks in August. KEM ONE’s Berre, France, plant will be under maintenance for a longer period of six weeks, starting in September. The Berre plant has a nameplate capacity of 290,000 tonnes/year, whilst the St Fons plant has a nameplate capacity of 210,000 tonnes/year. The Balan plant has a nameplate capacity of 300,000 tonnes/year.

Commission greenlights Bayer-Monsanto

The European Commission has conditionally approved Bayer’s proposed acquisition of US agrochemicals major Monsanto, the Germany-headquartered firm said on 21 March, clearing the way for the $66bn deal to move forward. Initially expected before the end of 2017, the closing of the deal has been delayed by Commission scrutiny, with regulators launching a Phase II investigation of the proposed merger in August.

Borsodchem ***plans*** July TDI maintenance

Hunagary’s Borsodchem ***plans*** to carry out maintenance at its toluene di-isocyanate (TDI) plant at Kazincbarcika, Hungary, from July until August 2018. The facility has capacity of 250,000 tonnes/year.

CO2-to-methanol hopes for Nordic investment

Nordic financiers NEFCO expressed interest in investing up to 2m in an Icelandic project to build a (carbon dioxide) CO2-to-methanol plant in China, the technology makers at Carbon Recycling International (CRI) said on 20 March. A decision by the board of directors of the Nordic Environment Finance Corporation (NEFCO) means the Helsinki-based green lenders can negotiate funding for Icelandic technology firm CRI. It is part of a larger financing round to fund CRI’s first commercial scale project in China, which will use hydrogen from industrial byproducts and electricity from wind and photo voltaic (PV) solar generation.

Sterling rallies as Brexit deal agreed

The value of UK pound sterling rallied against other benchmark currencies after UK and European Parliament authorities released draft legislation covering some of the terms of the country’s departure from the EU. The legal agreement, coming days ahead of an EU summit, where Brexit is expected to be one of the key topics, sets out a period of transition following the UK’s ***planned*** departure from the bloc until 31 December 2020.

Germany confidence slumps on strong euro

Economic sentiment in Germany worsened considerably in March as a strong euro weighed on exports and fears grew of a global trade war led by the US, research group ZEW said on 20 March. The economic analyst’s sentiment indicator for the country fell by 12.7 points from February to 5.1 points. It was 17.8 last month and 20.4 in January. The long-term average of the indicator is 23.6.

asia

IVL acquires M&G Polimeros Brazil

Indorama Ventures Ltd (IVL) is acquiring polyethylene terephthalate (PET) maker M&G Polimeros Brazil for an undisclosed fee, the Thailand-based ***producer*** said. M&G Polimeros Brazil operates a 550,000 tonne/year PET plant in Ipojuca, Brazil. “This plant is strategically located and benefits from virtual integration with a manufacturer of purified terephthalic acid (PTA), a key feedstock to PET,” it said. The transaction is expected to be completed in second quarter 2018, subject to regulatory approvals, IVL said.

Sinopec Engineering to build Zhanjiang petchem

Sinopec Engineering has secured a Chinese yuan (CNY) 10.9bn ($1.7bn) engineering, procurement and construction (EPC) contract to build petrochemical plants for Sinopec’s new integrated complex at Zhanjiang in Guangdong province, China. The facility includes an 800,000 tonne/year steam cracker, a 400,000 tonne/year gasoline hydrogenation unit, a 550,000 tonne/year polypropylene (PP) plant, a 350,000 tonne/year high-density polyethylene plant, a 250,000/400,000 tonne/year ethylene oxide/ethylene glycol; plus an ethylene vinyl acetate (EVA) plant. Delivery of the contract is set for October 2019.

SONGWON begins functional monomers

Songwon has begun bulk manufacturing functional monomers at its production site in Ulsan, South Korea. The South Korean firm, which began developing functional monomers about two years ago, manufactures dicyclopentadiene (DCPD) phenol oligomers and bisphenol trimethylcyclohexane (BP-TMC) at the Ulsan facility. DCPD acts mainly as an epoxy modifier in chain extending reactions and is used in the manufacture of epoxy composites.

Wacker Metroark opens India hydrosilylation

Wacker Metroark Chemical (WMC) has expanded its silicone production capacity through the building of a new 6m hydrosilylation plant for manufacturing functional silicone fluids at its Amtala site near Kolkata. WMC, which is 51% owned by German specialty chemicals ***producer*** WACKER, said the plant - with a capacity of over 6,000 tonnes/year – is a response to growing regional demand for specialty silicones.

China to further open up economy, cut tariffs

China will further open up its industries to foreign investments and cut down import tariffs, Premier Li said. Foreign funds will enjoy greater access to sectors such as manufacturing, services, financial and education, Li said at a press conference after the closing meeting of the first session of the 13th National People’s Congress (NPC). Meanwhile, China will continue to cut tariffs on import products, particularly daily consumer goods and aim for zero tariffs on anti-cancer drugs.

China ramping up battery capacity

China is expanding its battery production capacity for electric vehicles (EV) at an “astonishing” rate and could become an increasingly dominant international player in the sector, chemical analysts at Bernstein Research said. The country’s drive to improve air quality has led to a raft of measures to incentivise take-up of electric vehicles including preferential city access and subsidies. Battery ***producers*** have also moved fast to secure cobalt supplies, and may hope to increase their foothold in the west.

India’s HSCL to build new carbon black plant

India’s Himadri Specialty Chemicals Ltd (HSCL) ***plans*** to invest rupees (Rs) 10bn ($154m) to set up a 200,000 tonne/year greenfield specialty carbon black plant at its complex in West Bengal state, a company source said. The new capacity will increase HSCL’s total carbon black capacity to 320,000 tonnes/year and is expected to be completed over the next five years, the source said. HSCL expects to commission 60,000 tonnes/year of the new capacity by April 2019.

Singapore petchem exports fall 12.9%

Singapore’s petrochemical exports in February fell by 12.9% year on year to Singapore dollar (S$) 1.34bn ($1bn), in line with the decline in overall non-oil domestic exports (NODX). This was a reversal of the 11.3% expansion in the country’s petrochemical exports in January, according to data from International Enterprise (IE) Singapore. Petrochemical exports to China slumped by 50.7% year on year in February, the trade promotion agency said in a statement.

JOURNAL : Farmers Weekly

If you’re a people person with great organisational skills then a career as a land agent could be ideal for you.

Land agents are responsible for the negotiation and acquisition of land, valuing farm and estate assets, giving clients advice on legal and tax issues, and ***planning*** and developing land use.

Farmers Weekly asked Laura Fieldsend, rural surveyor and senior associate director at Strutt & Parker, to share what it’s like to do her job.

See also: More ***agriculture*** careers advice and job profiles

Name Laura Fieldsend

Age 37

Job title Rural surveyor and senior associate director

Company Strutt & Parker

Sum up your job:

Put simply, I’m a facilitator, negotiator and problem solver.

What does this involve day to day?

The majority of my work is estate management and it’s about creating the right balance between the landlord and tenant relationship so that it’s prosperous for both.

I am also involved with compulsory purchase work and compensation claims, negotiating on behalf of my clients, who are mostly farmers.

What do you enjoy the most?

I really enjoy having good relationships with my client and working with my colleagues.

What can be the downside?

The nature of the role tends to be one of dealing with problems and that involves a certain level of tenaciousness to keep your spirits up. However, coming up with solutions is very rewarding.

What percentage of your job is office-based?

A fair amount of time is spent in the office – I would say on average I’m about 65% office-based.

What essential skills and qualifications are needed?

On a practical level, good communication skills are really important. With regards to formal qualifications, a Royal Institute of Chartered Surveyors (RICS) accredited degree is necessary to do this job.

Then the completion of the RICS APC (assessment of professional competence), making successful candidates a member of the RICS, known as MRICS.

Most people also choose to become a FAAV – fellow of the Association of ***Agricultural*** Valuers – which I am also.

What experience did you have before you started?

After completing my degree in agri-business economics and management at Newcastle University, I briefly worked for the British Horseracing Board.

I then joined Barclays on their ***agricultural*** graduate ***programme*** and worked towards being an agri-business bank manager and latterly working with small to medium-sized corporate clients.

I then went to complete the one year full-time post-graduate RICS accredited course at Harper Adams before joining Strutt & Parker in 2008.

What advice would you give to someone wanting a similar role?

Go for it; you’ll certainly meet some very interesting people. However, modern land agency is all about relationships – being personable, communicating and hanging on in there.

Good negotiation skills and lots of perseverance are essential to have in this line of work.

Give us an idea of salaries or earnings:

The average land agent will never be wealthy, but the plus side is working in the countryside with lovely people.

JOURNAL : Farmers Weekly

To speed up the steady process of securing a load of round bales on a flatbed trailer, Joskin’s Wago bale trailers now have the option of hydraulic sides, which clamp bales on board once loaded.

The ladder sides are constructed of circular tubing so the bales aren’t damaged when they are clamped, with the option to lower both sides at the same time for easy loading.

See also: Round-bale chaser slashes haulage costs

Once loaded, the hydraulic rams at each end of the trailer raise the sides to lock in the bales, so there is no need for the time-consuming strapping process.

It is available on a number of bale trailers from Joskin, offering up to three axles and payloads of 20t.

However, there’s no word on the extra pennies you will have to part with to get the ladder sides.

JOURNAL : Farmers Weekly

A Farmers Weekly survey revealed some supermarkets are stocking more New Zealand lamb products than British ones at this time of year, despite soaring UK slaughterings.

Luxury supermarket chain Waitrose, which has 352 stores and prides itself on its supplier base of 450 UK farmers, had only New Zealand lamb in the two stores inspected on Tuesday 19 March.

See also: How late lambing system helps farmer supply Co-op contract

In addition, when searching for lamb online, eight out the first 10 items on the Waitrose website were from New Zealand, despite 20 British products being available.

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A spokesperson for Waitrose said over the past year, 72% of the lamb sold in Waitrose was British and only UK lamb was on offer from May until late January.

Waitrose’s failure to commit to sourcing British lamb year-round has been thrown into the spotlight given that rivals Co-op, Aldi and Morrisons have trumpeted their ability to offer the product 365 days/year.

Waitrose decision

National Sheep Association chief executive Phil Stocker said: “If Waitrose wanted to stock British lamb all year round they could.”

“We have the landscape, climate and different markets to have a quality lamb product available all year round.”

He acknowledged that the taste of lamb changes through the season, becoming a much different-tasting product at 14 months old than it was at 14 weeks old, but said this did not mean it had lost any quality.

“Waitrose talks about seasonality in other products,” he said. “But it is not doing it with lamb.

“If you take their position to the extreme, we would be driven to a more export-reliant market.”

M&S one-third British

The survey offered a mixed picture of other retailers, with high street stalwart Marks and Spencer only offering just over one-third of their fresh lamb from British farmers.

Spot checks at two stores also revealed only just over half of the fresh lamb was British at supermarket giant Sainsbury’s, which has more than 600 supermarkets and 800 convenience stores nationwide.

The findings come as British lamb ***producers*** are enjoying a vintage production year, with the AHDB crediting a potentially record-breaking lamb-rear rate, allowing throughput at markets to surge ahead of 2017.

Rising exports

There has been an average of 12% more lambs at livestock markets each week in 2018 than the previous year, but many of these are being exported rather than ending up on domestic supermarket shelves due to retailers’ long-term commitments.

Mr Stocker said this meant that the UK product often ended up being the balancer for the imported product rather than imports compensating for any UK shortfall.

However, he said that sheep farmers had much to be cheerful about as they head towards rearing and selling next seasons product, with recent Brexit transition deal ensuring frictionless trade with the EU until the end of 2020.

 He also said global sheep production was unlikely to keep pace with growing international demand.

The Farmers Weekly Lamb Watch survey examined fresh meat and ready meal offerings from nine of the UK's main supermarket retailers and did not include fresh meat counters.

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What the retailers said

Aldi

Asda

Co-op

Lidl

Marks & Spencer

Morrisons

Sainsbury's

Tesco

Waitrose

Aldi

All of Aldi’s core range of fresh meat – including lamb – is 100% British all year round and only one other supermarket can match this position.

We stock a limited range of chilled lamb-based ready meals and three of these contain lamb from New Zealand. The country of origin is clearly labelled on the packaging.

Asda

We are committed to sourcing British products first and only stock lamb from elsewhere to ensure availability for our customers.

All of our products are clearly labelled so our customers can make an informed decision when buying their meat.

Co-op

Over the past 12 months, 81% of our UK fresh lamb offering was British, with the other 19% all coming from New Zealand.

Across the same period, 94% of our lamb chilled ready meals contained solely UK lamb, with 6% coming from New Zealand.

As part of its commitment to supporting British farming and food, in May 2017, the Co-op switched to selling 100% fresh British lamb all year round.

This formed part of the Co-op’s ***plan*** to invest £2.5bn into sourcing British meat, dairy and fresh ***produce*** over the next three years. By 30 April 2018, 12 months on from the switch, we are proud to say that 100% of our lamb supply will be British.

Lidl

We are committed to supporting and championing British farmers and ***producers***, and are proud to source 70% of our core product range from British suppliers.

We endeavour to source fresh British lamb when in season as far as availability allows, and are pleased to sell 100% Welsh lamb in our stores in Wales all year round, with Scotch lamb also available throughout the year in our Scottish stores.

We source all of our fresh lamb from British farmers between July and December, however due to seasonal availability and in order to meet our volume requirements and strict quality specifications, we stock both British and New Zealand lamb between January and June.

Marks & Spencer

In Scottish stores we sell 100% Scottish lamb year round, and in NI and ROI stores we sell 100% Irish lamb year round.

In the rest of the UK we sell 100% British lamb from May through to March and New Zealand from February through to May.

Overall, almost 80% of our total fresh lamb sales over the past 12 months were British lamb.

We do offer customers a UK lamb option all year round through our speciality lamb range which changes throughout the year – Swaledale, Cotswold, Salt Marsh and Borders.

Outside of the UK the only country we source from is New Zealand – just over 20%.

Over the past 12 months, 15% of the lamb in our ready meals was British. The country of origin is clearly labelled on pack.

Outside of the UK the only country we source from is New Zealand (85%).

Throughout the UK season we are proud to source the best-quality, in-season British lamb.

When the season comes to an end, we supplement the range with lamb from New Zealand to ensure we offer customers the best-quality product.

We continue to work with our M&S Select Farm ***producers*** to further extend the UK season and have new-season lamb as early as possible.

Morrisons

For the past 12 months, 95.3% of our fresh lamb offering was British. The other 4.7% has been Australian .However, since May 2017 we have only sourced and sold fresh British lamb.

Morrisons has 450 chilled ready meals of which eight contain lamb - and this may come from the UK or abroad.

We now source and sell only fresh British lamb all year round.

Sainsbury's

Our pre-packed range is 100% British during the main season, and our meat counter lamb and Taste the Difference and organic ranges are British year round.

We source British for the rest of our fresh and ready meal ranges as much as we possibly can. Where volumes are lower in the off-season between January to June we also offer New Zealand lamb to meet customer demand.

Tesco

We are extremely proud to back British lamb farmers and were the first retailer to introduce a cost-of-production model through our Tesco Sustainable Lamb Group.

Over the past year, we've further increased the number of British lamb products we offer and we always offer 100% British lamb on our counters and in our organic and Finest ranges.

By selling British and New Zealand lamb we can offer our customers quality, availability and good value all year round.

Waitrose

Over the past year, 72% of the fresh lamb sold in Waitrose was British. For background, Waitrose has just over 5% of the grocery market overall, but 10% of the lamb market.

The lamb we offer on our service counters is 100% British year round. In prepack, we offer 100% British lamb from late May to late January (having extended the British season by six weeks over recent years).

The non-UK ingredient lamb in our ready meals is sourced from New Zealand.

We don’t buy lamb on the open market, sourcing instead from 450 lamb ***producers*** in Wales, the South West and Northumberland.

The majority of our farmers prefer to raise their lambs on grass and fodder and are supportive of our approach; i.e. taking their lambs between May and January.

To enable us to offer British lamb year round on our service counters, we do source from specialists from the South West and Northumberland but, again, not through the open market.

Ready meals riddled with NZ lamb

The majority of large UK retailers are stocking more ready meals containing imported lamb than British, a Farmers Weekly spot check found.

Of the nine major retailers surveyed, only the Co-op and Morrisons were found to stock half or more of their lamb ready meals with UK lamb.

Aldi, Asda, Lidl and Marks & Spencer were found to either have no British lamb in ready meal sections or had ambiguous packaging that listed up to four potential countries of origin for the meat.

Packaging stating lamb could come from either Ireland, Australia, New Zealand or the UK is an "appalling process", according to Phil Stocker, NSA chief executive.

“I think it’s shocking. It does not contribute towards the transparency and trust the consumer wants.”

Mr Stocker also pointed out that retailers also never give a percentage to show how often lamb comes from each country.

“They may say there is a consumer out there that this caters for, but lamb is a high-value, premium product that we have to build a high-value story around.”

Sainsbury's, Tesco and Waitrose were found to have just 39%, 22% and 11%, respectively, of lamb ready meals clearly labelled as containing British meat.

Supermarkets are probably committing to buy quotas ahead of time and can quickly turn around these imported cuts into these ready meals, Mr Stocker said.

“Profit margins on ready meals are really quite high, so it might not be much lower value than selling as a premium cut.”

He added, “NZ lamb is in ready meals simply because they can get away with it.”

JOURNAL : Farmers Weekly

A man who hid a cannabis factory in the middle of stacks of straw at a farm in Staffordshire has been sentenced to more than three years in prison.

Mitchell Nicholls, 46, of Tyebeams, Shard End, Birmingham, pleaded guilty to the production of cannabis on the first day of his trial at Stafford Crown Court on Wednesday (14 March). He was jailed for 38 months.

Mr Nicholls had been on the run in mainland Europe since July 2015, refusing to hand himself in or return to the UK. He was arrested last November at Heathrow Airport on a European arrest warrant when he flew in from Switzerland.

See also: Ultimate guide to farm security kit

He had been forensically linked through fingerprints to a highly sophisticated hydroponic cannabis-growing production, which had been “professionally concealed” in a large barn at Brackenhurst Farm, Newchurch, Burton-upon-Trent.

The judge said Nicholls played a significant role in the cannabis production.

Two other men were imprisoned last January for their part in the offence.

Ian Locke, of Newport, Shropshire, and Martin Young, of Telford, Shropshire, admitted ***producing*** cannabis and possession with intent to supply.

Mr Young, 52, rented the farm to breed shire horses.

During their trial the court heard tractors were needed to move the bales and reveal the entrance to the factory.

Mr Young was sentenced to 38 months in prison. Mr Locke, 64, was jailed for two years and three months.

Police raid

During a search at the farm in March 2015, detectives seized £5,000 in cash and 16kg of skunk-flowering cannabis worth approximately £133,000.

Officers also found a series of secret rooms which were completely concealed by straw bales and contained hundreds of cannabis plants.

Forensic scientists estimated that the plants could ***produce*** 60.5kg of skunk cannabis a year, which equated to a street value of £432,142.

A proceeds of crime hearing will be held on 1 June 2018. A restraining order was placed on Mr Nicholls’ assets – property and high-value items including a Harley Davidson motorcycle.

Detective Inspector Lesley Fowler, of Staffordshire Police’s major and organised crime team, said: “I am pleased with today’s sentencing.

“The arrest and subsequent conviction of Nicholls are the result of a thorough and meticulous investigation. We are determined to rid our communities of drugs and those intent on their production.”

JOURNAL : Farmers Weekly

Farmers are being urged to have their say on the government's post-Brexit ***plans*** for UK ***agriculture***.

Hundreds of growers and livestock ***producers*** are expected to make their voices heard at dozens of NFU Brexit roadshows held across the country.

The first of the roadshows is taking place in Wiltshire on Monday (19 March).

See also: What Defra’s post-Brexit ***plan*** means for farmers

Farmers at the events will discuss ***plans*** laid out in a government consultation paper launched by Defra secretary Michael Gove last month.

The consultation proposes phasing out direct payments to farmers and replacing them with a system that rewards ***producers*** who undertake environmental measures and other "public goods".

It comes amid news that London and Brussels have agreed a Brexit transitional period will last from when the UK leaves the EU on 29 March 2019 until December 2020.

Prime minister Theresa May said last week that Brexit was a “historic opportunity” for the government to deliver a farming policy that would work for the whole food industry.

Mrs May acknowledged the importance of British food production to the nation and commended the work of “hard-working farmers” during Prime Minister's Questions.

Her comments came in response to a question from Neil Parish MP.

Vital role

NFU president Minette Batters said: “British farmers are performing a vital role ***producing*** the raw ingredients for the nation’s largest manufacturing sector – food and drink.

“It is essential that this is fully recognised by the government and I welcome the prime minister’s support and thank Neil Parish for asking this important question during PMQs.”

Delivering a domestic farming policy that worked for the whole industry would be crucial to the nation’s ability to ***produce*** food, said Mrs Batters.

The NFU would continue to make a strong case for a profitable, productive and competitive future for British farming, she added.

'Public good'

“British farmers have a unique and irreplaceable role in ***producing*** 61% of the nation’s food while also looking after 70% of the nation’s land.

“The British public are rightly proud of the high-quality British food that farmers ***produce***.”

“We strongly believe that access to this safe, traceable and affordable food is a public right and essential to each and every one of us.”

This meant British food should be seen by the government as a public good.

A full list of NFU roadshow events is available on the NFU's website. Farmers interested in attending should contact their regional NFU office.

JOURNAL : Farmers Weekly

Michael Maxwell vowed never to grow oilseed rape again on a charlock-infested field until being tempted to try a variety tolerant to a herbicide particularly good at killing this brassica weed.

The Hampshire farm manager had struggled to get a rapeseed crop established in the wet autumn of 2012 on this field, and come harvest the following year the crop was virtually impossible to combine due to severe weeds.

“We are never growing oilseed rape in that field again,” he said, after his combine driver asked him if he really wanted to cut the crop.

See also: Tips for raising oilseed rape yields

Five years on and oilseed rape was due to be planted in the field as part of the farm’s rotation, and he only decided to try again with a crop in which he could control charlock.

The ***plan*** started badly as the previous winter barley crop was severely lodged so difficult to combine and there was real difficult in incorporating the crop residue.

Late drilling

The drill only went into the field a month later than ideal on 15 September, but an open autumn and a lack of pigeons helped the crop off to a promising start, and he was surprised how well the crop looked in mid-March.

“Oilseed rape is an important part of our rotation, so it was a ideal opportunity to try something new,” he tells Farmers Weekly.

The leading Clearfield variety Imperial from Monsanto was drilled on the 27ha field. These varieties are bred conventionally with tolerance to the herbicide imazamox, which has good activity against brassica weeds such as charlock and runch.

Independent agronomist Ben Burrows was keen to target this problem field on the 800ha farm Mr Maxwell manages at Preston Farms, Preston Candover, just six miles south of Basingstoke, and he chose a Clearfield variety for four reasons.

Ease of brassica weed control “This is the main reason, and is especially important where severe charlock and runch would make oilseed rape unviable,” he says.

Wait and see before spending on herbicides, as in most cases no pre-emergence herbicide is needed “So we can see how the crop establishes before spending serious money on post emergence herbicides,” he adds.

Flexible herbicide ***programmes*** It is possible to sequence with other post-emergence herbicides depending on the weed pressure.

Opportunities for companion cropping A companion crop such as white mustard can be established to help with cabbage stem flea beetle control, then be killed off with post-emergence herbicide.

Agrochemical company BASF ***produces*** two herbicide mixes for use on Clearfield varieties – Cleranda (imazamox + metazachlor) and Cleravo (imazamox + quinmerac).

The group’s oilseed rape specialist Clare Tucker says the two products should allow grower to miss out on a pre-emergence, and so they can assess crops before spraying with these post-emergence products.

“The products have the widest weed control spectrum of any oilseed rape herbicides,” she says.

Rising market share

Clearfield varieties could take a 15%-plus share of the oilseed rape market this autumn following on from strong gains in the East, South East and West Midlands of England this season.

Mark Shaw, Monsanto’s marketing manager, says the varieties account for 10% of the 600,000ha of oilseed rape in ground at the moment, or some 61,000ha.

“We are looking for 100,000ha next season and believe a market share of 15% plus is very achievable,” he says.

Mr Shaw believes the overall area UK oilseed rape area could rise 5% to 630,000ha next season with Clearfield varieties taking a 15.8% share if they are drilled across 100,000ha.

This would be the second year of overall growth in the oilseed rape area after this season 5% rise came after five years of declines from harvest 2012 at 715,000ha.

Monsanto markets the two most popular Clearfield varieties, Imperial and Impression.

JOURNAL : Farmers Weekly

Supermarkets are gearing up for their annual Easter promotions on lamb, with UK sheep farmers seeking strong signals of support for domestic ***produce***.

In recent years, Easter promotions on Australian and New Zealand lamb have dominated some supermarket shelves, causing anger and frustration among hardworking UK sheep farmers and farming unions.

The National Sheep Association (NSA) maintains that at a time of year when consumers are looking to buy lamb, British products should be given pride of place on chiller shelves.

See also: How late lambing system helps farmer supply Co-op contract

But some retailers claim that British lamb is “out of season” at Easter, and therefore they must rely on imported lamb. The NSA has rubbished these claims, insisting that quality lamb is available to source year round.

The NFU wants to see consumers given a choice, with country of origin clearly labelled and retailers using headline messages to support British sheep farmers. However, the reality is that commingling – mixing of domestic and imported ***produce*** on shelves – is still rife.

Similar packaging of home-***produced*** and imported lamb also made it difficult for shoppers to make informed choices.

Farmers Weekly staff members have been visiting supermarkets across the country this week to see whether they are sticking to their commitments to support British sheep farmers. We will reveal the results later this week.

In the meantime, have your say in our poll:

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JOURNAL : Farmers Weekly

Pig numbers grew by 3% in 2017 to hit their highest level in England for nine years, Defra’s December pig survey has revealed.

England’s pig herd stood at over 3.7m head on 1 December 2017, pushed up by a 3% rise in fattening pigs, which accounted for 3.3m head of the total.

According to AHDB Pork analyst Bethan Wilkins, the Defra figures suggest recent year-on-year growth in pig slaughterings is likely to continue in the short term.

See also: Sheep numbers hit highest level since 2000

“The increased supplies could mean that finished pig prices remain below last year’s levels,” Ms Wilkins said.

Accuracy

But she raised a question over the figure’s accuracy because of a similar hike in numbers in December 2016.

“Defra’s December 2016 census also indicated a somewhat surprising 2% increase in the finishing herd, despite slaughterings in subsequent months being consistently lower year-on-year.

“This suggests the absolute figure for 2016 may have been somewhat overstated, and the most recent census results may remain a little inflated.”

She also queried figures for the English female breeding herd. Defra’s estimate of 325,000 head was just 0.4% up on the previous year.

Ms Wilkins, therefore, urged caution in interpreting the figures, which may have under-estimated the rise in the female breeding herd.

“With the significant improvement to ***producer*** profitability in 2017, slightly larger growth in the breeding herd may have been anticipated, especially considering the high throughputs in recent weeks,” Ms Wilkins reckoned.

That said, within the detailed figures there is a 3% fall shown in the number of in-pig gilts, which may be an indication that ***producers*** are not pushing for expansion due to uncertainty over the future level of pig prices, she added.

Co-op switches to 100% outdoor-bred pork

The Co-op has announced its own-brand fresh pork, bacon, sausage, gammon and ham will be sourced from 100% outdoor-bred pigs.

The move means that all pigs within its ***producer*** group farms will be born outdoors and raised in straw barns to meet RSPCA Assured criteria.

The Co-op said it is working in partnership with pig ***producer***, processor and food group Tulip Ltd to link the supply chain from farm to consumer.

The 100% outdoor promise is set to be rolled out across both standard and premium Co-op ranges.

Co-op retail chief executive Jo Whitfield said that the highest animal welfare standards should not just be the preserve of top-tier products.

“We want to ensure that the very best quality British pork is available at everyday affordable prices. We will be working hard with innovative and passionate British farmers who share our principles.”

The latest announcement follows the Co-op’s move in May 2017 to switch all of its own-brand fresh meat to 100% British, alongside a further £1bn investment into sourcing home-grown meat and fresh ***produce***.

JOURNAL : Farmers Weekly

HRH the Prince of Wales has praised the efforts of local farmers and rural businesses who co-operated to save Louth mart in Lincolnshire last year – the sole remaining auction mart in the county.

The prince was visiting the site as part of a tour of Lincolnshire, which also included a visit to Boston vegetable business Freshtime UK and National Trust property, Tattershall Castle.

See also: Duchy of Cornwall creates opportunities for new entrants

Louth Livestock Market, which has been at its current site since 1983, was earmarked for closure by East Lindsey District Council, which argued it was underused on a site that was ripe for development.

But farmers said the mart was used on a regular basis and its closure would mean they would have to send their livestock excessive and unsustainable distances.

This led the council to launch a consultation last summer, which culminated in the site being saved, with 84% of 4,078 locals polled wanting the council to refurbish the site at a cost of £700,000 and withdraw any ***plans*** for its sale.

Addressing a gathering of farmers, auction staff and other businesses based at Louth mart on Monday (19 March), HRH the Prince of Wales said he was “thrilled” the market had been saved and thanked the rural community for their efforts.

“The fact that my Countryside Fund was able to assist a little bit in this campaign has given me enormous pleasure,” he is reported in the Louth Leader as saying.

“Apart from anything else, it shows how important these sorts of livestock markets are in helping to maintain the rural community and the farming community and the whole life of an important part of the world like this.”

Simon Williams, a partner with Louth Market Auctioneers, described 2017 as a “tumultuous year” for the market, and thanked the prince for his help.

Lincolnshire to benefit from Prince's Farm Resilience ***Programme***

HRH the Prince of Wales also announced that Louth will be a new location for year three of his Farm Resilience ***Programme***, which will help up to 20 local family livestock and dairy farms improve their business skills.

Run by the Prince’s Countryside Fund (PCF), the initiative is offered in 15 locations across the country each year, to help farming families become more resilient and prepare for the future through a series of business skills workshops run by leading ***agricultural*** consultancies.

“We would emphatically encourage farming families in the area to sign up when the ***programme*** starts in the autumn,” said PCF director Claire Saunders.

In total, the project is backed by funding of £1.5m and is intended to reach up to 1,500 farming families nationwide, to help them improve their confidence, efficiency and resilience.

JOURNAL : Farmers Weekly

Getting high yields of quality milk at a low cost, while maximising animal welfare has always been key to the dairy industry. And is even more so now, with the unrelenting pressure on prices.

A recent survey of 457 farmers conducted by Kingshay dairy consultants showed nearly all respondents wanted to ***produce*** more milk from forage.

And a survey of 187 dairy farmers, conducted in December by Germinal and Volac, revealed 89% aimed to increase milk from forage, with 64% saying grass silage is more important now than it has been previously.

So, it’s clear dairy farmers are trying to increase yields from both fresh and preserved grass. There are several ways of doing that, but one of the increasingly popular methods is multi-cut silage.

A multi-cut silage system sees more frequent silage cuts taken at shorter intervals, rather than the more traditional three-cut system in the UK.

Many dairy farmers tried multi-cut for the first time last year and questions have cropped up. Farmers Weekly put some of these questions to a panel of forage and nutrition experts.

The experts

Rob Watkins, ruminant specialist, Advanced Ruminant Nutrition (RW)

Ben Wixey, national ***agricultural*** sales Manager, Germinal (BW)

Jackie Bradleym, regional product manager, forage, Volac (JB)

Dave Davies, Silage Solutions (DD)

What do you see the key nutritional benefits of multi-cut silage to be?

RW Multi-cut systems ***produce*** a consistent quality product and high-yielding dairy cows need consistency. Multi-cut systems ***produce*** higher energy density and crude protein crops.

If you look at intakes on herds moving to multi-cut systems, DM intakes increase by 1-3kg DM a cow a day. This allows you to target 35-40% or more of your milk ***produced*** from forage.

See also: Benefits of switching to a multi-cut system

Do I need to take the first cut earlier in the season? When should that be and how often should I be cutting?

RW Go with the plant, cut the plant early and regularly at 28 to 30 days.

Remember rye grass is at its highest quality with three leaves; a fourth leaf means one is dead and rotting, so energy density will be lower.

Plus, you also increase the risk of bringing potentially harmful yeast and molds into the clamp.

Be organised so you are ready to go when the plant is, make sure you tell the contractor chop length and mowing height, and don’t assume he will know.

JB The date for first cut will vary depending on a number of factors, such as where you are in the country – but it should certainly be before grass comes into head.

For people wanting to make multi-cut, consider cutting at intervals of less than six weeks – because six weeks gives grass the opportunity to head.

A one week delay in cutting after heading could mean 3.6 units of digestibility value lost and getting extra D value can save you feed.

Does it require more or less fertiliser and if more, how easy is it to stay within nitrogen limits?

BW Calculating the timings of spring nitrogen is important.

We still talk about two units of N/acre being used a day, so if you apply 80 units, you need 40 days between application and cut. The modern equivalent is 2.5kg/ha.

You should not be using any more than 60-70 units per application, so if you’re looking to cut between the turn of April/May then you need to be applying N in the second to third week of March.

There does seem to be more soil residual N around these days.

You must always consult your Facts qualified advisor and RB209 before applying any fertilisers.

What’s the best chop length?

JB With the leafier crop from multi-cut, there is a higher risk of slippage on the clamp therefore we recommend considering a chop length of at least 5cm, depending on dry matter.

This gives structure to the clamp and can help increase fibre in the silage. Cutting very short crops of multi-cut grass won’t give you the forage you desire.

DD Chop length should be varied according to DM and quality.

If it is all young leafy material and 32% DM then 3-5cm. If its 28-30 then 5cm minimum, but if its wetter and below 28, then it needs to increase in length even up to 10 cm at 22% DM.

What puts me off is the contamination risk. How do I make sure there is no fertiliser or slurry contamination in subsequent cuts?

BW We need to be applying the slurry to the soil, we don’t want to be applying it to the leaf because of what happens in the pit.

Slurry needs to be tested and applied at approximately 25,000 litres/ha. We need at least 10 weeks between slurry and first cut, so it needs to be as early in winter as possible. It should ideally be applied with a trailing shoe or injector, and never a splash plate.

Ideally, we would only apply bagged fertiliser between cuts as the risk of contaminating the grass leaf with slurry is too large. However, I appreciate this isn’t always possible. If applying slurry between cuts please cut back the application and make sure the slurry is of a very low dry matter about 2%. Again, ideally inject the slurry or use a trailing shoe applicator.

How quickly does the crop need to be wilted and clamped?

JB You need to be cutting, spreading, wilting and clamping it within a day. If it’s a good day, you’ll easily get 28-32% dry matter. Grass should be cut in the morning with a mower conditioner and ted out within two hours to allow quick wilting.

This is the time frame the stomata are open, so tedding needs to be quick to maximise the moisture loss from stomata.

Grass should be rowed up just before the forager.

DD The ideal DM would be somewhere about 32%. The quicker you can reach this the better, so monitor in the field.

The Dutch are advocating a much higher DM (into the 40% DM range), but with UK clamps and weather, this is a mistake as it significantly increases field losses and feed-out losses.

Ideally 24 hours, with an absolute maximum of 36 hours, wilting period. More than 36 hours you can lose more than 4% units of digestibility (0.7 MJ/kg DM ME) in the field.

However, with the lower yield/cut from the multi-cut, the wilting time will be quicker so a double whammy benefit for energy content (higher energy at mowing and lower energy losses due to the shorter wilt time).

I have experienced slippage in the clamp with multiple cuts in it. What’s the answer? Should I step the clamp?

JB Clamp management is really important. The clamp needs to be consolidated in small layers – a maximum of 15cm. The layers should be flat, not sloping. Seal the clamp quickly after harvest and use side sheets. A minimum of two covers are needed and I would almost argue to use three. Definitely look to keep plenty of weight on top of the clamp.

RW Clamp density is everything. Make sure you don’t have product coming in too fast and the guy with the buckrake knows how to make a clamp with thin layers of grass starting from the outside and evenly spread over the top of the surface so it can be effectively consolidated. Once you think it is rolled enough roll it for another hour

The silage face should be nice and flat like the below picture.

DD Slippage tends to occur with lower DM crops generally below 25% DM. However, the multi-cut system provides additional challenges because the low fibre content makes it more prone to slippage.

Therefore, the key things are that the chop length should be longer – even at 30% DM, 5cm would be ideal, this will also help in improving rumen use of the silage.

In addition, the clamp should never be filled at an angle greater than 20deg to the horizontal. More than one cut in the same clamp, which means re-opening and filling a subsequent cut also adds a risk, as if the subsequent cut has a lower DM it will have a heavier weight and could lead to slippage through additional weight on top.

Care is required and I would prefer if possible to fill most of the subsequent cut in front of the previous cut, providing you can keep to the rule of 20deg maximum filling angle.

Stepping at feed-out is a possibility to reduce slippage, but it can increase other problems such as rain water contamination and spoilage.

What sort of silage additives do I need to use in the clamp?

DD Grass harvested in a multi-cut system will be higher protein and lower sugar than a standard cut because of the changes during grass growth. This means the silage fermentation will be potentially more challenging and so an inoculant that contains just homofermentative species of bacteria such as Lactobacillus plantarum or Pediococcus should be used.

Additives with heterofermentative species such as Lactobacillus buchneri, L kefiri and L brevis are less efficient silage fermenters and require more sugar to stabilise the pH. Even in combination with homofermentative bacteria, they will prove less efficient.

In addition, it will be young and leafy material so the levels of aerobic spoilage yeasts will be lower and the crop will consolidate more easily, making control of aerobic spoilage at feed-out easier.

Also, higher protein crops are inherently more aerobically stable. The correct silage additives are very beneficial but they must be used in combination with best ensiling and feed-out practice.

My main concern is contractor charges. Is there any way to reduce this?

BW Contractor costs will be higher in a multi-cut system, but I’d argue that the energy level increase you get will pay for the contractors and a lot more (see ‘Contractor costs weighed up’, below). It may be that your contractor will consider a reduced rate for subsequent cuts given that he is getting more work overall.

Should I be concerned about soil compaction if we’re doubling traffic over the ground?

BW This is a good question, as compaction is a major issue in grassland management, irrespective of the grazing or silage making system. If compaction is suspected, normally indicated by poor grass yields, then soil assessment should be carried out in late summer in the form of soil structure digs.

Dig holes in the suspected compacted part of the field and also under a hedge or an electric fence in the middle of a field. This will give you a good idea of whether you have soil compaction in areas. If compaction is found then appropriate measures need to be taken in the autumn preferably to alleviate the problem.

DD This is an interesting question. I would always advocate where possible floatation tyres for field work (not on the clamp of course). However, there will be fewer traverses across the field each time compared with a standard cut when forage harvesting due to the lower yield.

So maybe the impact is not as great on soil as you may expect. However, I would recommend looking at the AHDB website on controlled traffic to try and reduce the impact as much as possible.

Contractor costs weighed up

Three cut costs

Area

DM yields/ha

Total tonnage DM

Cost/ha (£)

Total cost

20.5

6

123

136

£2,788

14.5

4.5

65

104

£1,508

12

3

36

104

£1,248

224

£5,544

Five-cut costs

Area

DM yields/ha

Total tonnage DM

Cost/ha (£)

Total cost

18.2

4.5

82

136

£2,475

16.1

3

48

104

£1,764

13

3

39

104

£1,352

13

2.1

27

104

£1,352

12

2.1

25

104

£1,248

221

£8,101

Extra income from improvement of 1ME, which is seen regularly:

220t of silage at 1,000kg = 220,000kg = 220,000 extra MJ

5.3MJ/litre = 41,500 litres extra milk

Therefore, extra income at 26p/litre = £10,800

Conclusion

Difference in contractor costs is £2,300, but extra income on the milk cheque is £10,800.

Source: Financial information provided by Germinal, from research with Wiltshire contractor

JOURNAL : Farmers Weekly

Mountain rescuers saved two sheep stranded on a tiny cliff edge for 11 days following Storm Emma.

The shepherd had been struggling to gather his sheep after severe weather had driven them over a short cliff edge in Glen Lednock, near Comrie, Perthshire.

The sheep were stuck and unable to move safely, so the shepherd called police, who then enlisted the help of rescuers.

See also: Where farmers in need can find charity help

On Wednesday (13 March), members of the Tayside Police Division Mountain Rescue Team and Tayside Mountain Rescue Team took part in a joint operation to rescue the sheep.

Team members attended in the Glen and safely plucked the sheep from the crag with some improvised technical rescue skills, which saved the local landowners putting themselves in harm's way.

Although shaken by the ordeal, both sheep were happily reunited with their grateful shepherd.

‘Unusual incident’

PC Paul Morgan, deputy leader of the Tayside Police’s mountain rescue team, said it was one of the most unusual call-outs in recent times.

But he added: “Although this type of incident is not common for us, given the nature of the location and our concerns for both the shepherd and animals, we were more than willing to lend a hand in an environment we are more than comfortable in.

“Given how much assistance farmers had given police all over the country in recent weeks following Storm Emma, where they helped keep roads open and dug out countless stranded motorists, this seemed a very fitting way of repaying the favour.”

JOURNAL : Farmers Weekly

The public should lobby supermarkets to increase the farmgate milk price by 2-3p/litre to help dairy farmers invest money into farming more environmentally, says a rivers trust boss.

Stephen Marsh-Smith, chief executive of Afonydd Cymru, the body that protects Welsh rivers, said urgent action is needed to cut the amount of slurry pollution in rivers.

Dr Marsh-Smith said: “If we added 2-3p/litre to the farmgate milk price and paid dairy farmers properly, they would not have these huge pressures. Consumers wouldn’t baulk at this at all.

See also: Welsh government moves to cut nitrate pollution from farms

“It would mean farmers could invest in proper slurry storage systems. Several companies are also working on slurry processing units which go farm to farm, which farmers could take advantage of.”

Following a wet autumn, many parts of Wales have experienced further persistent wet weather this winter, leaving fields saturated and increasing the risk of nitrate pollution from slurry spreading.

“We have had some dry periods, but at the end of the day, phosphate and nitrogen is getting into water and it’s not good for health and the environment,” added Dr Marsh-Smith. “The majority of farmers are ‘playing the game’, but when 5% are not, voluntary measures don’t work.”

Flexible approach to NVZ rules

In December, the Welsh government stopped short of introducing an all-Wales “blanket approach” to Nitrate Vulnerable Zone (NVZ) designation.

Rural affairs secretary Lesley Griffiths hinted that the government would adopt a flexible approach to NVZ regulation to cut river pollution by working with stakeholders to get the “right balance of regulatory measures, voluntary initiatives and investment”.

In January, Afonydd Cymru, which represents six Rivers Trusts across Wales, wrote to the Welsh government calling for urgent action to address ***agricultural*** pollution levels in Welsh rivers.

It claimed that a significant number of holdings discharge raw slurry directly into rivers and streams. “Sadly, there are no fish left to die in many places and so reporting relies on the few people on the ground to spot the intermittent changes of colour and smell.”

Afonydd Cymru has also made a formal complaint to the European Commission, arguing that dairy, beef and poultry businesses in parts of Wales are invariably breaking EU rules and guidelines on slurry spreading.

FUW response

Glyn Roberts, president of the Farmers’ Union of Wales (FUW) said: “The group that has made this complaint acknowledges that there are no problems on the overwhelming majority of farms, and that we need to work proactively with farmers to tackle problems where they do exist, and do so in a proportionate way.

“That is exactly the work being undertaken by the Wales Land Management Forum, of which FUW is a member, so it is disappointing that this group has decided to take the steps it has in spite of all the work already under way – especially after acknowledging the problems caused by an incredibly wet six months and that financial pressures on the industry are already acute.

“Of course, an increase in milk prices would be welcome, but even if this did occur it would only benefit the minority of those affected by what Afonydd Cymru appear to be advocating.”

Fair returns

NFU Cymru said farmers need certainty and a fair return from the marketplace to enable them to invest in their businesses.

Deputy president Aled Jones added: “NFU Cymru has committed substantial efforts and resource to work with farmers, government and other stakeholders to enable a framework to take action on water quality, where required.

“The union recently set up a Water Quality Task and Finish Group with the aim of working with partners to secure improvements in water quality in Wales.

“NFU Cymru is clear that one pollution incident is one too many, and farmers are committed to playing their part in the bigger picture in maintaining and enhancing water quality across Wales. Successful outcomes can only be delivered by everyone working in partnership.”

JOURNAL : Farmers Weekly

The value of Scottish food and drink exports rose by over half a billion pounds in 2017 to more than £6bn, with malting barley growers for famous Scotch whisky helping drive the increases as well as livestock ***producers***.

Whisky exports dominate the food and drink sector north of the border, making up nearly 75p of every £1 overseas buyers spend on Scottish food and drink, and the sector added £356m compared with 2016, bringing the total value to £4.3bn.

Food exports also performed strongly, adding £215m to a record £1.6bn in 2017 with animal feed, dairy and egg products among the biggest increases.

See also: UK food exports see record growth in first half of 2017

Much of the total was driven by sales of fish and seafood at £944m, up 23% from last year but animal feed also showed a marked rise at almost 20% on the previous 12 months.

During 2017 animal feed exports were worth £174m to the Scottish economy with dairy and egg product sales the other main risers for farming products, with a collective 12% increase to a total of £49m in 2017.

The biggest decline was in live animal sales which dropped by 26% from £61m in 2016 to £45m last year.

The figures are in line with the rise in the UK’s total export of goods in the past 12 months, which was up 12% to a total of £344bn.

Brexit warning from Scottish government

But the statistics reveal a huge dependency on the EU market, sparking a warning from the Scottish government over Britain’s Brexit ***plans***.

Of the total food exports, Europe accounted for sales worth £1.1bn – an increase of 13% or £125m for the year.

Scotland’s rural economy minister Fergus Ewing said: “The statistics highlight the importance of the EU single market to our food and drink success, with the EU buying more than 40% of our ***produce***.

“The continuing uncertainty surrounding the UK government’s Brexit ***plans***, and the prospect of losing tariff-free access to that market could be potentially devastating for our food and drink industry.”

He also raised concern over the potential loss of protected food name (PFN) status which is governed by EU laws.

A number of Scottish products have PFN status, which provides legal protection against imitation across the EU.

It is estimated that, on average, PFN status increases a product’s value by 2.23 times and the loss of this extra premium is compounded by the risk of losing market share to cheaper imitations.

James Withers, chief executive of Scotland Food & Drink added: “Sales of Scottish food have now risen more 130% in a decade, but we have greater potential still.

“Our industry has an ambition to double the value of its sales overseas and in our home market to £30bn by 2030.”

“But Europe remains the top destination for many of our products, emphasising the need for a Brexit process which protects this vital trade.”

Scotland Food  Exports 2016-17

2017

2016

2016-17 Change (£m)

2016-17 Change (%)

Live animals

45

61

-16

-26

Meat

99

97

2

2

Dairy and eggs

49

44

5

12

Fish/seafood

944

768

176

23

Cereals

179

173

6

3

Fruit and veg

62

64

-1

-2

Animal feed

174

147

28

19

Source: HMRC Regional Trade Statistics

JOURNAL : Farmers Weekly

Young farmers in Scotland who are looking to start a career in ***agriculture*** are to be awarded government grants worth £4.2m in total.

Scottish rural affairs secretary Fergus Ewing said the latest award would see 81 successful applicants receive a share of the funding, which will help to create and develop their businesses.

The funding is part of the New Entrant Start-Up Grant (NESUG) and Young Farmer Start-Up Grant schemes (YFSUG), which will allow 23 NESUG and 58 YFSUGs applications to be approved

See also: 9 ways to get into farming

Announcing the funding, Mr Ewing said: “It’s vital to the sustainability of ***agriculture*** in Scotland that we do everything in our power to encourage new entrants to farming.

“With the average age of Scottish farmers currently close to 60, there is of course an emphasis on encouraging young people into farming.

“But new entrants of any age are welcome, and can help to drive innovation and improve best practice across the industry, while contributing to the economic vitality of the sector.”

The funding announcement brings the total funding from EU and Scottish government to more than £13.8m, supporting the development and creation of almost 256 new farms across Scotland.

Welsh government grants

Meanwhile, in Wales, Plaid Cymru (Party of Wales) has warned that outward migration of young people is “sapping life from Welsh communities”.

The party said over the past decade, the four local authorities in the West – Ynys Mon, Gwynedd, Ceredigion and Carmarthenshire – had seen 117,000 young people aged 15-29 leave either to other parts of Wales or the UK.

Plaid Cymru AM for mid- and west Wales, Simon Thomas, urged new entrants in Wales to apply for their share of a £6m new Welsh government grant scheme to help young farmers in Wales get on their feet.

 “Currently the average age of farmers in Wales is over 60 – just 3% are under 35,” said Mr Thomas. “To secure the future of the industry in the teeth of the challenge of Brexit, more young entrants are needed.”

The grant will provide £40,000 to 150 farmers as part of a Young People into ***Agriculture*** Scheme. Applicants must be younger than 40 on 1 April and must be looking to establish a new business or develop an existing one.

JOURNAL : Farmers Weekly

Farmers in England attempting to complete their 2018 Basic Payment Scheme claims are finding major errors in the mapping data held on their hedges.

The Rural Payments Agency (RPA) has introduced a new "hedge layer" this year that aims to show the length and location of any hedges that are eligible to count towards their ecological focus area (EFA) obligation.

It is anticipated that many more farmers will be looking to use hedges as EFAs in 2018 because of the ban on the use of plant protection products on nitrogen-fixing crops and fallow.

See also: RPA boss blasted over payment delays and mapping

But farmers who have started to look at this information have discovered worrying levels of inaccuracies.

Dear RPA, Please could you add a feature 'create hedges', as 75% of our hedges have been left off the system. I assume now I need to do a lot of paperwork to get them added. Thank you.

Samuel Topham (@samueltopham14) March 13, 2018

They are finding land parcels where hedges do exist in real life, but do not show on the RPA’s system, along with fictitious hedges appearing where they should not be.

Others are reporting difficulty in getting the hedging layer information to appear at all.

It's amazing how the RPA can recognise a wall as a hedge yet they can't recognise actual hedges. Another fun application period coming!

David Robinson (@dcrobinson79) March 16, 2018

Purely out of interest, I just had a look at my hedge maps. I have 652m on a 10.29ha field. This interests me as we lifted the beet on Friday and to the best of my knowledge there are no hedges on the field. What a good Just I don’t use hedges for EFA.

Robert (@waddledogie) March 15, 2018

Richard Wordsworth, NFU senior BPS adviser, said the union had already flagged the issue with the RPA and was pushing for further guidance and support.

The problem was most acute for growers who were looking to use hedges to meet their EFA requirements, he said.

However, the union was also very concerned about the implications if the hedge layer was used as a checking tool against agri-environment scheme claims.

“This is a huge problem for those who are affected and puts additional pressure on claimants when hedges could have been a quick and easy way to meet their EFA obligation," said Mr Wordsworth.

“The current guideline from the RPA is that if you need hedges to meet your EFA and they aren’t showing on the hedge layer, you need to fill out an RLE1 form to get them added back in and cover your EFA hedge claim position.”

NFU vice-president Stuart Roberts said the situation was going to create more work for farmers and agents.

“Yet again, the industry is going to have to pick up the pieces and correct errors that are not of their making. Our advice to farmers is to log in to the online system and start looking at the information now, so you can check your mapping, read the guidance notes and start working things out.”

A tweet published on the RPA’s Twitter account on 14 March said: “If you aren’t using hedges for an agri-environment scheme or to meet your 5% EFA obligation, you won’t need to send in an RLE1 to tell us about any changes to the hedge layer.”

Farmers Weekly has contacted Defra for a comment on behalf of the RPA.

JOURNAL : Farmers Weekly

The number of Eastern Europeans looking for UK farm jobs has fallen by more than one-third – fuelling fears British farmers face a shortage of workers.

Google searches by Romanian, Bulgarian and Polish citizens for ***agricultural*** jobs in the UK dropped by 34% in the past year, according to the analysis.

The study was conducted by Westminster-based ***strategic*** communications firm GK Strategy and digital data company OneFourZero.

See also: Advice on hiring, training and motivating farm staff

The fall in interest from abroad in UK positions had not been matched by an increase in searches for ***agricultural*** sector jobs in the UK, they said.

Largest drop

Bulgaria saw the largest drop, with 2,000 fewer searches in January 2017 compared with the same time the year before.

Google search data was a good early indicator of changing behaviour and shifting patterns of EU nationals searching for work in the UK, said the two companies.

This was because people increasingly looked online for job vacancies.

The decline in interest could lead to a potentially serious recruitment crisis for the UK’s ***agricultural*** sector, which already has a 29% shortfall in seasonal workers, said the firms.

‘Emerging crisis’

GK Strategy chief executive Robin Grainger said: “Declining online interest indicates an emerging workforce crisis for Britain’s ***agricultural*** industry.

“In the short-term, ***producers*** and representative bodies should work with government to protect that vital pipeline of workers from abroad.

“In the longer term they should push for the implementation of a new migration system which recognises the reliance of our ***agricultural*** production on talented overseas staff.

The data paints a clear picture of how Brexit continues to affect the desirability of the UK as a destination for work Fleur Hicks, OneFourZero chief executive

Interest in ***agricultural*** jobs is heavily influenced by season, with peaks between December and April, although the window interest shortened and became more pronounced in 2017.

Seasonal scheme

The NFU has repeatedly called on the government to introduce a seasonal ***agricultural*** workers scheme to make it easier for temporary workers to come to the UK.

Some workers were staying away because the fall in  the value of sterling since Brexit meant seeking work in the UK had become less attractive, it said.

Others were staying away simply because they didn’t feel welcome.

Although many workers come to the UK during busy peak periods such as harvest, others undertake temporary jobs on dairy farms and in the food-processing sectors.

Refused

The government has acknowledged farmers need access to an adequate labour supply but has so far refused to introduce a special seasonal scheme.

OneFourZero chief executive Fleur Hicks said: “ We live in a digital age and online searches are a good early indicator of where people are looking to work.

“The bad news is that it is not clear if UK workers will step in to fill the vacancies as EU workers lose interest in coming to our shores.

Ms Hicks added: “The data paints a clear picture of how Brexit continues to affect the desirability of the UK as a destination for work.”

JOURNAL : Farmers Weekly

England has lost almost 50% of its small farms in recent decades and will see even more close down post Brexit unless safeguards are put in place.

The warning has come from a collection of farming, conservation and environmental groups who have jointly called for the protection and enhancement of farm diversity to be a core purpose of the new ***agriculture*** bill.

The Campaign to Protect Rural England, Family Farmers Association, Friends of the Earth, Landworkers Alliance, New Economics Foundation, Sustain: the alliance for better food and farming, and the Tenant Farmers Association (TFA) fear the “dramatic loss” of English farms threatens landscapes, rural jobs, cohesion and habitats.

See also: 10 tips to build a stronger farm before Brexit

[*https://infogram.com/farm-losses-1h0n25deekvz6pe*](https://infogram.com/farm-losses-1h0n25deekvz6pe)

Vicki Hird, Sustain campaign co-ordinator, said: “With the future so uncertain, farms are an endangered species. It is shocking England has lost almost 50% of its small farms in the past 70 years and we owe a debt of gratitude to the small farmers who have done so much to shape our countryside.”

The organisations believe having a range of farm sizes and types is vital to ensure a thriving farming and rural industry, to make it available and attractive to new entrants and progressing farmers, and for ***producing*** a healthy countryside and landscape.

They have asked for clear acknowledgement of the need for safeguards in new national policy and for specific measures to rebalance support to strengthen smaller enterprises. These include:

Redistributed support so the farm budget is more evenly shared between larger and smaller farms

Targeted support to ensure active farmers on small and medium farms get adequate support for delivery of public goods

Concentrating investment by providing accessible grants, low/no interest loans or loan guarantees to small and medium farm businesses

Delivering accessible and affordable training, mentoring and advice to smaller and medium farms.

Changes to subsidies

Defra secretary Michael Gove has announced ***plans*** to make changes to farming subsidies after Brexit.

Farmers are paid part of a £3bn subsidy based on how much land they own, which makes up between 50% and 60% of their income. This will continue until March 2024.

Then farmers will instead be paid for “public goods” such as protecting and improving the countryside and boosting access to it.

Mr Gove said the largest of the subsidies will be curbed, with a maximum cap or a sliding scale of reductions.

TFA chief executive George Dunn said it is vital for the farming industry to be encouraged to progress.

He added: “That means having small, medium and large farms and a well-functioning landlord tenant system underpinning occupation, investment and resilience.

“A key focus to achieve this must be to look at reform of the taxation system which underpins land ownership and occupation.”

JOURNAL : Farmers Weekly

Japanese giant Subaru is the latest car manufacturer to announce that it won’t be making any more diesel-powered engines, with current UK stock levels forecast to last only until the middle of 2019.

See also: High-hour Horsepower: Toyota Land Cruiser hits 484,000 miles

Subaru UK says that it has just enough cars to meet the demand of customers who want to change now, focused mainly in die-hard diesel areas such as Scotland and Northern Ireland.

However, if there were a sudden rush of new buyers, supplies would run out more quickly than expected, with all dealers offering customers test drives in petrol-powered cars to prolong stock levels.

This move follows a number of other makers – including Volvo and Porsche – switching to cleaner hybrid or electric alternatives as sales of diesel cars continue to fall, with only a third of vehicles sold in the UK being diesel, down from half in just a year.

Toyota – well known for hybrid technologies in its Prius range – has also said it won’t sell diesel engines in the UK from next year in many of its road cars, although commercial vehicles such as the Land Cruiser and Hilux will still have diesel blocks.

JOURNAL : Farmers Weekly

Problems between landlords and tenants in Scotland are being caused by a small number of “maverick” land agents, according to the results of a survey.

The survey, published by the office of the Tenant Farming Commissioner, found that 17% of tenant farmers and 17% of landlords surveyed were dissatisfied with the agent they had dealt with.

However, it also highlighted the majority of landlords and tenants view their business relationship as a positive and productive one.

See also: Champion for tenant farming in Scotland named

The research involved telephone interviews with 914 tenant farmers (with a total of 1,278 tenancies) and 121 landlords (holding 1,705 tenancies).

Getting along well

Sarah-Jane Laing, executive director of Scottish Land & Estates, welcomed the findings and said that, while it was often portrayed that landlords and tenants were at loggerheads, in fact, most people within the sector were getting along well.

“The role of agents within negotiations has often been the cause of heated discussion within the industry, but the survey demonstrates that the vast majority of agents are conducting their work with politeness, professionalism and integrity.”

Christopher Nicholson, chairman of the Scottish Tenant Farmers Association, said he recognised the majority of land agents were operating fairly, efficiently and complying with codes of practice.

Small minority

However, there remained a small minority who refused to change their ways and continued to practice in an unacceptable manner.

We look forward to working with the commissioner on the findings of this review and rooting out the rotten apples from the barrel Christopher Nicholson, Scottish Tenant Farmers Association

“Due to the concentrated pattern of land management in Scotland, a few maverick agents can have a disproportionate effect on the tenanted sector as a whole.

“We look forward to working with the commissioner on the findings of this review and rooting out the rotten apples from the barrel.”

The role of the Tenant Farming Commissioner is to improve relationships between the landlords and tenants of ***agricultural*** holdings.

JOURNAL : Farmers Weekly

The UK domestic wheat market remains strong and is bucking a global trend, according to grain trade experts.

Grain merchant Gleadell ***Agriculture***’s trading director Jonathan Lane said the UK was operating as an island with limited export movement but good demand at home.

Prices for May feed wheat futures stand at £144/t, bolstered by the trade for ethanol.

See also: EU wheat exports slump to slowest rate in six years

“Rumours that the Vivergo bioethanol plant is to come back on stream have prompted another round of buying,” Mr Lane said.

Those rumours are reflected in a big differential between prices in the north-east of England, close to the Hull-based plant, and prices further south.

May futures have risen to £152-153/t in that area contrasting sharply with figures for Kent at just £140/t.

“Normally we would expect to see a spread of £7-8/t between these regions,” Mr Lane said.

“Stock left on farm in the North is negligible even though the 2015-16 harvest showed a big surplus as it was all used up the following year. By June 2017 stocks were on the bare boards.”

In contrast to the UK, prices on US markets have fallen by $3/t (£2.15/t). This is due largely to an improved weather picture for the growing crop with rain forecast for areas which are struggling with drought conditions.

Export market stalled

Meanwhile, the export market for UK wheat has stalled, according to AHDB senior analyst Daniel Rooney.

The UK exported just 306,200t of wheat between July 2017 and January 2018, 74% less than the 1.2m tonnes it did a year earlier.

“Wheat exports in January, at only 33,800t, were the lowest for the month since 2013,” Mr Rooney said.

Ireland, the Netherlands and Spain have been the main destinations for UK wheat this season but exports outside the EU have all but dried up, he said.

Only 2,000t of wheat was sold outside the EU, equating to 0.6% of total exports. “This is down from 288,000t, or a third of exports from the same period last year,” Mr Rooney explained.

“The UK reaching import/export parity at the end of 2016, causing the price of UK wheat to rise, and subsequently curtailing wheat exports to Algeria, was a large driver of this decrease,” he added.

In terms of imports, between July and January this season, the UK has recorded a slight increase in wheat arriving, up 3% to 989,900t.

Wheat imports in January 2018 were 132,900t, up 7% from January 2017 and the highest for the month since 2013.

It means the UK’s balance for wheat is estimated as 2.7m tonnes for the 2017-18 season. This is 15% below last season, resulting in tighter wheat availability this season than last.

“Following strong importing months at the end of the season the UK has ultimately become a net importer.

“Considering this, and the UK’s tighter balance, we could expect to see growing import demand for wheat in the coming months,” Mr Rooney said.

JOURNAL : Farmers Weekly

The unique and thriving farmer-led Exmoor Hill Farming Network has grown to support 300 local farming businesses since it began four years ago under the guidance of chairman Dave Knight and network officer Katherine Williams.

Now the rural group, which used to celebrate getting 20 people to a meeting, has ***produced*** the Exmoor Ambition: a proposal for sustaining and improving Exmoor’s farmland and countryside post Brexit, and other similar upland areas.

Watch the video and read the full report below.

In November 2016, the network held a meeting following the UK’s vote for Brexit to get feedback from farmers about their preferences for a future scheme.

After a year of creating a ***plan*** incorporating their ideas and working on the numbers, chairman Dave Knight presented the paper to the farmers and it received unanimous support.

Mr Knight, 33, runs a National Trust beef and sheep farm near Minehead, west Somerset, with his father and brother. He attended ***agricultural*** college and has been farming at home since he returned, aged 19.

Mr Knight said: “There were alarm bells ringing about what was going to happen with the subsidies system. We thought ‘let’s take the bulls by the horns’ because we know what Exmoor needs. What started as a small project has completely snowballed.

“Just before Christmas we sat down with Michael Gove and we put a copy right into his hand, which was a huge step forward. Even if only a handful of ideas are taken from it then we’ve achieved something. We keep pushing with it until someone tells us it can’t be done.”

Concept proposals

The Exmoor Ambition ***plans*** to: harness the concept of “natural capital” to draw value out of the area’s features; use trust and co-operation rather than regulation and form-filling; encourage new thinking, especially from the next generation; and be co-designed and delivered by locals.

The scheme proposes a new system of farm support, based on outcomes, not prescriptions, which is flexible and integrated with farming. It envisages two tiers of payment.

The first measure, Good Farming, would reward all farmers for managing their land in ways that are good for nature and people. The second measure, Enhanced Benefits, would target specific objectives, such as enhancing heather moorland for wildlife and reducing flooding, decided by the farmers and local communities.

See also: Duchy of Cornwall: Creating opportunities for new entrants

Based on the premise that there is no one better to attempt this than those who live and work in the area, the Ambition intends to achieve a stronger brand identity and premium for Exmoor products and provenance.

Mr Knight explained: “We’ve delivered a costed proposal. Now we’re asking government to help us pilot it and show it works.”

The Ambition paper has been ***produced*** in combination with the Exmoor National Park Authority, one of the network’s key funders. Robin Milton, authority chairman, called the project a “timely proposal to meet today’s challenges”.

He said: “I feel this should be part of developing a blueprint for the future. We need to keep farmers farming in national parks, not constrained by layers of rules and bureaucracy.”

‘Led by farmers, for farmers’

This project is undoubtedly the group’s biggest achievement to date, but the members, who range from young farmer age to people who have farmed on the moor for decades, most value the training and support it provides.

The main aims of the network are to supply practical and legislative training, share knowledge, ***plan*** information events, and bring people together. Peer support groups for micro farming, next-generation farmers (under 30 years old) and women in farming provide activities targeted to best suit them.

Mr Knight said one of the most successful aspects has been bringing training opportunities to the moor.

“It is a minimum of an hour’s drive from Exmoor to any of the training course centres or colleges. Our approach is to bring the assessors to the moor and that gets farmers out and gets them to training which they otherwise wouldn’t do,” he explained.

Though overseen by funders and a hosting organisation, the network is led by farmers for farmers, which Katherine Williams, 29, believes is key to its popularity.

She said: “I feel we have something really unique here by bringing people together – in other parts of the UK some people don’t even know their neighbours.”

The voluntary steering group is made up of 15 members, predominantly farmers, who meet every six weeks to make decisions about the overarching ***plan*** for the upcoming months. Miss Williams then takes on the task of bringing the ideas to fruition.

She grew up on an Exmoor beef and sheep farm and still returns home to help her parents and brother at busy times, such as during lambing. This experience is vital to help her understand the network’s members, their priorities and their concerns.

Members praise her for creating an inclusive, welcoming and ambitious community, and she is an instrumental part of the network’s success.

Funding streams

Generating income is also an integral part of Miss Williams’ role, and she recognises all their hard work would mean nothing without the continued support of their funders and sponsors, which include grants from the Exmoor National Park Authority and the Prince’s Countryside Fund (PCF).

A PCF spokesman said: “The network is a fantastic organisation working in an area of real need, and their work is crucial to the success of farms on Exmoor. It boosts their sense of community and helps farm businesses remain vibrant and prepare for the future.”

Local businesses are able to get involved with sponsorship packages, buying visibility and access to the network’s members. Key sponsors include Exmoor Farmers Livestock Auctioneers, Masons Kings, NFU and North Devon Council.

Members make a Peer Support Contribution towards a meeting’s cost and admin fees for training courses. The network also asks for a contribution for advertising job vacancies on their website, social media and email database.

Bringing farmers together

Goals for the network include becoming self-funded, increasing staff numbers from one full-time member to two, and tackling the difficult topic of mental health and well-being.

Miss Williams explained: “Many of our farmers are exceedingly proud and are not very good at opening up. We have had volunteers come to speak to our Women in Farming Group to tell them about the support available. We wanted to show our members we are here for them.”

The network team would also recommend other people look into setting up similar groups, by building around a geographic area or a mutual interest.

Mr Knight said: “The most important thing is just bringing people together, getting them off the farms, for whatever reason, and learning.”

 The Eveleigh family

Chris and Victoria Eveleigh have farmed at West Ilkerton on Exmoor for 31 years, and run Devon cattle and Exmoor horn sheep. Both have been members of the network since it began.

Mr Eveleigh is on the network’s steering committee and the Exmoor Ambition steering committee. Mrs Eveleigh is a member of the Women In Farming group, and they both regularly attend network events.

Mrs Eveleigh said: “We often visit other people’s farms, which is really useful. You often learn more hearing about the problems than you do hearing about the successes.”

The couple also enjoys how inclusive, friendly and supportive the network is, and have met a huge number of people by being members.

Mr Eveleigh added: “It’s made Exmoor a smaller place because we’re beginning to know farmers right out on the other side of the moor. It’s very good for socialising and exchanging ideas. I wish it had happened 20 years ago.”

Top tips on tackling rural isolation

If you’re thinking about running an event:

Run as many as you can and keep getting the word around

Be inclusive, make sure everyone knows they are welcome, and try to avoid any cliques forming within the larger group

If you’re thinking about attending an event:

Join a peer support group which is relevant to you: the network offers micro farming, women in farming, next generation and forward farming

Invite others to attend an event with you, especially if they haven’t been to one before, as it can be daunting to turn up alone

Build up your confidence by trying new things: a farm visit, a demonstration evening, a training event

Ask questions if you don’t understand something – those more experienced in certain areas may forget how it feels to learn from scratch

Get off the farm before your busy season arrives, when you may be stuck at home for days/weeks

Don’t be afraid to ask for help if and when you need it

JOURNAL : Farmers Weekly

Early potato planting along the Suffolk coast is racing ahead to try and catch up from a wet weather-delayed start with tuber numbers and hence yields feared to be down this season.

Farm manager Tim Pratt says this is the latest start to planting in the 17 years he has been farming in this early potato ***producing*** region due to heavy rainfall since December.

The fear is this late start might mean a delayed harvest when early crops from the mild microclimate along this coastal strip of Suffolk look to hit the shops after early potato liftings from Jersey and Cornwall.

He is picking out the very lightest of his light blow-away sandy land to push on with planting to try and still aim for his first harvested crop being lifted in the last few days of May.

See also: Photos: Potato planting under way in Jersey

“This is the latest we have ever started, it has been stop-start progress and a matter of picking the lightest land,” he told Farmers Weekly.

Watch the video report below.

Late start this season

“We are planting in not ideal conditions and could see a reduction in tuber numbers which could have an effect on yield,” he said.

“Tuber numbers were good last year, but although it is still very early they could very well be down this year,” he added.

Smalls and bakers

“We have one nice day and then wet again so we have not really had a chance to get going,” he said, on the farm that also grows, carrots, onions, parsnips, swedes, sugar beet, maize and cereals.

Double cropping

Normally, by mid-March the farm is planting carrot, onions and nearly finished and the sugar beet drilling and well on with fertiliser work, but none of this work had start by mid-month.

JOURNAL : Farmers Weekly

Crops on the Farmers Weekly/Savills Virtual Farm have not weathered the winter as well as last year, largely because of less-than-ideal autumn establishment conditions on some of the cropped area.

Recent wet, cold conditions have delayed crop development and field operations. Drilling the oilseed rape early to get it away from the flea beetle threat was a success, but crops have instead suffered more pigeon damage than last year.

See also: Virtual Farm: Harvest 2017 results and budget for 2018

At this stage we are not changing our budgeted yields, but will review them as we move into spring.

Grain pricing is heavily influenced by currency, and we are perhaps in better shape than was anticipated in both old- and new-crop markets.

Virtual Farm facts

A top-25% arable ***producer***, an efficient, well-run business but facing depreciation and investment issues

Created by Savills Food & Farming and Farmers Weekly to identify challenges for similar farms and find strategies to cope with them

Hypothetical family partnership

One paid manager, one full-time farmworker, casual labour when needed

Budgeted figures based on a group of Savills managed farms, model allows scenarios to be tested

Three-quarters owner-occupied; one-quarter FBT

Traditional and modern farm buildings

Cultivations and kit centred on non-inversion tillage system

Core borrowing on long-term loan, plus overdraft

Selling and delivery to match cash flow requirements

Crop sales decisions are influenced by budgets and taking a view on the market.

So far no harvest 2018 oilseed rape has been sold. Prices have fallen relative to 2017, but there is potential for reduced soya production in Argentina to trigger an increase in the oilseed rape price.

On wheat, we have committed another 10% of budgeted yield at £142/t, somewhat below the £150/t sale we agreed back in July.

Wheat sales – 2018 harvest

Amount

Sale date

Movement date

Price

10% budgeted yield

July 2017

February 2019

£150/t

10% budgeted yield

February 2018

November 2018

£142/t

Despite uncertainty on several fronts, investment must still be made where appropriate.

So, after reviewing the options, the decision was taken in the autumn to buy a new self-propelled sprayer costing £150,000. This will arrive early in April. The relative cost against the other main option of using contract services makes economic sense, given the farm size and number of passes.

EFA decisions

Unfortunately, new BPS ecological focus rea (EFA) greening rules mean the sprayer cannot be used as much on fallow land as part of our blackgrass control strategy.

The fallow period has been extended to run from 1 January to 30 June, with no cultivation or pesticide applications permitted.

Machinery

370hp tractor (tracked)

230hp tractor (main drill tractor)

155 hp tractor hired when needed

Additional machinery hired as required

350hp combine – Claas Lexion 750 – owned

Trailed sprayer

Telehandler

New and well-depreciated kit; tractor life expectancy seven to eight years

Topping is allowed, but the relative cost is high compared with a pass with glyphosate.

So, where fallow is used for EFA and blackgrass is an issue, topping will be used, but it is difficult to square that timed use of glyphosate is not a better route than topping for ground-nesting birds.

The farm is looking at alternative ways of meeting its greening obligations. When BPS was introduced, nitrogen-fixing crops and fallow were used due to the other benefits they offer and their straightforward recording on the BPS application.

To keep things simple, we steered away from using boundary features for EFAs.

Now that in-field options are less attractive, we have reviewed our policy. Recent amendments mean field margins next to hedges are eligible EFA buffer strips, as well as those next to watercourses.

The farm will now will use EFA buffer strips and also hedges to meet the EFA requirement for its 2018 claim. Old ELS records have been used to reference hedge lengths.

Basic calculations show that using the combination of 1m margins alongside the farm’s hedges and watercourses as EFA buffer strips, plus EFA hedges, will meet all EFA requirements, allowing any fallow areas to be managed within the crop rotation.

2017 crop marketing

Marketing of the 2017 harvest continues. We had expected the oilseed rape market to remain strong, but the remaining crop has been sold for £295/t plus bonus,with the market having dropped away since October. This price compares with a budget value of £310/t plus bonus.

OSR sales – 2017 harvest

Amount

Sale date

Movement date

Price

15% actual  yield

December 2016

Harvest 2017

£318/t + bonus

15% actual yield

March 2017

Harvest 2017

£300/t + bonus

32% actual yield

September 2017

November 2017

£310/t + bonus

36% actual yield

February 2018

March 2018

£295/t + bonus

Cropping 2018

Feed wheat (first wheat five-year average yield 9.26t/ha)

Winter OSR (five-year average yield 3.46t/ha)

Spring beans

Winter oats

Spring barley

Fallow

With the Hull-based Vivergo bioethanol plant shutting early in November for maintenance, demand for wheat from Midlands farms decreased and prices weakened.

The farm had 49% of its crop (1,776t) unsold at the last report in autumn 2017. A further 29% of the total crop was sold at £140/t, compared with the budgeted £142/t.

Cashflow requirements will dictate when the remaining 20% of 2017 grain is sold. The market is showing some signs of recovery and indications are that the Humber-based plant is coming back on stream.

As ever, market intelligence on crop issues in major production areas of the world will continue to influence selling decisions, but primarily we continue to understand costs and aim to sell at levels where profit can be achieved, rather than try to call the top of the market.

Wheat sales – 2017 harvest

Amount

Sale date

Movement date

Price

15% budgeted yield

February 2017

November 2017

£135/t

15% budgeted yield

March 2017

November 2017

£140/t

20% actual yield

September 2017

February 2018

£142/t

29% actual yield

January 2018

March 2018

£140/t

20% actual yield

In store using March 2018 price for budget

£140/t

All of the farm’s spring barley crop has left the farm. It was sold through a harvest pool, but held longer in the hope of securing a lower-specification market due to its nitrogen levels exceeding 1.85%.

Some loads were delivered for malting with high levels of allowances. Following a rejection, it was decided to market the remainder as feed and overall the crop averaged £124/t.

Future farm support – Effect of direct payment cuts

Since the EU membership referendum, the clear message to farmers has been that direct payments will be phased out and replaced with a system of public money for public goods, focused on the environment.

We don’t know the timeframe over which payments will be reduced, but reductions are unlikely before 2021 if we commit to follow EU rules for an implementation period after Brexit.

The government’s recent command paper and consultation proposes two possible mechanisms for capping direct payments. Once introduced, the rates would increase progressively until all direct payments are phased out. The proposals are:

1. Direct payments are capped at £200,000 in the first year, then progressively reduced.

2. Apply progressive reductions to farmers’ payments, with higher percentage reductions applied to amounts in higher payment bands (as with income tax). Payments of more than £25,000 would face reductions:

a 5% reduction for the amount between £25,000 and £30,000

a 10% reduction for the amount between £30,000 and £40,000

a 15% reduction for the amount between £40,000 and £50,000 and so on

then apply a 75% reduction for amounts over £200,000.

The partners of the Virtual Farm have considered the potential effect on the business to help them make management and investment decisions.

Over the past six years the farm’s direct payments has averaged £167,000, although £180,000 better reflects current exchange rates.

The farm’s direct payment is less than £200,000, so would not be affected by scenario 1 in the first year of capping, but would in later years as the phase-out affects smaller-scale farmers.

Scenario 2 would affect the Virtual Farm. Our calculations suggest a £180,000 BPS income would fall by approximately £60,000 to £120,000.

If the farm’s longer term average BPS income of £167,000 is used, it would drop approximately £52,000 to £115,000.

These figures can only be considered a guide because the whole concept of direct payment capping and its thresholds and percentage reductions are being consulted upon.

The graph below, of farming profit before rent and finance are deducted, shows how much has historically come from ***agricultural*** activities and the amount which BPS has contributed.

!function(e,t,n,s){var i="InfogramEmbeds",o=e.getElementsByTagName(t)[0],d=/^http:/.test(e.location)?"http:":"https:";if(/^\/{2}/.test(s)&&(s=d+s),window[i]&&window[i].initialized)window[i].process&&window[i].process();else if(!e.getElementById(n)){var a=e.createElement(t);a.async=1,a.id=n,a.src=s,o.parentNode.insertBefore(a,o)}}(document,"script","infogram-async","[*https://e.infogram.com/js/dist/embed-loader-min.js*](https://e.infogram.com/js/dist/embed-loader-min.js)");

The volatility of the ***agricultural*** element is clear.

The farm may be able to access increased environmental funding once the government's "public money for public goods" scheme is introduced. The capping option would clearly have a significant effect straight away and incrementally reduce direct payment income in following years.

2018 budget revisions

The budgeted wheat and winter oats prices have been revised upwards to £140/t and £135/t based on current markets, which remain robust, and taking into account tonnage already committed for the 2018 harvest.

This has increased budget profit for 2018 to £263.87/ha , which is 9% lower than the projected £289.77/ha from harvest 2017.

!function(e,t,n,s){var i="InfogramEmbeds",o=e.getElementsByTagName(t)[0],d=/^http:/.test(e.location)?"http:":"https:";if(/^\/{2}/.test(s)&&(s=d+s),window[i]&&window[i].initialized)window[i].process&&window[i].process();else if(!e.getElementById(n)){var a=e.createElement(t);a.async=1,a.id=n,a.src=s,o.parentNode.insertBefore(a,o)}}(document,"script","infogram-async","[*https://e.infogram.com/js/dist/embed-loader-min.js*](https://e.infogram.com/js/dist/embed-loader-min.js)");

Lower crop gross margins are the main reason for this, explained by a lower budgeted yield for oilseed rape and the increased fallow area.

Our revised greening policy should improve the margin in future. The gross margin budget for 2018 is 4% below the 2017 results. It is, however, higher than the projection we made for 2017 at the equivalent time last year.

Virtual farm gross margins 2017 and 2018

2017 (April budget) (£/ha)

2017 actual (£/ha)

% change

Budget 2018 (£/ha)

First winter wheat

808

814

+1

832

Second winter wheat

617

584

-5

650

Winter OSR

652

917

+41

693

Spring beans

308

327

+6

327

Winter oats

523

611

+17

608

Spring barley

588

410

-30

573

Average

651

701

+8

670

JOURNAL : Farmers Weekly

A slow uptake in applications for a new livestock movement system in Wales could leave the country’s local ***agricultural*** shows struggling for cattle, sheep and goat entries this season.

With the start of the show season just weeks away, only 68 farmers have applied to have a quarantine unit (QU) on their holdings since the system replaced isolation units and sole occupancy authorities last September.

See also: Guide to quarantine units now in force in Wales

A farmer or livestock exhibitor in Wales must have a QU if they intend to move livestock on or off their holding within a six-day period, as is often the case during the peak of the show season.

Certification costs £172.80 and lasts for 18 months, so the low level of uptake so far could mean farmers are taking a tactical approach by delaying applying until the last possible moment.

The Welsh government believes this to be the case and said it “did not expect many, if any, new applications until the spring".

Single licence

Helen Davies, who exhibits the Horton flock of Suffolk sheep with her father, John Pryce, was one of the first to be certified last year, but said if farmers get the timing right, a single licence can bridge two show seasons.

But she believed the cost would put others off from applying and worried that this will affect shows; if two shows are less than six days apart it is likely that exhibitors will attend just one instead of paying for a QU, she suggested.

“We always exhibit at Shrewsbury and Staffordshire, which are within two or three days of each other. Dad buys and sells rams and ewes, so we decided to go ahead with the licence last year. But when it runs out later this year, we might be able to manage our sales differently and won’t bother applying," admitted Ms Davies, who is also the National Sheep Association’s regional development officer in Wales.

Criticism

There have been many critics of the costs and strictness of the new system, including the Farmers’ Union of Wales.

Deputy president Brian Thomas has called on the government to review the rules “at the earliest possible opportunity".

He said although the principle of isolating animals when they come on to a farm is one that should be followed, the cost and “impractical nature’’ of the rules and the movement reporting requirements represent a major obstacle to achieving this.

One of those rules is the requirement to electronically report animal movements within 24 hours.

Ms Davies said this was unworkable for many. “Internet access is still a big issue in Wales.

“Even though I have raised this at stakeholder meetings, the answer is always the same, the onus is on the farmer to make sure the movement is reported."

JOURNAL : Farmers Weekly

Wet weather is holding up spring drilling across most of the UK with spring barley growers concerned yields may suffer if sowing is delayed into April.

Norfolk farm manager Andrew Murdo says he is a month behind last year and has still not started drilling yet. He has 440ha of spring barley, spring bean and sugar beet to drill as well as 200ha of potatoes to plant.

“Usually we’re well on by now, but we’ve done nothing this year and there’s little prospect of us getting under way this week, it’s incredibly frustrating.

“It’s been wet here since the end of November, so it’s been a long, tough winter, meaning the workload is now immense,” he told Farmers Weekly.

See also: Crop Watch: Agronomists warn of septoria risk

Mr Murdo conceded yields could suffer as a result of the late drilling, but admitted he’s not too worried at this stage, because if the weather was to stay warm between now and harvest, crop can quickly pick up.

He manages more than 2,000ha of light arable land at Wroxham Home Farm, about eight miles north-east of Norwich.

Looking to start drilling

James Beamish, farm manager at the Holkham Estate on the north Norfolk coast is looking to start spring barley drilling this week with 360ha of Concerto and Laureate to drill.

After a light dusting of snow over the weekend, cold easterly winds are drying up the light coastal soils and helping to get the ground ready for drilling.

“The optimum time for drilling spring barley here is 10-20 March. We are not too worried at the moment, but would like to have it in the ground by 1 April,” he said.

His next priority will be sugar beet and there is 270ha to drill on the 3,500ha estate, with the only farm work done so far this spring being applying liquid nitrogen.

Started this week

Tom Dye, managing director of Albanwise Farming manages two farms in Norfolk and two in Yorkshire, and said his west Norfolk farm started drilling at the start of this week and his north Norfolk farm should be next week.

“It’s the worst spring I’ve see for 11 years in terms of being late, with soils being damp and cold,” he said.

He has 600ha of spring barley to drill on the two farms in Norfolk, with his west Norfolk farm 10 miles south of King’s Lynn at Barton Bendish growing Propino, while the north Norfolk farm at Green Farm, Saxlingham, three miles west of Holt, grows Laureate.

Only 10% drilled

Independent agronomist, Sean Sparling, explained that less than 10% of spring barley has been drilled in Lincolnshire, which is unheard of in his area.

“In 30 years, this is the latest I’ve ever known. Never at this time of year, have I been through Lincolnshire and the barley hasn’t been up in rows,” he said.

With 227mm of rainfall in the area since October, Mr Sparling said the ground has never dried, and explains the soil profile is too wet to plough and in some cases growers can’t even get into fields for standing water.

“I feel it is still too early to panic. Temperatures should pick up and in reasonable conditions, it should be in, up and away fairly quickly – 2011 was a late drilling year, but a very hot summer, resulted in one of the best harvests we’ve ever had, so there’s still hope,” he said.

JOURNAL : Farmers Weekly

Umbilical slurry spreading is definitely a Marmite job – some people just can’t get enough of it, while for many it’s something to steer well clear of.

The traditional set-up of one tractor dragging the hose and doing the spreading plus another running the pump works fine so long as you can find someone that’s happy to sit stationary for hours on end and act as nurse-maid at the lagoon.

But it’s a system that’s intrinsically inefficient – that person at the pump spends 80% of their time browsing Facebook or reading a dog-eared back issue of Farmers Weekly.

Standalone remote-controlled pumpsets have the potential to cut out that extra member of staff but they haven’t always had the best reputation because radio signal are not always that dependable. As a result, two people often have to be on hand to make them work reliably.

Wiltshire contractor Gareth Powell has plenty of experience of the trials and tribulations of just such set-ups but believes he has now found a much better solution.

Having set out his stall as a slurry specialist a decade ago, he ran a conventional two-man, two-tractor umbilical rig for three years, starting out with simple splash-plate applicators and quickly moving to injectors, having recognised a niche in his local area.

But, by 2011, he had had enough of the inefficiencies of such a set-up and started looking at ways of improving the job.

See also: Driver’s view: Vredo 5518 self-propelled muckspreader

Sourcing a system

“Finding staff who were happy just to sit on the pump tractor day-in, day-out was understandably difficult and I just didn’t like the inefficiency,” explains Mr Powell.

“So I decided I needed to take the plunge and invest in a remote-controlled pumpset. I bought a Jackson unit with Doda pump and 150hp FPT engine.

“The concept was brilliant when it was working but it was dogged with radio signal issues when there were trees or any sort of hill in the way. Determined that I would stick with it as a one-man job, inevitably I would end up running backwards and forwards from the lagoon to sort out any trouble.”

But convinced it was the way forward he persisted and, as demand for his services grew, he invested in a larger Jackson set-up, this time with a Cri-Man pump taking outputs to over 150cu m/hour.

Although it certainly increased throughputs, it didn’t solve the radio signal issue and, lacking proper oil cooling, the pump had a tendency to overheat. It was eventually swapped back to another Doda unit.

Applicator upgrade

Over this time, as capacity had grown, Mr Powell had upgraded his applicators accordingly, switching from a 4m Duport injector to a 6m unit and then to a 9m.

“We had the capacity but I still felt we hadn’t got the perfect pump set-up. Back in 2012, I’d seen something at the Grassland event that I thought might be the answer.

“To overcome the issue of radio signal reliability, Wox Agri’s remote-controlled pumpset employs an internet-based modem working on the mobile phone network to communicate. On top of that, it has a much bigger 350hp engine, higher capacity Cornell pump and clever intake arrangement.

“I got talking to the contractor who had bought the first Wox rig and, in just three months, he had done double the amount of work that I had. That focused my mind and I knew that was the route I needed to go down.

But there was the small issue of money – while my previous Jackson pumpset had cost £35,000, the Wox unit was coming in closer to £125,000.

“But, of course, that wasn’t comparing like for like. Aside from the extra power and additional pump capacity, it comes on its own trailer with a Pit Pal intake pump and a Hiab crane. But when I did the figures, it made sense – if it could deliver as expected, the expense could be justified.”

So he placed an order for a bespoke built unit with Wox, which arrived in August 2015. Since then, it’s been put to work almost constantly, having clocked some 3,000 hours.

Success story

And its output hasn’t disappointed. Where previously the Jackson pumpset was averaging 120-140cu m/hour, the Wox set-up comfortably deals with 250-300cu m/hour.

Even when shifting slurry big distances – over 3km – and uphill, the new rig doesn’t struggle, managing to maintain a minimum of 155cu m/hour on even the longest runs, helped in part by using 178mm (7in) pipes.

Lowered into the lagoon by the crane, the Pit Pal lift pump is also reckoned to contribute significantly to the rig’s output.

A hydraulically-powered turbine/impeller unit, it primes the 150mm (6in) hose running up to the main pump, maintaining a constant flow and allowing the bigger unit to concentrate all its efforts on propelling slurry along the supply lines to the spreading tractor.

But the Pit Pal provides another less obvious bonus. It is surrounded by a cage that keeps it from making contact with the lagoon lining.

In addition, being carried by the Hiab, it can be hoisted 0.5m off the bottom to ensure it’s only drawing clean slurry, minimising the risk of damage to either it or the main pump from foreign obstacles.

Mechanically, the Wox set-up has one simple but very significant advantage – a hydraulically-operated clutch pack coupling the engine to the pump.

Where previously Mr Powell had to leave the pump running, diverting slurry back the lagoon when changing fields, now he just remotely disengages the clutch. And if excessive back pressure is detected in the lines, it will cut out automatically to avoid blowing hoses.

It’s how the rig is controlled that’s really clever. An app on Mr Powell’s smartphone displays an image of the control panel on the side of the pumpset.

By pushing any of the “virtual” buttons, he can activate, deactivate or adjust all the functions that he can tweak when standing right next to it. Not only does this make for really easy operation from the field but it also brings other hidden benefits.

“The telematics package is just brilliant – on cold mornings, I can set the engine running from my kitchen to get everything warmed up for when I arrive on site.

“I can control everything on the rig remotely except the lights. One of the best features is that it includes the on-board compressor and the associated control valves.

“That means when I’ve finished a field, I can set it to blow out the lines without getting off the seat of the tractor. It’s a massive time-saver and it’s got enough blow that I don’t even need to use a sponge.”

Fine tuning

Always with an eye on ways to improve the operation, a year down the line with the new pumpset, Mr Powell spotted something on the internet that had the potential to massively boost the efficiency of the spreading operation.

With a conventional umbilical rig, you’re generally restricted to working fields diagonally from corner to corner with the result that you’re effectively always running into short work and turns involve a complicated series of manoeuvres to set the hose right for the next run.

To tackle this issue, Dutch firm Schouten has developed a system that allows the spreading tractor to run up and back the length of the field in the way you would for any other fieldwork. More critically, it can also turn tight back on its previous pass without shunts or short work.

The basis of the set-up is a linkage-mounted ladder-frame that can carry any sort of applicator on a four-point linkage and can hoist it high enough to clear the drag hose. Underneath is a telescopic swinging-arm coupler that connects with the hose.

In addition, there’s a slurry-holding tank integrated into the front-mounted hose reeler that acts as a buffer for turns so that liquid flow can be shut off to avoid pooling and over application on the headlands.

So as the tractor approaches the end of its bout, the flow of slurry is diverted into the holding tank, the arm extends and the frame lifts the injector or dribble bar clear of the hose. By setting the pivot point well back from the rear wheels, the tractor can then turn back on itself without fear of running on the pipework.

Once back into work, the slurry is then set to flow down the applicator pipes once more and a lobe-pump on the reeler pumps what has accumulated in the tank back to the spreading set-up.

Convinced that this approach could significantly improve the efficiency of his time in the field, Mr Powell ordered the Schouten system along with a huge 12m injector.

Is it a true one-man rig?

“For 70% of the time, I’ve been running the whole set-up solo without any dramas. But, in the spring, it makes sense to run a second man and tractor as we’re so busy and always chasing the daylight.

“With one tractor, it’s a two-trip job to move the pump, reelers and injector or dribble bar. With two, we’re there in one trip and the second person is then setting out the pipework for the next field so that I can just get straight on and never stop spreading. For the relative extra cost, it makes the whole job a lot more efficient.”

And that efficiency plays out in all areas with the new rig. Fuel use stands at an average to date of 0.16 litres/cu m – a saving of 30% over the previous smaller set-up.

And with daily 12-hour outputs up from 1,000-1,200cu m to more like 2,500-3,000cu m, that’s a huge difference – over 140 litres more left in the tank at the end of each day. Given that it’s Mr Powell’s customers that supply the diesel, those savings are much appreciated.

“The change to the Wox pump and the Schouten applicator has revolutionised my job. It seems crazy to say it but because it’s doubled my output and I can achieve that single-handedly, you’d have to run four men and four tractors to match that with a standard umbilical set-up.”

Business facts – Powell ***Agricultural*** Contracting, near Melksham, Wiltshire

Work undertaken

Umbilical slurry and digestate application – 200,000cu m/year

Farm

55ha (135acres) of arable and permanent pasture

22 dairy-cross store cattle

Machinery

Fendt 930

350hp remote-controlled Wox umbilical pumpset

12m Schouten injector

24m Vogelsang dribble-bar

Schouten double reeler and front-tank reeler

Staff

Gareth Powell plus one other part-timer as required

**Load-Date:** March 23, 2018

**End of Document**



[***Myanmar seeks reunification after decades of unrest***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5WS6-C4X1-DXYV-74SY-00000-00&context=1516831)

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**Body**

Considered to be the last frontier market in Southeast Asia, Myanmar remains focused on creating the right set of conditions to attract and facilitate foreign investment to spur economic development. Following decades of military rule that maintained a socialist and centrally ***planned*** economic model, cutting off access to the world's financial markets and main trading routes, the country's ongoing transition towards market economy and electoral democracy has caught the attention of investors worldwide.

The gradual removal of economic sanctions, initially by European governments and later by the US, contributed to putting Myanmar on the map, gaining a reputation as an increasingly attractive investment destination in the early 2010s. Investors have been drawn in by the potential size of its internal market, abundant natural resources, land fertility and ***strategic*** geographical location between the world's most populous countries, China and India.

The pivotal event in this transition was the first openly contested national elections, held in November 2015, which resulted in the victory of the National League for Democracy (NLD). The landslide victory of Daw Aung San Suu Kyi's party expressed the peoples' collective aspiration for change and generated widespread excitement among the local and international business community. After two years in power initial enthusiasm has gradually been met with some scepticism, as the NLD grapples with the challenges posed by economic and institutional reform, as well as internal conflicts.

**Geography**

With a total land area of 676,552 sq km, Myanmar - known as Burma until 1989 when the name was changed - is the largest country in mainland by area in South-east Asia, around 20% larger than Thailand and twice the size of Malaysia. Its heartland lies along and around the Ayeyarwady River, which flows from north to south, starting at the confluence of two other rivers, the N'mai and Mali, which themselves carry Himalayan melt waters from the glaciers of Upper Myanmar and flow through the northern state of Kachin.

The Ayeyarwady then stretches for a total of 2170 km, eventually emptying into the Andaman Sea via a major delta system. On its path the river passes through the country's Central Basin, an area of plains and dry forests, which is also watered by the Chindwin River. To this day, the Ayeyarwady remains one of the country's most important commercial waterways, while it also constitutes a unique ecosystem and is home to animals such as the Ayeyarwady dolphin and some 43 different species of fish.

Surrounding the river basin and its tributaries, increasingly high mountain ranges lie in an arc from west to east, forming natural frontiers and historic barriers to trade. In the north, the Hengduan mountain range forms a border with western China, while also holding Myanmar's highest peak - Hkakabo Razi, at approximately 5881 metres.

To the west lie the Arakan Mountains, which constitute a boundary with India and include the Chin and Naga Hills. At the southern tip of this range, a coastal area abuts the Myanmar state of Rakhine to the Bangladeshi division of Chittagong.

Further to the east the Shan Hills rise, reaching a peak of some 2563 metres, and along with the Karen Hills, forming a natural frontier with Thailand. These remote and difficult-to-access ranges also contain a border with neighbouring Laos. A further coastal strip of territory runs along the shores of the Andaman Sea. This is also a mountainous area, consisting of the western slopes of the Bilauktaung range, a feature running down into the Malay Peninsula.

**Main Cities**

The largest city in the country is Yangon (also known as Rangoon), which had a population of 5.2m, according to the 2014 census, although more recent official data estimates that there were 6.2m city inhabitants in 2017. Located in the Ayeyarwady Delta, Yangon is the economic centre of the country and one of its most ethnically diverse cities. While Indians made up the majority of the population in Myanmar in the period leading up to the Second World War, in 2018 most of the population is of indigenous Bamar descent. Yangon was also the capital of the country until 2006, when that function was transferred to Naypyidaw. The new capital, located 320 km north of Yangon, had a population of 1.16m in 2014 and was the country's third-largest city after Mandalay. The latter had a population of 1.22m that year and lies in the heart of the country, on the Ayeyarwady, in the Central Basin.

Founded in 1857, Mandalay is still the chief centre of economic and commercial activity in Upper Myanmar, with a large concentration of businesses with links to China, mainly due to the geographical proximity and ethnic ties. Mostly fuelled by the presence of all the country's governmental institutions, Naypyidaw is also poised to grow rapidly. Other important urban centres include Mawlamyine in Mon State, with a population of 451,000, and Taunggyi, the capital of Shan State, which had a population of around 381,000 in 2014.

The same national survey determined the country's total population to be 51.4m. As of 2018 UN estimates say that Myanmar has around 53.6m habitants. Despite the growing number of people migrating to the main urban centres, particularly Yangon, Myanmar is still predominantly a rural country with ***agriculture*** playing a fundamental role as one of the main income sources for local families.

**Climate**

Myanmar has a tropical, monsoon climate, although there is considerable variation within the country itself, stretching as it does from the Andaman Sea to the foothills of the Himalayas.

There are two major monsoons that affect the whole country, however. The first is the north-east monsoon, which lasts from November to April, while the second is the south-west monsoon, which runs from May to September or October. The first of these brings cooler, drier weather, while the latter brings a hotter, wetter season. Indeed, during the south-west monsoon, which comes in off the Indian Ocean, some three-quarters of the country's entire annual rainfall descends. Coastal hills and the north and east get the heaviest deluges, with these running from 2000 mm to 2500 mm per year. Other, more sheltered areas, get around half of this.

The periods before the south-west monsoon and immediately after it begins are also the hottest of the year. Between March and June, and in the lowland areas in particular, daytime temperatures can reach as high as 40°C. In the months following this and into the period of the north-east monsoon, there is a cold, dry season, which is the most-popular time for tourism. Average monthly temperatures between November and February are usually between 20°C and 24°C. In the north, upper-central and eastern regions, however, temperatures are generally lower all year round, given their higher average altitude. Night-time temperatures in these areas may drop to the single digits.

**Natural Resources**

In addition to its range of landscapes, Myanmar is blessed with a wide variety of minerals and ores, while its climate and geography continue to provide it with a large bank of arable land, forestry and fisheries. These natural resources form the staples of the country's economic wealth - underpinning many industries - and also constitute the target of much of its foreign investment.

Myanmar's Department of Geological Survey and Mineral Exploration lists 62 commodities as present in the country, which can be found at more than 2000 locations. The minerals portfolio includes precious stones, such as the largest deposit of jade in the world located in Kachin State. The region of Mogok, in Upper Myanmar, has also been known as the Land of Rubies since the 13th century. In addition, substantial deposits of lucrative metals exist, such as tin, copper, gold and zinc, along with industrial minerals, such as fire clay, bentonite, feldspar and asbestos (see Mining chapter).

When it comes to hydrocarbons, the extractive sector has a relatively extensive history, with the first crude oil exports leaving Myanmar during the British colonial era in the mid-19th century. Recoverable crude oil reserves are estimated at approximately 3.2bn barrels, and the government is looking to bring in foreign investment to increase oil production from the country's 53 onshore blocks.

Myanmar also has a reputation as a natural gas ***producer***, with four offshore gas projects - Yadana, Yetagon, Shwe and Zawtika - that total an estimated 18.3trn cu feet of gas reserves. In 2017 the French oil major Total started up production from the Badamyar project, an extension of the Yadana gas field (see Energy chapter). The opening of the Badamyar low-compression platform shows that despite falling oil and gas prices in 2016, international oil and gas firms have continued to invest in the sector. While there is optimism about Myanmar's potential gas reserves, there is also a large degree of uncertainty, particularly at a time when production from the existing gas fields is starting to decline.

**Into the Woods**

Back on land, there are large forestry resources, particularly of tropical hardwood varieties, such as teak, ironwood and *padauk* (cherry wood). However, rapid deforestation has taken place, with the country registering the third-highest annual rate of forest reduction in the world in 2010. According to the UN's Food and ***Agriculture*** Organisation, between 1990 and 2015 Myanmar lost around 15m ha of forests and other wooded land (see ***Agriculture*** chapter). Nevertheless, the total land area covered by forests and wooded land is still significant, at about 43% and 22%, respectively.

As forestry remains a major resource for the country, sustainable management of this reserve is vital for the nation's future, with nearly 70% of the rural population depending on it for their livelihood. Meanwhile, with 2228 km of coastline, several large estuaries, many offshore islands and major rivers such as the Ayeyarwady, fisheries are also a major natural resource and is an industry receiving increasing levels of government support.

The large bank of arable land makes Myanmar the seventh-largest rice ***producer*** in the world. In addition, the country's farmers ***produce*** corn, peas, onions, sugar cane and groundnuts, among other crops. Cultivated land currently accounts for approximately 15% of Myanmar's entire surface area, with around 18,700 sq km of this irrigated. Furthermore, the country has some 1045.6 cu km of renewable water resources, giving its farmers plenty of water for irrigation and other uses.

**Demographics**

The national census conducted in 2014 was the first in more than 30 years. The survey, which was undertaken with the financial support of the UN Population Fund, took place under difficult circumstances, with some ethnic groups boycotting the process, and conflict and displacement affecting others. The results of the survey were well below previous estimates, which often varied between 60m and 70m habitants. Despite concerns over the accuracy of the results, the 2014 census provided a reliable demographic snapshot of a country where access to consolidated data remains difficult to find.

Out of the 51.4m total inhabitants, the 2014 census showed that there are more females than males (51.8% to 48.2%), while 29.6% of the population lived in urban areas. As a growing number of rural citizens look for new opportunities in main cities, this percentage has naturally increased. Yangon is Myanmar's most urbanised region, with some 70.1% of its population living in urban wards. Yangon is also the most densely populated region in the country, containing 14.3% of the entire population. This was approximately 11% higher than the population of Yangon at the time of the previous census in 1973, which illustrates the economic attraction of the country's main urban centre.

However, due to decades of political seclusion and economic isolation, the previous regime did not invest in the development of Yangon's infrastructure and housing sectors. Transport networks remain dysfunctional and there are increasing numbers of slum dwellers. To address this demographic pressure the regional authorities promised to take measures to provide affordable housing solutions by commissioning the construction of low-cost apartments. A response to this challenge is critical, taking into account UN-Habitat projections that Yangon's population will grow at 4% per annum to reach more than 11m habitants by 2040.

Alongside internal migration movements, migration to other countries is also a relevant issue for governments. In the case of Myanmar, some 2m citizens live and work abroad - approximately 70% of them in Thailand. Around 61% of these migrants are male. Outward migration has long been a factor in the country's demographics, with internal ethnic conflict prompting displacement into neighbouring countries. Poverty and relatively higher wages overseas have also driven many abroad.

Another interesting conclusion of the 2014 census is that Myanmar has a youthful and literate population. The median age at the time of the census was 27, and more recent figures show that 55% of the population is under the age of 30. The percentage of literate people is higher than in some neighbouring countries, with a literacy rate of 89.5%, compared to 80% in Cambodia and 73% in Laos.

This combination of factors creates a picture of an educated, youthful population with fewer dependants. This is a profile that implies a positive outlook for the country's short- to medium-term economic development. However, as experts widely point out, sustainable growth will only be possible with increasing investment in education. Despite being one of the electoral flags of the NLD, the sector remains poorly funded, memorisation prevails over the stimulation of critical thinking and syllabi are generally outdated (see Education chapter).

**Religion**

Myanmar has a wide variety of religious groups, with the population seeing religious affiliation as an important part of their lives. Buddhists make up the largest group, with the 2014 census showing that 87.9% of the population identified with this affiliation. The majority of these are Therevada Buddhists, which are followers of the orthodox "school of the elder monks" that uses the Pali canon - the standard collection of scriptures in the Therevada Buddhist tradition - as its doctrinal core. This is the school of Buddhism most common in South and South-east Asia.

Myanmar is widely thought to have the highest proportion of Buddhist monks per capita in the world, with the Sangha - the Buddhist monastic order, including monks, nuns and novices - playing a key role in the country's recent history and politics. There are two primary orders of monks: the Thudhamma Nikaya (88% of all monks) and more traditional Shwegyin Nikaya. Seven other orders are also officially recognised.

Among Myanmar's other religious groups, the Christian community is the next largest, accounting for some 6.2% of the population in the 2014 census. Largely introduced by Western missionaries from the 18th century onwards, around four-fifths of Christians are Protestant, and the remainder are mostly Catholic. There is also a relatively small Armenian Orthodox community centred in Yangon. Most Christians also belong to minority ethnic groups, such as the Karen, Chin, Lisu and Lahu.

The third-largest religious group is made up of Muslims, at 4.3%, although conflict and political controversies have cast some doubt on the true size of this community. For example, the Rohingya, one of the largest components of the Muslim population, was not counted in the 2014 census is not officially recognised as an ethnic designation.

Islam's history in Myanmar stretches back to the seventh century, followed much later by a major wave of Muslim immigration from India to the country in the 19th century. The majority of Muslims follow the Sunni sect of Islam, with the main concentrations being the Rohingya and Kamein in Rakhine State; Indian-descent Muslims in Yangon; the Panthay, or Chinese Burmese Muslims, in the Shan States and Central Basin area; ethnic Malay Muslims in Kawthaung; and Zerbadi Muslims, descended from intermarriages between South Asian and Middle Eastern people and local Myanmar.

In addition, there are populations of Hindus (0.5%), and of people following traditional, tribal animistic beliefs (0.8%). The latter still have some influence over the day-to-day lives of many who follow different religious affiliations. Although religious beliefs are generally practised in peace in Myanmar, unrest continues in certain regions, particularly in northern Rakhine State. Recent events have drawn the attention of international media and have had some negative effects on the economy. The US imposed targeted sanctions against Maung Maung Soe in December 2017 after gaining bipartisan support in Washington, and conflict footage has caused concern among trade partners and foreign investors.

**Languages & Ethnic Groups**

Myanmar contains 135 officially recognised ethnic groups. The largest of these is the Bamar, accounting for approximately 68% of the population. The Bamar speak the Myanmar language (formerly known as Burmese) - a member of the Sino-Tibetan group - and live largely around the Ayeyarwady basin. The dominant religion in this group is Buddhism, and historically the Bamar have tended to dominate the political, military and economic life of the country.

The second-largest official ethnic group in Myanmar is the Shan, with around 9% of the population belonging to this group. These are related to the Thai people and are mainly Therevada Buddhist, mainly living in the Shan State, a large area bordering Thailand, Laos and China in the country's north-east.

The Shan speak a variety of languages, some Tibeto-Burman and others Mon-Khmer. They have a long history of independence, with recent times also seeing armed conflict in Shan state and its neighbours. A nationwide ceasefire agreement, which was signed in 2015, ended most hostilities, but rival Shan groups have since been in conflict with each other over this agreement.

The third-largest ethnic group is the Karen, making up around 7% of the population. This community primarily resides in Karen State, in the south-east, with large numbers having crossed over into Thailand due to conflicts between Karen separatists and the Myanmar military. Karen people speak a Sino-Tibetan language, and while the majority are Therevada Buddhist, approximately 35% are Christian.

The next-largest official ethnic group is the Rakhine. These constitute approximately 3.5% of the total population and live in Rakhine State, alongside the unofficial Rohingya Muslim group. Formerly known as the Arakanese, they have relatives in neighbouring Bangladesh and India. They are predominantly Therevada Buddhists and speak the Arakanese language, which is close to Myanmar.

There is a significant ethnic Chinese group - around 2.5% - in Myanmar, while around 2% of the population belong to the Mon ethnicity. This latter group have a great historical significance in the country, being credited with bringing Therevada Buddhism to this region, while also being inter-related with many Thais, including the Thai royal family. They mainly live in Lower Burma. The ethnic Kachin, meanwhile, constitute around 1.5% of the population, ethnic Indians some 1.3% and Chin around 1%.

**The Challenge Ahead**

Myanmar's mosaic of diverse religions and ethnic groups is perhaps the most challenging task facing the NLD-run government. Ethnic divisions are the historical legacy of a region that makes a bridge between the Indian Ocean, China, Indochina and the Pacific.

Over the centuries successive waves of various demographic groups have moved across the mountains and plains that constitute modern Myanmar, with the ethnic majority Bamar founding a powerful empire in Bagan during the 11th century.

Throughout the ensuing centuries, the Mon, Mongols, Chinese and Shan also exercised their influence over the country. When European colonial expansion started gaining ground, the Portuguese were the first to arrive, bringing with them the Catholic faith. In 1785 and 1817-19 the Burmese conquered the periphery regions of Arakan (today Rakhine State) and Assam, respectively. These wars brought first contact with the British Empire, with whom Burma would engage in three different wars. During the last of these in 1885, the country was invaded and conquered. The period of British rule was turbulent and, similar to many other territories under colonial rule, nationalism began to define the character of the resistance against colonial rule. Under the leadership of General Aung San, the Burmese Independence Army (BIA) took shape and was quickly dragged to battle following the outbreak of the Second World War in the Pacific. After the war the country moved rapidly to establish its independence, which was achieved in 1948.

Exhausted from the war effort and with a relatively weak state unable to create inclusive political and economic institutions, the new nation was poised to go through a very turbulent period. General Aung San's initial efforts for national reconciliation following the Panglong Agreement of February 12, 1947 were ruined after his assassination just before independence. A period of infighting between communist and non-communist groups followed and ethnic conflicts between Shan, Burmese, Chin and Kachin also broke out.

**Military Rule**

This period of political uncertainty paved the way for General Ne Win's military coup in 1962, which declared the creation of a socialist state run by the Union Revolutionary Council. Unable to develop inclusive political and economic institutions, Ne Win's government and the others that have since followed have not been able to put a term on the conflict between the Myanmar State and the ethnic minorities organised under the Kachin Independence Organisation and the Shan State Army.

The development of extractive economic and political institutions dominated by a military minority transformed Myanmar from the richest country in South-east Asia to the poorest. Decades of political and economic seclusion made the nation a mystery to the outside world and cut it off from global technological innovation and the necessary tools for social mobility and sustainable growth.

Under military rule there were regular crackdowns on political protests until the weakness of the regime started becoming increasingly evident. A major anti-government uprising led by university students broke out in 1988, shaking the foundations of the regime. Consequently, General Saw Maung took over and dismantled the campus of the University of Yangon to control academic political resistance. In 1989 he changed the country's name to Myanmar, and held an election the following year. This was won by the National League for Democracy (NLD), led by Daw Aung San Suu Kyi, General Aung San's daughter. However, the military refused to accept the result, putting the leaders of the NLD under house arrest. Daw Aung San Suu Kyi's imprisonment and democratic activism turned her into a globally recognised icon, eventually leading to her nomination for the Nobel Peace Prize.

In 1992 General Than Shwe took power over the country, but the pressure on the regime was becoming increasingly difficult to resist. Internal ethnic conflict continued, and new cases of social unrest and protests against the government erupted. The Saffron revolution was the most emblematic of these uprisings. It was sparked by a steep jump in fuel prices that quickly turned into a popular protest led by Buddhist monks - mostly Sangha - against the military-led government. The Buddhist monks' support of the protests was a sign that no one could ignore in Naypyidaw. In May 2008 the devastating effects of Cyclone Nargis exposed even more of the military regime's shortcomings.

In the same year the government announced a referendum on a new constitution and elections for 2010. Before the elections, Daw Aung San Suu Kyi was released from house arrest, and two years later by-elections gave her and the NLD seats in the military-dominated parliament installed in 2010. In 2011 former General Thein Sein became president, unleashing an unexpected set of economic and political reforms that started to ***produce*** tangible results and generate economic growth.

In 2015 nationwide elections delivered a landslide majority for the NLD. Although constitutionally barred from becoming president, Daw Aung San Suu Kyi became the state counsellor and the country's de facto leader. As many of her public ***interventions*** made clear, she came to power with a clear objective in mind: to revive the legacy of her father, General Aung San, and to build national unity. That has been her priority since she became State Counsellor and even economic reforms in dire need took a back seat.

In 2015 eight out of 14 armed groups in the country signed a ceasefire agreement, and in 2016 the 21st Century Panglong Conference - a forum to negotiate a roadmap to national reconciliation - was also spearheaded by Daw Aung San Suu Kyi.

**Head of State**

Under the 2008 constitution, which remains in effect, the president is the head of state and of the government. As of early 2018 this post is held by the NLD's President U Htin Kyaw. The president is elected by the bicameral legislature, the Assembly of the Union (Pyidaungsu Hluttaw in Myanmar), which chooses from three candidates, one put forward by each of the three committees comprising the electoral college.

These committees are constituted by deputies from the House of Nationalities, the House of Representatives and the military. The president appoints the Cabinet, made up of the various department ministers. However, the 2008 constitution stipulates that the military, the Tatamdaw, rather than the president, appoints the defence, interior and border security positions. Other Cabinet ministers appointed from the Assembly of the Union must resign their seats, paving the way for by-elections.

**Legislative Powers**

The House of Representatives, or Pyithu Hluttaw, is composed of 440 members - 330 of whom are elected - with the remainder appointed by the military. Elected seats are allocated on a township basis, with each choosing one representative for a five-year term, according to a first-past-the-post system. Members of the Sangha Buddhist clergy are not allowed to vote.

As of late 2016 the NLD held 255 of the 330 elected seats, with the Union Solidarity and Development Party (USDP) - the military's preference - holding 30 seats. The Arakan National Party (ANP) had 12 seats, as did the Shan Nationalities Democratic Party. Other parties (mainly ethnically based outfits) hold 13 seats, with one independent and seven seats suspended due to conflict.

The upper legislative body, the House of Nationalities (Amyotha Hluttaw) has 224 members, with 168 directly elected and 56 appointed by the military. In 2018 the NLD has 135 of the elected seats, while the USDP holds 11, the ANP 10, and the rest are held by smaller, largely ethnic-based parties.

**Judicial Process**

The Supreme Court of the Union is the highest judicial body, with the legal hierarchy then descending to the High Courts of the Regions and States. The latter hear and determine civil cases, while also acting as appellate courts in criminal cases determined at lower courts. District Courts then come under the High Courts, along with Courts of the self-administered division or zone, where such administrative entities exist. These lower courts hear original criminal and civil cases, provided the damages of the subject matter do not exceed MMK500m ($406,000). Beneath this level are the township courts, which can hear criminal cases where a punishment of not more than seven years in prison is possible and civil cases in which up to MMK100m ($81,200) in damages could be awarded.

**Local Government**

Myanmar has seven states and seven regions, along with the six self-administered zones and one self-administered division. Each of these has its own local government, headed by a chief minister, with a state or regional *Hluttaw* as the local legislative body. These are elected in the same fashion as the national Hluttaw, with seats either elected or military-appointed. States and regions are constitutionally equivalent, with the main difference being that states are primarily for non-Bamar ethnicities, while regions form subdivisions within the majority Bamar ethnic areas.

The self-administered zones and one division are run by Leading Bodies. These are led by a chairperson, and constitute both the legislative and executive branches. They are composed of the deputies elected to the House of Nations for the zone or division, plus military appointees.

The capital, Naypyidaw, has its own local authority, coming directly under the jurisdiction of the national president. Day-to-day business in this region is conducted by a council, led by a chairperson.

Meanwhile, the smallest administrative unit in rural areas is the village, with a village tract being a group of several of these. Urban wards are at a similar level as that of villages, with these village tracts and towns then grouped together to form townships. Collections of these in turn form districts, with groups of districts forming states or regions. At these lower administrative levels, there is a mix of elected officials and those positions that are appointed by the General Administration Department of the Ministry of Home Affairs.

**Outlook**

As the euphoria of the 2015 general election results has subsided, the challenges facing the NLD are becoming increasingly evident. Two years of administration has not been without criticism, and the government has identified three main goals. The first is national reconciliation, which is Daw Aung San Suu Kyi's greatest priority.

However, as history shows the task will prove difficult and will require the development of inclusive political and economic institutions capable of launching the foundations of a federal state. The second priority - a necessary pre-condition for more inclusive institutions - is to root out corruption from public and government institutions. The third is to promote national and economic development.

While there have been visible steps towards eradicating corruption, with a number of contractual and tendering processes becoming more transparent, the business community has become increasingly concerned with the pace of economic reform. Myanmar's potential has been lauded, but investors have voiced concerns regarding the lack of regulatory clarity and legislative predictability that affirms their confidence to make long-term investment decisions.

As the government prioritises national reconciliation, both economic development and achieving peace will parallel one another. The first steps have already been taken with regulatory reform and emergence in the global economy. In the years ahead Myanmar will be in position to leverage its international support to strengthen reform, improve local infrastructure and generate sustainable growth.

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IN-DEPTH ANALYSIS EPRS | European Parliamentary Research Service Author: Angelos Delivorias Members' Research Service June 2017 — PE 603.984 EN European Market Infrastructure Regulation (EMIR) Regulation of OTC derivatives in the European Union Derivatives, especially those traded bilaterally, or ‘over-the-counter’ (OTC), played an important role during the 2007-2008 financial crisis. This publication aims to explain derivatives in simple terms, to place them in the context of the financial crisis and to explain the regulatory response initiated at international (G20, USA) and European level. PE 603.984 ISBN 978-92-846-1167-6 doi:10.2861/017300 QA-02-17-724-EN-N Original manuscript, in English, completed in June 2017. Disclaimer and Copyright This document is prepared for, and addressed to, the Members and staff of the European Parliament as background material to assist them in their parliamentary work. The content of the document is the sole responsibility of its author(s) and any opinions expressed herein should not be taken to represent an official position of the Parliament. Reproduction and translation for non-commercial purposes are authorised, provided the source is acknowledged and the European Parliament is given prior notice and sent a copy. © European Union, 2017. Photo credits: © envfx / Fotolia.

[*eprs@ep.europa.eu*](mailto:eprs@ep.europa.eu) [*http://www.eprs.ep.parl.union.eu*](http://www.eprs.ep.parl.union.eu) (intranet)   [*http://www.europarl.europa.eu/thinktank*](http://www.europarl.europa.eu/thinktank) (internet)   [*http://epthinktank.eu*](http://epthinktank.eu) (blog) EMIR – Regulation of OTC derivatives in the European Union Page 1 of 36 EXECUTIVE SUMMARY Derivatives – financial instruments the value of which is based on the performance of underlying assets – have been used for centuries (Aristotle provides one of the earliest accounts). They are principally used by market participants to hedge, i.e protect a party, from market risk (e.g forwards, futures, swaps and options), or against credit risk (e.g credit default swaps), or to speculate. Derivatives can be traded on a trading venue, or ‘over-the-counter’ (bilaterally). Typically standardised derivatives (e.g futures) are traded in trading venues where prices are publicly displayed, while non-standardised derivatives (e.g swaps) are traded over-thecounter (OTC) where they are tailored to the needs of the parties that trade them (the counterparties) and their prices remain private. Despite the protection they obtain from using derivatives, counterparties, especially those entering OTC contracts, are not immune from another form of risk – counterparty risk – which these instruments present, due to the longevity of the contracts in comparison to ‘traditional’ financial instruments. These risks are managed over time by the clearing function. Clearing can occur at bilateral level between two counterparties to a particular trade, at multilateral level, or through a central counterparty (CCP). With the technological revolution of the last twenty years and the deregulation of financial markets, derivatives trading quickly grew to astronomical amounts. At the same time, the fact that they were principally traded bilaterally, allowed for their customisation, but preserved their opacity. This, among other things, played a significant role in the 2007 financial crisis and led to an international effort to regulate them. The United States of America (USA) adopted the Dodd-Frank Act in 2012, whilst the European Union (EU) adopted the European Markets Infrastructure Regulation (EMIR) in 2012. At their introduction, it was calculated that these regulations combined would capture close to 90 % of the global OTC derivatives market. Both have a broadly similar scope of application and contain similar provisions, which require the clearing of eligible contracts. In addition, they require reporting of OTC derivatives and put in place strict capital and collateral requirements for entities that trade them. Finally, the legislation creates a regulatory framework for trade repositories (TR) – support infrastructures in the form of electronic databases that serve as central registries for all relevant economic and legal information related to derivatives contracts – and upgrade the existing regulatory framework for central counterparties. In 2015, the European Commission undertook a comprehensive review of EMIR in the context of its Regulatory Fitness and Performance (REFIT). The Commission organised consultations with stakeholders and received reports from the European Systemic Risk Board (ESRB), the European Central Bank (ECB), the European Securities Markets Authority (ESMA), and the European System of Central Banks (ESCB). Following these reports, in May 2017, the Commission proposed amendments to EMIR and adopted a communication, outlining further changes to EMIR and setting out its intentions on how to respond to new emerging challenges in derivatives clearing (including the ***planned*** withdrawal of the United Kingdom (UK) from the European Union). These two Commission documents are outlined in more detail in the accompanying 'EU Legislation in progress' briefing, ‘Regulation of OTC derivatives – Amending the European Market Infrastructure Regulation (EMIR)’. (A further proposal to amend EMIR, to ensure more consistent and robust supervision of central counterparties, was adopted on 13 June, and will be covered in a forthcoming briefing.) EMIR – Regulation of OTC derivatives in the European Union Page 2 of 36 TABLE OF CONTENTS 1. Introduction................................................................................................................... 3 2. 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Indeed, as early as 350 BC, Greek philosopher Aristotle relates an anecdote about Thales the Milesian using and profiting from an option-like instrument.2 Despite this long history, and the fact that markets in such instruments grew impressively in the last 20 years, derivatives went largely unregulated, until the 2008 financial crisis. The role played by derivatives in the crash led to an international effort to regulate them. While the United States (US) adopted the Dodd-Frank Act in 2012, the European Union (EU) adopted the European Markets Infrastructure Regulation (EMIR) in 2012. When they were introduced, it was calculated that these regulations combined would capture close to 90 % of the global OTC derivatives market.3 Both have a broadly similar scope of application and contain similar provisions, which require the reporting of OTC derivatives and the clearing of eligible contracts. Furthermore, they put in place strict capital and collateral requirements for OTC derivatives that remain cleared (i.e those traded directly between the two parties without using a central counterparty (CCP), to act as an intermediary for the trade). Finally, they create a regulatory framework for trade repositories and upgrade the existing regulatory framework for CCPs. This paper places the various elements of EMIR in their context. 2. Basics – derivatives and clearing 2.1 Derivatives 2.1.1 Definitions and main elements Financial assets are tangible assets that derive their value from a contractual claim as to what they represent. For example, a security (e.g a stock), confers a right to income or ownership (e.g a company’s equity). Financial instruments are tradable financial assets. Derivatives, are financial instruments whose value is based on the performance of underlying assets. The common elements of most derivatives are: (i) the parties to the agreement – the future buyer and seller, known as counterparties; (ii) the underlier – an asset4 or a reference price,5; (iii) the future price at which the ‘underlier’ can be sold (specified by 1 In the 2002 annual letter to the shareholders of Berkshire Hathaway, Warren Buffet wrote ‘We try to be alert to any sort of megacatastrophe risk, and that posture may make us unduly apprehensive about the burgeoning quantities of long-term derivatives contracts and the massive amount of uncollateralized receivables that are growing alongside. In our view, however, derivatives are financial weapons of mass destruction, carrying dangers that, while now latent, are potentially lethal’. 2 ‘He [Thales the Milesian] was reproached for his poverty, which was supposed to show that philosophy was of no use. According to the story, he knew by his skill in the stars while it was yet winter that there would be a great harvest of olives in the coming year; so, having a little money, he gave deposits for the use of all the olive-presses in Chios and Miletus, which he hired at a low price because no one bid against him. When the harvest-time came, and many were wanted all at once and of a sudden, he let them out at any rate which he pleased, and made a quantity of money. Thus he showed the world that philosophers can easily be rich if they like, but that their ambition is of another sort’. Aristotle ‘Politics’, book 1. 3 ‘CFTC and EU OTC Derivatives Regulation An Outcomes-based Comparison’, basing itself on the 2010 Bank for International Settlements (BIS) Triennial Central Bank Survey. 4 A commodity, e.g corn or natural gas, or a security, e.g stocks or bonds. 5 e.g interest rate, foreign exchange rate. EMIR – Regulation of OTC derivatives in the European Union Page 4 of 36 the counterparties), as well as a future date, specified in the contract, before or on which the transaction must occur.6 Derivatives are used for four7 main reasons: to hedge against (reduce or eliminate) a particular risk, to take on additional risk by speculating (betting on the direction of future price movements or that of creditworthiness), in arbitrage between the derivatives and underlying markets when there are price differences between them, and to replicate other financial instruments.8 2.1.2 ‘Basic’ derivatives The first category of derivatives are mainly used to protect a party from market risk – the risk that the underlying asset’s value will be impacted by a change in value of the whole market or asset class, because of economic conditions (or other factors). While many derivatives fall into this category, they are usually split, in four main sub-categories. Forwards involve an agreement between two parties to purchase a defined asset at a fixed price in the future.9 These derivatives, therefore, oblige one party to buy the underlier (and for the other party to sell it) for a set price – the delivery price – at some date in the future – the delivery date. Among the most common forward contracts are: foreign exchange contracts, which are agreements on the price of one unit of currency in units of another (e.g €1 for US$1.25) at some point in the future; contracts in energy commodities markets, where buyers and sellers agree in advance on large purchases of commodities (such as oil or gas) in the future; and money itself. In this last case, also known as a forward rate agreement (FRA), the underlier and delivery price are a fixed amount of money (e.g €1 000 at 3.5 %) and the delivery date at a specified time in the future (e.g 1 year). An example of a forward contract On 10 January, an EU entrepreneur, weary of the effects of possible currency fluctuations on the price of a product, wants to ensure the purchase of 10 000 units of a US product for €100 000, (which, at the 10 January exchange rate, are worth US$125 000) at the end of the year. To do so, she enters into a currency forward contract with the ***producer***, or another party, agreeing to pay €100 000 and receive US$125 000 on 10 December, no matter what the exchange rate is on that date. The key benefit of such contracts is mitigation of uncertainty, as the future price is already agreed the day the contract is agreed. Another, (in contrast with futures), is the freedom afforded parties to such a contract to define its terms. With benefits, however, also come risks. The main risk in such a contract is that one party cannot honour their commitment. This is an example of credit risk. To mitigate that risk, parties can post collateral with each other (cash, securities), which the gaining party keeps if the other walks away.10 6 Michael Durbin ‘All about derivatives’, 2nd edition. p.1 7 European Commission ‘European Financial Stability and Integration Report 2012’, p.32 8 Of course, these this is not to say that purchasing any of the above instruments is without cost. Indeed, they come at a premium which investors must take into account before entering the contract. 9 ‘All about derivatives’, op. cit. p.13-23 10 With collateralisation, both parties mark-to-market contracts to monitor the build-up of claims as the contract’s value evolves. EMIR – Regulation of OTC derivatives in the European Union Page 5 of 36 Futures are standardised forward contracts, typically traded on a regulated exchange11 rather than bilaterally (or ‘over-the-counter’). As a result, futures differ from forwards in three important ways:12 (i) typically, the buyer and seller to a futures contract do not know each other;13 (ii) the terms14 of the contracts are strictly defined and parties must choose from predefined contracts; (iii) parties to a futures contract settle at the end of every trading day, and not on delivery (see text box below). Like forwards, futures have underliers that fall into two groups: commodity underliers, physical goods that can be (but need not be) physically delivered,15 and financial underliers, securities, currencies, or even indexes. As with forwards, counterparties in futures contracts face credit risk. Instead of posting collateral, however, counterparties rely on marking-to-market and margins, which play a similar function. Credit risk mitigation in futures contracts Mark-to-market (MTM) involves adjusting the value of an asset portfolio to reflect the latest closing prices and not the price the underlier for which was purchased. At the end of every trading day, all outstanding futures positions are marked-to-market by the exchange markets, to determine each party’s gains or losses. Parties with gains get some money that same day, while those with a loss get a bill. It is also worth noting that parties who lose, do not necessarily need to pay their entire amount of loss every day, which would be impractical. Instead, based on their creditworthiness and on other factors, they may be entitled to pay only a percentage of their obligation into a margin account. If their obligation exceeds a certain threshold, they receive a margin call (a request to place more funds in the account). Swaps involve an agreement between two parties to exchange one series of cash flows for another.16 For example, the two parties might agree to exchange a set of fixed Japanese yen cash flows for a set of US dollar flows (‘currency swap’), or a set based on a fixed interest rate, for those based on a variable rate. This last swap is also known as a ‘plain-vanilla swap’. It is worth noting here that, ‘the key practical difference between a currency swap and a non-currency swap has to do with the notional [value]17 (...) in a single-currency swap, the notional amount need not change hands (...) but in a currency swap, we need to think about foreign-exchange rates. The purpose of a currency swap is to remove interest rate uncertainty, so this exchange of notionals happens to remove exchange rate uncertainty’.18 Lastly, options are contracts that give the holder the right, but not the obligation, to buy or sell something at a fixed price in the future.19 An example here is an investor who would like to invest in a stock, anticipating that the stock’s price will rise, without actually buying and holding the stock itself. In this case, the investor can buy an option on the stock, setting a price (the ‘strike price’) to be paid at a future date (the expiration date). 11 Such as the CME Group in the USA or the London Stock Exchange or Deutsche Börse in the EU. 12 ‘All about derivatives’, op. cit. p.23-28 13 The exchange matches buyers and sellers. 14 The type, quantity and grade of underlier; its delivery price and date; the delivery location, etc. 15 See, in this context, the amusing experiment conducted by two well-known financial journalists. 16 ‘All about derivatives’, op. cit. p.29-37. 17 The notional value is the total amount of a security’s underlying asset current price in the market. If an investor has a €1 000 000 investment in bonds that pay a 2 % coupon rate (rate of interest) and the investor wishes to swap that with an investor for a variable rate, the notional amount would be €1 000 000. 18 ‘All about derivatives’, op. cit. p.35 19 ‘All about derivatives’, op. cit. p.37-58. EMIR – Regulation of OTC derivatives in the European Union Page 6 of 36 If, on that date, the price of the stock is higher, the investor can exercise their option and purchase the stock from the option writer at the strike price (say €20) instead the actual price of the stock (say €25), thus realising a profit. On the other hand, if the actual price is lower than the strike price, the investor can decide not to purchase the stock. 2.1.3 Credit derivatives While the aforementioned derivatives deal with the market risk associated with the price of some underlier, credit derivatives deal with the credit risk associated with the performance of a party in fulfilling its financial obligations. Their value, in turn, derives only partly from the value of the underlier, that is, only to the extent that this value is affected by a ‘credit event’.20 A credit event is any credit-related event that triggers a contingent payment. In theory, it can be anything to which the counterparties agree. In practice, the International Swaps and Derivatives Association (ISDA) defines a series of events which may serve as a template to the parties: bankruptcy (seeking court protection against creditors when a company can’t pay its bills); failure to pay (missing a payment); obligation default (when the lender declares the borrower in violation of payment terms and demands return of the principal); obligation acceleration (when the terms of a debt call for immediate payment of some, or all, of a debt ahead of schedule); repudiation/moratorium (when a firm or governmental authority challenges the validity of the relevant obligation); restructuring and governmental ***intervention*** (bail-in; only applicable for financial institutions). The most common credit derivative is the credit default swap (CDS).21 The two primary parties to such a contract are the protection buyer and the protection seller. The protection buyer pays a premium (also called a CDS spread), typically expressed in basis points22 payable annually, to the protection seller.23 The value and payoff of the CDS is determined by the creditworthiness of a third party, the reference entity. This entity usually issues some debt security. Should the reference entity experience one or more credit events over the term of the swap, the protection seller agrees to compensate the protection buyer for any loss incurred as a result of the credit event (e.g by purchasing the debt security at face value). The primary buyers of CDS are commercial lenders and corporate bondholders. The primary sellers tend to be insurance companies and large financial institutions. CDS can be cash settled (the seller pays the net loss incurred by the buyer) or physically settled (the buyer transfers ownership of a portfolio of debt securities to the seller and receives the face value in return). 2.1.4 Possible benefits and risks The European Commission notes24 that, according to traditional financial theory, derivatives provide a number of economic benefits. They facilitate risk-sharing25 (which in turn should increase market participation) amongst investors, aid price discovery,26 20 ‘All about derivatives’, op. cit. p.59-70. 21 Other common credit contracts are the total return swap and the credit linked note. 22 One basis point is 0.01 %. 23 For example, a Deutsche Bank CDS with a spread of 130 bps means that, to insure €1 000 000 of Deutsche Bank debt, the buyer needs to pay €13 000 annually. 24 ‘European Financial Stability and Integration Report 2012’, op. cit., p. 30. 25 The transfer of financial risks to parties who either want or can take on or manage those risks. 26 Price discovery is defined as ‘the process of establishing a market price at which demand and supply for an item are matched’. Derivatives aid price discovery by providing the market's view on future EMIR – Regulation of OTC derivatives in the European Union Page 7 of 36 thereby assisting managerial decision-making for corporations, and provide leverage. These actions should, in turn, theoretically lead to additional economic activity.27 However, as early as 2004, concerns were raised28 with regards to derivatives. Chief among these was that derivatives can be used to increase speculation or to circumvent prudential market regulations – especially the latter – because the risk shifted is not subject to collateral (or margin) requirements, and can result in new types and levels of credit risk. Derivatives can also be a source of liquidity risk,29 especially in the interest rate swaps market.30 Lastly, derivative can cause systemic risk, arising particularly from the strong linkages between derivatives and underlying asset and commodity markets. 2.1.5 Over-the-counter (OTC) derivatives – market Derivatives can be traded on a trading venue,31 or ‘over-the-counter’32 (bilaterally). Typically standardised derivatives (e.g futures) are traded in trading venues where prices are publicly displayed, while non-standardised derivatives (e.g swaps) are traded overthe- counter (OTC), where prices remain private. When determining the size of the OTC derivatives market, three figures should be considered. The notional amounts outstanding are the gross notional value of all derivatives contracts concluded and not yet settled on the reporting date. These amounts are used as a point of reference for calculations but are not necessarily actually exchanged. More accurate indicators of actual risk exposures in the derivatives markets are the gross market value (for market risk), which represents the maximum loss that market participants would incur if all counterparties failed to meet their contractual payments and the contracts were replaced at market prices on the reporting date; and the gross credit exposures (for counterparty risk). These deduct from the gross market value the amounts ‘netted’33 with the same counterparty across all risk categories under legally enforceable bilateral netting agreements.34 developments in the underlying markets, or a view on the default risk of a company, a sovereign borrower, or a particular segment of the credit market. 27 ‘European Financial Stability and Integration Report 2012’, op. cit. p.31 28 See, e.g , Randall Dodd ‘Derivatives Markets: Sources of Vulnerability in U.S Financial Markets’. 29 ‘Liquidity’ in economics refers to the ‘ability of an economic agent to exchange his or her existing wealth for goods and services or for other assets’. Market liquidity is ‘the ability to trade an asset at short notice, at low cost and with little impact on its price’. See Kleopatra Nikolaou ‘Liquidity (risk) – concepts, definitions and interactions’, ECB working paper, 2009. Liquidity risk, here, is the risk that an asset cannot be sold quickly without an impact on its price. 30 The interest rate swaps market was seen as particularly vulnerable, because ‘it is susceptible to creditworthiness problems at one or more of the major market participants’. 31 Trading venues are defined as systems operated by an investment firm or a market operator, which bring together buying or selling interests in financial instruments (...), in a way that results in a contract. 32 Over-the-counter (OTC) derivatives are defined in EU regulation as ‘derivative contracts, the execution of which does not take place on a regulated market’, or on a third-country equivalent market. 33 Netting is the agreed offsetting of mutual obligations. It is usually used as a means of mitigating counterparty risk and involves the calculation of net settlement positions and their legal reduction to a net amount. ‘Payments, securities and derivatives, and the role of the Eurosystem’, op. cit. p.361 34 Tom Kokkola and Chryssa Papathanassiou ‘Payments, securities and derivatives, and the role of the Eurosystem’, European Central Bank, 2009, Chapter 3. BIS Statistical Bulletin, March 2017. EMIR – Regulation of OTC derivatives in the European Union Page 8 of 36 The difference in amounts traded on exchange and OTC is significant: in a 2009 paper,35 Lynton Jones noted that, ‘at the start of 2007 the global market value of all OTC derivatives contracts were some eight times greater than the equivalent exchange traded derivatives’. The amounts are indeed impressive: at the end of 2008, OTC derivative contracts had reached $598 trillion (€430 trillion) measured by notional value and US$35 trillion (€25 trillion) by gross market value. By mid-2016, this amount was slightly smaller: US$544 trillion in notional amounts, for US$20.7 in gross market value. CCP clearing also rose to 62 %36 of the US$544 trillion reported (around US$337.3 trillion) in notional amounts, ‘almost double the percentage in 2009’.37 By end-June 2016, the size of the European OTC derivatives market in terms of notional outstanding was around €460 trillion, according to the EMIR public data for end- June 2016.38 The largest asset class, reaching 85 %39 of the notional outstanding at end- June, were interest rate swaps (IRS), followed by foreign exchange (FX) derivatives (9 %), while credit, commodity and equity-linked derivatives together made up around 6 %. The largest asset class – interest rate swaps – are used to hedge against the risk of changes in interest rates. For example, a manufacturer with a variable-rate bank loan may seek to swap the variable (and therefore uncertain) interest payments under the loan arrangement for fixed-rate payments, to allow it to better ***plan*** its future payment obligations. As for contracts in foreign exchange or credit derivatives, they are used to protect against the default of a particular entity or group of entities to which the contract buyer may be financially exposed. For example, a bank may seek to protect itself against the default of a firm or group of firms to which it has extended loans.40 2.2 A stylised life-cycle of a derivatives contract Figure 1 – A derivatives transaction from trade to confirmation Source: European Central Bank. A stylised life-cycle of a derivatives contract begins41 preceding the trade, when an institution will typically conduct credit reviews and establish credit lines and trading limits for its counterparties. This stage will be followed by trade execution, which results in the creation of a derivatives contract and occurs when two parties agree to a 35 Lynton Jones ‘Current Issues Affecting the OTC Derivatives Market and its Importance to London’, April 2009. 36 BIS ‘Statistical release – OTC derivatives statistics at end-June 2016’, November 2016. 37 Dietrich Domanski, Leonardo Gambacorta and Cristina Picillo, ‘Central clearing: trends and current issues’, BIS Quarterly Review, December 2015. 38 European Central Bank ‘Looking back at OTC derivative reforms – obj

ectives, progress and gaps’, Economic Bulletin Issue 8, 2016. Regarding the amounts reported, please note that, according to the ECB ‘In absolute terms, (…), the notional outstanding values of the EMIR public data and the BIS semi-annual survey (global size of around €490 trillion at end-June 2016) cannot be reconciled, which is explained by the methodological differences of the two datasets’. 39 80 % at global level, as reported by BIS. The second category, at global level, amounts to 16 %. 40 Arshadur Rahman, ‘Over-the-counter (OTC) derivatives, central clearing and financial stability’ Bank of England quarterly bulletin Q3 2015. 41 ‘Payments, securities and derivatives, and the role of the Eurosystem’, op. cit. p.100 EMIR – Regulation of OTC derivatives in the European Union Page 9 of 36 transaction, whether on a trading venue or OTC. In the first case, orders are matched automatically on derivative exchanges' order books. Over-the-counter execution may take a variety of forms (e.g over the phone, electronically), depending on the degree of standardisation of the contract and on market preference for the particular contract. Once a trade has been executed, its details are captured. This action signals the end of the trading stage (performed by the traders) and marks the beginning of the ‘post-trade’ stage (performed by administrative support personnel, or ‘back office’). On-exchange, capture is done by the exchange. For OTC, the parties capture the details of the trade in their own internal systems. Following the trade capture, the trade is verified, a process involving trade capture systems or phone confirmations.42 The final stage in the posttrading process, which results in the creation of the final record of the derivatives transaction, is confirmation. Contracts are confirmed in two ways: either through trade affirmation,43 or trade matching.44 In both cases, the two parties to the trade are obliged to store all information on the contract in their internal systems and maintain this for the duration of the contract. In addition, depending on the procedures used, the trade may, at the point of confirmation at the latest, also be reported to a trade repository (see point 2.4).45 Following confirmation, a trade will undergo further processes, which include collateral management,46 portfolio reconciliation,47 netting, and portfolio compression (see below). Finally, counterparties may, for a variety of reasons, wish to terminate a derivative contract before its maturity date. In addition to parties honouring the contract before maturity, a termination can be achieved through portfolio compression, or by the contract being given to another trading party through assignment.48 Portfolio compression is the process of cancelling out mutually offsetting contracts. Compression reduces the overall amount of trades and, thus, the notional size of the market, therefore reducing counterparty credit risk, operational risk,49 and the cost of capital.50 This first point (risk exposure reduction) was particularly useful in the CDS market during the financial crisis, contributing in removing a notional value of some 42 Essential generic information included in a confirmation includes the deal’s reference number, the type of transaction, the name and location of the counterparty, the price agreed and the currencies involved. ‘Business Knowledge for IT in Investment Banking: A Complete Handbook for IT Professionals’, Essvale Corporation Limited, 2006, p.62 43 In affirmation, one party provides the relevant details to the other, which then verifies that information, resulting in an agreed trade. 44 Trade matching involves the two parties exchanging their records of the trade or submitting them to a third-party service provider. If the trade details match, the trade is agreed. 45 ‘Payments, securities and derivatives, and the role of the Eurosystem’, op. cit. p.101 46 This process involves calculating collateral requirements and facilitating the transfer of collateral (usually provided in cash, securities or guarantees) between the parties concerned. (Ibid. p.101). 47 The verification of the existence of outstanding contracts between counterparties and the comparison of their principal economic terms. If disputes arise regarding collateral (or payment) obligations, reconciliation provides means of resolving them. (Ibid. p.101). 48 Assignment is the process in which one counterparty (the transferor) exits a trade contract and is replaced by another party (the transferee), which becomes the new counterparty to the remaining original party. Assignment is also called ‘novation’ (see footnote 51). 49 Given there are fewer processing steps from execution to termination, and that during that stage, less collateral management and settlement of cash payments than if the trade was held to maturity. 50 European Commission ‘Ensuring efficient, safe and sound derivatives markets’, staff working paper, SEC(2009) 905 final. EMIR – Regulation of OTC derivatives in the European Union Page 10 of 36 US$50 trillion from the market and from parties’ balance sheets by means of compression between the beginning of 2008 and spring 2010. While additional trading has taken place in the meantime, this compression saw the notional size of the market halved to some US$30 trillion, from its peak of over US$60 trillion.51 2.3 Clearing Counterparty risk is present in derivatives, due to the longevity of the contracts (in comparison to traditional financial instruments): post-trade aspects (e.g exchange of cash and transfer of ownership) under derivative contracts may last up to several years.52 In case a party defaults, the non-defaulting party can be exposed to losses due to adverse price movements in the value of the portfolio until it is able to replace the defaulter with a new counterparty.53 These risks are managed over time by the clearing function. Clearing can occur at bilateral level between two counterparties to a particular trade, at multilateral level, or through a central counterparty (CCP). 2.3.1 Historical evolution James T. Moser54 outlines three steps in the historical evolution of clearing systems: direct settlement (bilateral reconciliation of contractual commitments through delivery or by offset); (multilateral) settlement ‘by ringing’ – involving arrangements between three or more counterparties with interests to settle, which allows multilateral netting by extending the set of counterparties that can settle a single contract;55 and settlement with complete clearing, in which a central counterparty (CCP) intervenes as counterparty to each side in exchange-traded contracts. The evolution from direct settlement to ringing resulted from the need for mitigation of counterparty risk, while ringing evolved to ‘complete clearing’ to mitigate certain inherent drawbacks.56 2.3.2 Central counterparty clearing By replacing agreements between buyers and sellers with contracts between these buyers and sellers and the central counterparty (CCP) through a process known as novation,57 the CCP can ‘net out’58 these offsetting transactions. Any position a CCP takes with a counterparty must always be offset by an opposite position with a second counterparty (‘matched book’). This way, the CCPs do not accept 51 Duffie, D., Li, A. and Lubke, T., ‘Policy perspectives on OTC derivatives market infrastructure’, Federal Reserve Bank of New York Staff Reports, (2010). 52 European Financial Stability and Integration Report 2012, European Commission SWD(2013) 156 final – Chapter 4: rationale and developments in the regulation of OTC derivative markets. 53 ‘Over-the-counter (OTC) derivatives, central clearing and financial stability’ op. cit. p. 3. 54 Moser, James T Contracting Innovations and the Evolution of Clearing and Settlement Methods at Futures Exchanges, Federal Reserve Bank of Chicago, 1998. 55 Cyril Monnet, ‘Let’s Make It Clear: How Central Counterparties Save(d) the Day’, Federal Reserve Bank of Philadelphia, Business Review, Q1 2010. 56 In ringing (i) each member must monitor all of the others (since any member may become a substitute for the original counterparty); (ii) traders cannot keep their positions secret (since ring members may have to monitor each other’s positions), and by revealing this information they allow others to copy their trades or to profit by trading against them; and (iii) rings can be fragile and susceptible to systemic failure. ‘Let’s Make It Clear: How Central Counterparties Save(d) the Day’, op. cit. p. 4 57 Novation is a process through which the original obligation between a buyer and a seller is discharged through the substitution of the CCP as seller to the buyer and buyer to the seller, creating two new contracts. The CCP becomes ‘buyer to every seller and seller to every buyer’. 58 See footnote 34. EMIR – Regulation of OTC derivatives in the European Union Page 11 of 36 market risk, since they have no exposure regarding the changes in market value of the trades into which they enter.59 They further preserve trading anonymity (only the CCP knows the overall positions of every trader); (indirectly) foster market liquidity; and reduce monitoring costs (since only the CCP has to monitor traders).60 Nonetheless, CCPs are exposed to counterparty risk. They attempt to reduce this risk, by reallocating it through netting, collateralisation (margining), insurance, equity, and mutualisation.61 Figure 2 – Multilateral netting vs CCP clearing Source: European Central Bank. As seen earlier, contracting parties post collateral when entering into derivatives transactions so that, in case of a default, the losing side can seize the collateral posted to cover part or all of the amount owed. Parties in bilateral over-the-counter contracts can negotiate collateral details.62 In contrast, CCPs require firms entering into derivatives transactions to post margin:63 initial margin, collected when the contract is made, is intended to ensure that sufficient funds are held on behalf of each clearing member to cover losses between the time of a counterparty's default and the time the position is closed out, known as the margin period of risk (MPOR);64 and variation margin, which is assessed and collected on a daily basis and represents profits and losses on open positions. CCPs set those margins with the aim of minimising (less than 1 %) the likelihood that any derivatives trader they clear for will suffer a loss on its cleared position that exceeds the amount of margin held. To do this, they typically set initial margin to reflect their estimate of the riskiness of the underlying transaction.65 Nevertheless, CCPs cannot only rely on margins. Firstly because real world complications make them difficult to model, and because, while CCPs can adjust margins in response 59 Amandeep Rehlon ‘Central counterparties: what are they, why do they matter and how does the Bank supervise them?’ Bank of England Quarterly Bulletin, Q2 2013. 60 ‘Let’s Make It Clear: How Central Counterparties Save(d) the Day’, op. cit. p. 5. 61 Craig Pirrong ‘The Economics of Central Clearing: Theory and Practice’, ISDA Discussion Papers Series, May 2011. 62 e.g whether it will be posted; who will post it; its amount; how it is adjusted over the life of a transaction. 63 Similarly to the above (see text box ‘Credit risk mitigation in futures contracts’, p.5), margin here is understood as the difference between the price of a trade at execution and the expected replacement price by the CCP in case of member default. 64 This interval is currently set at five days for centrally cleared OTC derivatives and ten days for bilateral trading. See Samim Ghamami and Paul Glasserman ‘Does OTC Derivatives Reform Incentivize Central Clearing?’ p. 5. 65 For instance, they typically charge higher margins on instruments with more volatile prices, and on less liquid instruments that take a CCP longer to cover in the event of a default. ‘The Economics of Central Clearing: Theory and Practice’, op. cit. p.21 EMIR – Regulation of OTC derivatives in the European Union Page 12 of 36 to changes in market conditions, margin changes can themselves be destabilising.66 For this reason, central counterparties also rely on other measures. Historically, some CCPs purchased insurance that covered some losses in the event of a default in excess of the defaulter’s margins. Insurance reallocates default losses from derivatives counterparties to the insurer’s equity holders.67 As for-profit corporations (or subsidiaries of such corporations), CCPs hold equity they can use to absorb default losses. In addition, CCPs typically require members to contribute to a mutualised default fund, which protects the CCP in the event that the margin it holds is insufficient to cover losses on the positions of a defaulting member.68 Losses in excess of those covered by the defaulter’s margin and default fund contributions are drawn from the general default fund. If losses exhaust the fund, CCPs typically oblige members to make additional contributions, capital calls, which are typically capped, often at an amount equal to the original contribution to the CCP default fund.69 CCPs impose a range of risk-management obligations on their members and undertake various related risk-management functions for the valuation of margin and collateral, monitoring the credit-worthiness of clearing members, and supporting orderly default.70 2.3.3 An example of a trade cleared by a central counterparty An example of a CCP cleared trade71 would be a non-financial company that wishes to swap a variable interest rate on a loan with a fixed rate, and contacts its financial institution to arrange the swap. The bank finds a counterparty to trade with and contacts the CCP, who becomes a buyer for the bank and seller for the other counterparty. The risk of default of the counterparties is mitigated through the means detailed above. If, despite the measures taken above, one of the parties defaults before the end of the contract, the CCP intervenes, for example by finding another counterparty to take on the swap contract. The CCP will offset this cost using the initial and variation margins. Should those be insufficient to cover the costs, CCPs have other financial resources at their disposal. The order in which these resources are used is known as the default waterfall. 2.3.4 The default waterfall Initially, the defaulter’s resources are used, namely its margin and its contribution to the default fund. Once those resources are exhausted, CCPs can use their own equity or the default fund contributions of non-defaulting members. Lastly, some CCPs, under some circumstances, may utilise the margins of non-defaulting customers (usually limited to their initial contribution to the default fund) of a defaulting clearing member firm to satisfy the obligations of any defaulting customers. 66 C. Pirrong notes in this regard that large changes in margin can lead to liquidations of positions that influence prices, especially during unsettled periods. 67 Most CCPs have insurance against some operational risks because losses arising from such risks cannot be assigned to CCP default or guaranty funds’. ibid. p.9 68 ‘Over-the-counter (OTC) derivatives, central clearing and financial stability’ op. cit. p.3 69 ‘The Economics of Central Clearing: Theory and Practice’, op. cit. p. 10. 70 Niamh Moloney, EU securities and financial markets regulation, Oxford University Press, 2014, p. 576. 71 Example taken from ‘Central counterparties: what are they, why do they matter and how does the Bank supervise them?’ op. cit. p. 3. EMIR – Regulation of OTC derivatives in the European Union Page 13 of 36 The various elements of the waterfall can be ordered in a variety of ways. Similarly, the proportion of each element varies according to the CCP.72 Ordering affects the incidence of loss, and can also affect its magnitude via its effect on incentives. For instance, putting CCP capital at risk at the first stage of the waterfall (after the defaulter’s resources) provides the CCP with a strong incentive to control risk, monitor its members, and choose margin levels prudently. 2.4 Trade repositories When derivatives are traded in a trading venue, or cleared in a CCP, information about the contract is available at the trading venue or the CCP. On the contrary, in bilaterally cleared OTC derivatives, information on the contracts is usually stored in individual systems, which aren’t necessarily compatible, nor always updated. This creates uncertainty about counterparties and their exposures, and makes it difficult for risks to be monitored. A trade repository (TR) is a support infrastructure (in the form of an electronic database) that serves as a central registry for all relevant economic and legal information related to derivatives contracts. It is a key means of storing and aggregating relevant information and making it available to authorities, market participants and other interested parties (such as CCPs). Trade repository services are a recent innovation, first being used in 2006 for credit derivatives. However, particularly given the lessons learned by market participants and public authorities as a result of the financial crisis that erupted in 2007, trade repository services are now being introduced for other OTC derivatives. In 2016, six TRs were registered and supervised by ESMA. By the end of the year, they had collected nearly 44 billion reports in total, which included not only new trades but also their modifications and other lifecycle events.73 3. The regulation of OTC derivatives prior to the crisis 3.1 Before the 2008 crisis Throughout financial history, derivatives have often been at the heart of financial scandals, leading in the significance of their losses and often causing defaults and bankruptcies. In many cases, operational risk was not properly managed, resulting in trading losses that were hidden from the risk management function of the financial institution and had accumulated over a period of up to several years.74 Despite this, regulation in the run-up to the financial crisis was neither similar (in the EU and the USA) nor, most importantly, adequate –as was proven ex-post. In the USA, prior to the Dodd-Frank Act of 2010, the main legislative act governing OTC derivative markets was the Commodity Exchange Act of 1936,75 as amended in 1974. While the amended act required nearly all futures and options to be traded on regulated exchanges and created a market regulator and supervisor (the Commodity Futures 72 See OFR ‘New Public Disclosures Shed Light on Central Counterparties’, March 2017, pp. 4-5. 73 ESMA’s supervision of credit rating agencies, trade repositories and monitoring of third country central counterparties 2016 annual report and 2017 work ***programme***. 74 Since 1993, 13 derivatives ‘incidents’ led to losses approximating US$210 billion in hidden losses, trading losses and collateral calls. European Financial Stability and Integration Report 2012 op. cit. p.49 75 Originally applied only to derivatives on domestic ***agricultural*** products. EMIR – Regulation of OTC derivatives in the European Union Page 14 of 36 Trading Commission (CFTC)), it was short-lived, as the 2000 Commodity Futures Modernization Act (and subsequent laws) all but deregulated the OTC derivatives market and weakened the regulatory and supervisory powers of the CFTC. This deregulation led to a sevenfold increase in OTC derivatives. In the EU, the traditional view that OTC derivatives are financial instruments for professional use and thus require only light regulation also prevailed prior to the crisis. The principal regulation to which OTC derivatives were subject was the Basel framework for regulatory capital requirements. This viewpoint changed after the financial crisis.76 3.2 The 2008 financial crisis The financial crisis was exacerbated by derivatives markets in various ways: first, ‘insurance companies such as AIG, (...) used CDS to sell protection on CDOs77 backed by sub-prime mortgages to such an extent that they were severely impaired when those CDOs experienced large losses from mortgage defaults. This in turn contributed to the weaknesses of the banks that had bought and relied upon the protection’ of these CDS. Also, ‘the failures of (...) Bear Stearns and Lehman Brothers were exacerbated by a run of their OTC derivatives counterparties’.78 Lastly, ‘CDS were deemed to be so risk-free (...) that financial institutions began to write ‘naked’ CDS, (...), offering the guarantee against default to investors who had no risk in any underlying mortgage backed instruments or CDOs. (...) these instruments allowed speculators to place the perfectly logical bet for little consideration (...) that those who could not afford mortgages would not pay them off’.79 3.2.1 American International Group (AIG) near-collapse and bail-out Investors investing in various types of debt obligations before the financial crisis used to protect themselves from counterparty risk by buying CDSs. This way, they transferred the default risk of the underlying debt to a CDS seller in a similar way to how the risk of an insurable event is transferred under an insurance contract. However, despite this conceptual similarity, CDSs were much less regulated than insurance contracts. This led to two substantial disparities in the legal status of these instruments.80 First, CDS could be used not only to hedge against counterparty risk, but also to speculate on the default of debts owned by third parties.81 In addition, while insurance companies are required to set aside reserves in case of loss, firms selling CDSs 76 For a short synthesis of the economic causes of the crisis and the role of securitisation, see A. Delivorias ‘Understanding securitisation background − benefits − risks’, EPRS, 2016, pp.11-14. 77 Collateralised Debt Obligations (CDO) are securities whose collateral pool is composed, among others, by bonds, loans, or other types of debt, as well as by asset-backed securities. See EPRS, ‘Understanding securitisation background − benefits − risks’, 2016. 78 Darrell Duffie ‘How Should We Regulate Derivatives Markets?’ The Pew Financial Reform Project, 2009. With regards to Bear Stearns, Duffie notes that, when in March 2008, the counterparties to Bear Stearns reduced their exposures to them as news of the bank’s weakness spread, they withdrew the cash collateral they had posted with Bear Stearns, thus reducing the bank’s liquidity and accelerating its failure. 79 Michael Greenberger ‘Derivatives in the Crisis and Financial Reform’, p. 13. 80 Gediminas Laucius, 'Potential Impact of the New Post-Crisis Regulatory Approach to Financial Derivatives' (2014) 25 European Business Law Review, Issue 5, pp. 681–725. 81 In their 2009 paper ‘How Much Do Banks Use Credit Derivatives to Hedge Loans?’ Bernadette A. Minton, René Stulz and Rohan Williamson found that ‘Only 23 large banks out of 395 use credit derivatives and most of their derivatives positions are held for dealer activities rather than for hedging of loans’. EMIR – Regulation of OTC derivatives in the European Union Page 15 of 36 were exempt from such a requirement and thus failed to set aside reserves or collateral. This is what happened with the insurance company American International Group (AIG). The collapse and near-failure of AIG on 16 September 2008 was a major event in the recent financial crisis. AIG, a global insurance and financial company with US$1 trillion in assets, lost US$99.3 billion during 2008 and was rescued with the coordinated help of the Federal Reserve Bank of New York, the US Federal Reserve System, and the Treasury. A large part of those losses (around US$50 billion) are attributable to two AIG activities, one of which was writing credit default swaps on over US$527 billion of assets (in notional amounts),82 which resulted in losses of US$33.9 billion by 16 September 2017.83 For a long period before the financial crisis, AIG had an AAA credit rating. While, as seen above, during the life of a contract, parties post margin/collateral to mitigate counterparty risk, CDS issued by AIG were exempt from providing adequate collateral due to a special clause in the CDS agreements, based on (i) AIG's high credit rating,84 and (ii) the fact that it only sold CDS on security tranches that were perceived to be very safe.85 Furthermore, due to the opaque nature of OTC derivatives, neither AIG’s counterparties knew its total exposure, nor were regulators able to detect the build-up of risk on its balance sheet.86 When the subprime market led to counterparties making losses, AIG was asked to compensate them. Already in 2007, the company reported a loss on CDS, losing US$11.1 billion on CDS in the fourth quarter alone. With losses continuing in 2008, its credit rating was downgraded, which in turn triggered the special clauses in its CDS and prompted its counterparties to ask for collateral87 that AIG had not put aside. This resulted in its near-collapse, but also resulted in its counterparties coming under strain, as they no longer received protection payments. This strain, in turn, caused the same spiral as seen with AIG, that is, the counterparties came under pressure, their credit ratings were downgraded and they faced liquidity problems. 3.2.2 ‘Naked’ credit default swaps Another problem pre- crisis was that purchasing CDS against assets, without having actual credit exposures to them, was possible. This allowed protection buyers to literally ‘bet’ on the default of the debts in which they had no direct interest88 – eloquently described as ‘buying life insurance on someone else’s life, and owning a license to kill.’89 82 ‘These swaps were written on corporate loans (US$230 billion), prime residential mortgages (US$149 billion), corporate debt/collateralized loan obligations (CLOs) (US$70 billion) and multi-sector CDOs (US$78 billion)’ Robert L. McDonald and Anna Paulson ‘AIG in Hindsight’, NBER Working Paper No. 21108, 2015, p.18 83 The other activity was the use by AIG ‘of insurance subsidiary assets to finance the outright purchase of Residential Mortgage-Backed Securities (RMBS) and real-estate-related CDOs’. ibid. p. 4. 84 This meant that a corporate ratings downgrade could lead to a large required collateral payment, but such a downgrade seems not to have been perceived as probable risk. 85 Commission staff working paper accompanying the Commission Communication - Ensuring efficient, safe and sound derivatives markets (COM(2009) 332 final) (SEC(2009) 914 final). 86 'Potential Impact of the New Post-Crisis Regulatory Approach to Financial Derivatives' op. cit. p.12 87 McDonald and Paulson note that between September 12th and September 15th, ‘Total collateral calls increased by US$8.6 billion, with Société Génerale alone accounting for more than half of that increase’. 88 'Potential Impact of the New Post-Crisis Regulatory Approach to Financial Derivatives' op. cit. p.13 89 George Soros, quoted in Terry Young, Linnea McCord, and Peggy J. Crawford, ‘Credit Default Swaps: The Good, The Bad And The Ugly’, 2010, p.4 EMIR – Regulation of OTC derivatives in the European Union Page 16 of 36 Furthermore, this entitled market participants to use CDS to manipulate financial markets,90 thus increasing market instability. 4. Preliminary work 4.1 Main shortcomings highlighted The above issues highlighted two important aspects of CDS markets specifically and OTC derivatives markets broadly, that did not receive enough attention prior to the financial crisis: on the one hand OTC derivatives markets were opaque, which led to less than optimal monitoring, supervision and management of counterparty risk;91 and on the other, trading OTCs potentially creates instability in the markets for the underliers. Despite the fact that most OTC derivatives other than in the credit segment appeared less risky (as pay-out structures for e.g IRS are more continuous in nature, the underlying markets are more liquid and the underlying risks more observable, risk management measures more solid and electronic systems more developed,)92 regulators deemed that all market segments should be strengthened to safeguard financial stability. 4.2 International developments and commitments 4.2.1 The G20 summits In November 2008, two months after the collapse of Lehman Brothers, the Washington G20 summit93 listed ‘increasingly complex and opaque financial products’ as one of the root causes of the global financial crisis and asked ‘supervisors and regulators, building on the imminent launch of central counterparty services for credit default swaps (CDS) in some countries’ to ‘speed efforts to reduce the systemic risks of CDS and over-thecounter (OTC) derivatives transactions; that market participants support exchange traded or electronic trading platforms for CDS contracts; expand OTC derivatives market transparency; and ensure that the infrastructure for OTC derivatives can support growing volumes’. These demands became more specific at the Pittsburgh summit in September 2009, where G20 leaders called94 on the G20 Finance Ministers and Central Bank Governors ‘to reach agreement on an international framework of reform in the following critical areas’. The commitments, which were materialised in the EU through EMIR, were: (i) ‘all standardised OTC derivative contracts should be traded on exchanges or electronic trading platforms, where appropriate, and cleared through central counterparties’ by the end of 2012 at the latest; (ii) ‘OTC derivative contracts should be reported to trade repositories’ and (iii) non-centrally cleared contracts should be subject to higher capital requirements’. They reflected the fact that the part of the OTC derivatives market served by central counterparties performed better during the crisis 90 'Potential Impact of the New Post-Crisis Regulatory Approach to Financial Derivatives' ibid. p.13 91 While regulators can obtain detailed information about the individual positions of the entities they regulate (they normally have the right to request any information from them), they cannot know either the exact size of the individual OTC derivatives market segments, or the detailed breakdown of the counterparty positions. This prevents them both from estimating the regulated entities’ magnitude of risks and from gaining a clear picture of their interconnectedness. 92 European Financial Stability and Integration Report, op. cit. p.53 93 Washington summit, 15 November 2008 – Declaration on Financial Markets and the World Economy. 94 Pittsburgh summit 24-25 September 2009 – Leaders’ statement. EMIR – Regulation of OTC derivatives in the European Union Page 17 of 36 due to their stronger risk management and higher transparency of members’ exposures.95 4.2.2 The Financial Stability Board recommendations In an October 2010 report,96 the Financial Stability Board (FSB) made 21 recommendations, addressing practical issues that authorities could encounter in implementing their commitments. In short, the report asked for the standardised proportion of the market to be substantially increased; for authorities to identify factors to be taken into account when determining whether a derivative contract is standardised and therefore suitable for clearing, and to address the requirements relating to mandatory clearing, to risk management and to the supervision of CCPs; and for trade repository data to be comprehensive, uniform and reliable, to provide authorities with a global view of the OTC derivatives markets. 4.2.3 The Dodd-Frank Act On 21 July 2010, President Obama signed into law the Dodd-Frank Wall Street Reform and Consumer Protection Act. The purpose of the Act (with a broader scope than EMIR) was to restructure the financial regulatory system to restore public confidence following the financial crisis and to prevent another crisis from occurring. OTC derivatives markets are regulated by Title VII97 of the Act, which aims at minimising the systemic risk of derivatives trading, creating transparency in derivatives markets and prohibiting entities holding customer deposits from engaging in speculative derivatives activity. The regulatory authority over swap agreements is divided between the Security and Exchange Commission (SEC) – which has authority over ‘security-based swaps’ – and the CFTC – which has authority over all other swaps.98 With regards to clearing, all ‘standard’ swaps must be cleared and exchanged on trading venues. Lastly, regulators have set extensive reporting data obligations for parties to swap agreements. 4.3 Reform in Europe – the road to EMIR 4.3.1 Commission consultations and communications The European Union was very quick to react to the issue of OTC derivatives regulation. A report published in February 2009 (only three months after the 2008 Washington summit) by a high-level group of experts99 chaired by Jacques de Larosière noted that ‘the present crisis results from the complex interaction of market failures, global financial and monetary imbalances, inappropriate regulation, weak supervision and poor macroprudential oversight’ and proposed a set of recommendations in three main areas: a new regulatory agenda (correcting weaknesses, equipping Europe with a consistent set of rules, as well as measures relating to corporate governance and crisis management and resolution); stronger coordinated supervision (replacing the EU's existing supervisory architecture with a European system of financial supervisors (ESFS), consisting of three 95 ‘Looking back at OTC derivative reforms – objectives, progress and gaps’, p.2 footnote 4. 96 Financial Stability Board report ‘Implementing OTC Derivatives Market Reforms. 97 Title VII (Wall Street transparency and accountability) – subtitle A: regulation of over-the-counter swaps markets. 98 i.e interest rate swaps, FX or currency swaps, CDS, or ***agricultural*** commodities swaps. Securities and Exchange Commission Dodd-Frank spotlight. 99 Including Leszek Balcerowicz, Otmar Issing, Rainer Masera, Callum Mc Carthy, Lars Nyberg, José Pérez, and Onno Ruding. EMIR – Regulation of OTC derivatives in the European Union Page 18 of 36 European Supervisory Authorities100 and a European Systemic Risk Board (ESRB)) and global coordination/cooperation (including ensuring regulatory consistency and enhancing cooperation among supervisors). The report fed into a Commission communication published one month later,101 which presented an ambitious ***programme*** aiming to (i) restore and maintain the stability of the financial sector through the aforementioned supervisory framework, ensure sector security,102 support the real economy103 and the population.104 This communication, in turn, as well as the G20 Summit in London in April and the European Council of 19 June of that same year, fed into a July 2009 communication105 − in which the Commission, after briefly introducing prudential measures already taken or in the process of being adopted,106 discussed possible new initiatives (standardisation, or the broader use of CCP clearing and trade execution) to improve financial stability in derivatives markets. A public consultation,107 was launched which led to a public hearing. Both of those, in turn, fed into the second Commission communication, published in October 2009.108 The Commission proposed measures to shift derivative markets to more centralised clearing and trading. With regards to central clearing, the Commission announced that it intended to propose legislation concerning CCP activity, focusing on rules relating to conduct of business and governance, risk-management standards, legal protection to collateral and positions, authorisation granted to CCPs and finally the recognition of third-country CCPs. Furthermore, it noted that it would propose making it mandatory to clear standardised derivatives through CCPs. With regards to bilateral clearing, it announced that it would propose legislation on collateralisation (obligation to post initial and variation margins) and capital charges (higher capital charges in the Capital Requirements Directive). Lastly, in the area of transparency, the Commission announced that it intended to propose legislation governing trade repositories as well as new 100 The European Banking Authority, the European Securities and Markets Authority, and the European Insurance and Occupational Pensions Authority. 101 Communication for the spring European Council ‘Driving European recovery’, 4 March 2009. 102 Through measures such as regulatory and supervisory standards for hedge funds and private equity, legislation to increase the quality and quantity of prudential capital, to address liquidity risk and limit excessive leverage, measures to rebuild the confidence of investors, consumers and SME in their economies and to harmonised sanctions to prevent market abuse. 103 By the elimination of barriers to the free movement of goods and services; the implementation of structural changes which meet climate and energy challenges through the promotion of a low carbon economy, or the promotion of the exchange of good practices and synergies in terms of EU cooperation. 104 Via actions to invest in re-training and skills upgrading, to prevent over-indebtedness and maintain access to financial services, or to guarantee the free movement of workers. 105 Communication from the Commission ‘Ensuring efficient, safe and sound derivatives markets’ COM(2009) 332 final. See also the useful accompanying staff working paper SEC(2009)905, which gives a thorough presentation of derivatives markets and the different types of OTC derivatives. 106 Among other things, the review of the Capital Requirements Directive (CRD), a proposal on the capital requirements applied to the trading book of financial institutions and to securitisation and re-securitisation positions, a proposal for the creation of a European macro-financial supervisor, the CRA Regulation, as well as the proposal for a directive on alternative investment fund managers (AIFMD). 107 Commission consultation ‘Possible initiatives to enhance the resilience of OTC Derivatives Markets’ SEC(2009) 914 final. 108 Communication from the Commission ‘Ensuring efficient, safe and sound derivatives markets: Future policy actions’ COM(2009) 563 final. EMIR – Regulation of OTC derivatives in the European Union Page 19 of 36 reporting obligations on market participants, measures intended to ensure that eligible trades for exchange-trading take place on organised markets, as well as measures enhancing both pre- and post-trade transparency. Another consultation109 was launched in June 2010. In the context of the Commission finalising its draft legislative proposals, the consultation asked for stakeholders’ views on the clearing and risk mitigation of OTC derivatives, requirements for CCPs, interoperability, reporting obligation and requirements for trade repositories. The Commission, in its diagnosis,110 focused on three main problems related to the functioning of the OTC derivatives market: (i) the lack of transparency on positions and exposures which hampers early detection of risks by regulators, but also prevents other market participants from knowing the total exposure from an OTC contract;111 (ii) insufficient mitigation of counterparty credit risk, due to insufficient collateral,112 varying frequency of collateral valuation among market participants and risk models that were not robust enough; and (iii) insufficient mitigation of operational risks due to the important growth of the market and to the low level of product standardisation. 5. Regulation (EU) No 648/2012 on OTC derivatives, central counterparties and trade repositories (EMIR) 5.1 Summary of Regulation (EU) No 648/2012 Regulation (EU) No 648/2012 is an infrastructure-related measure, designed to reduce risk and strengthen derivatives market resiliency, as well as to support market discipline and regulatory oversight through the imposition of six core requirements,113 namely: (i) the central counterparty (CCP) clearing114 obligation for specific categories of financial OTC derivatives;115 (ii) the reporting obligation to trade repositories (TRs) of any information concerning OTC derivatives trading; (iii) margin requirements for OTC derivative contracts that are not centrally cleared; (iv) operational bilateral risk mitigation requirements for OTC derivative contracts that are not centrally cleared by a CCP; strict organisational, business conduct and prudential obligations for central counterparties (CCPs); and requirements for trade repositories. The regulation has nine titles and two annexes. 109 Commission consultation on Derivatives and Market Infrastructures. 110 European Financial Stability and Integration Report, op. cit. p. 55. 111 While parties know their direct exposures, they cannot know their indirect exposure, i.e the exposure their counterparties to other market participants. As a result, the collateral used to secure their own exposure is not enough to cover for the aggregate counterparty risk of their trading party. The AIG case presents an extreme version of this situation. 112 In 2012, ISDA estimated that some US$1.1-$1.8 trillion of the total gross credit exposure in OTC derivatives remained uncollateralised. European Financial Stability and Integration Report, op. cit. p. 56. 113 Report from the Commission to the European Parliament and the Council under Article 85(1) of Regulation (EU) No 648/2012 of the European Parliament and of the Council of 4 July 2012 on OTC derivatives, central counterparties and trade repositories. COM(2016) 857 final, 23 November 2016. 114 Whereas in the United States the Dodd-Frank Act deals with trading and clearing of OTC derivatives, in Europe EMIR only covers clearing, while trading aspects are dealt with by the revised directive and new regulation on markets in financial instruments (MiFID II and MiFIR). 115 Namely those that are ‘standardized, safe and sound’. Niamh Moloney, op. cit. p.577 EMIR – Regulation of OTC derivatives in the European Union Page 20 of 36 5.2 Subject matter, scope and definitions (Articles 1-3) Regulation (EU) No 648/2012 lays down clearing and bilateral risk-management requirements for OTC derivative contracts,116 reporting requirements for derivative contracts and uniform requirements for the performance of activities of central counterparties and trade repositories. The regulation applies to CCPs and their clearing members, to financial counterparties (FCs)117 and to trade repositories (TRs). In addition, it applies to non-financial counterparties (NFCs)118 and trading venues, albeit only where it is so provided specifically. It does not apply to the members of the European System of Central Banks (ESCB), to EU public bodies intervening in the management of the public debt, to the Bank for International Settlements, to multilateral development banks, or to the European Financial Stability Facility and the European Stability Mechanism. 5.3 Clearing, reporting and risk mitigation of OTC derivatives (Art. 4-13) Counterparties must clear all OTC derivative contracts pertaining to a class of OTC derivatives that has been declared subject to the clearing obligation with a CCP,119 if those contracts fulfil certain conditions. The regulation imposes the clearing obligation on interest rate swaps and basis swaps in dollars, euro, pounds sterling and yen, forward rate agreements and overnight index swaps in dollars, euro and pounds and CDS indices in euro. OTC derivative contracts that are intragroup transactions120 are exempted (under specific conditions) from the clearing obligation. ESMA must establish, maintain and keep up to date a public register − available on its website − to iden fy the classes of OTC deriva ves subject to the clearing obligation. This register must include, among other things, the classes of OTC derivatives subject to the clearing obligation, the authorised or recognised CCP and the dates from which the clearing obligation takes effect. CCPs no longer authorised or recognised must be removed from the register. CCPs can accept or refuse a formal request for access by a trading venue (TV) within three months (but in cases of refusal, they must justify their decision to the trading venue). Competent authorities can refuse access to the CCP only when it would threaten the functioning of the markets or affect adversely systemic risk. Similarly, trading venues can accept or refuse a formal request to access by a CCP within three months (they also need to justify their decision). CCP access to a trading venue can be granted only if interoperability121 is not required and the access poses no threat to market functioning. 116 The regulation defines OTC derivatives contracts as derivative contracts the execution of which does not take place on a regulated market or on a third country market considered to be equivalent. 117 Financial counterparties include investment firms, credit institutions, assurance, insurance and reinsurance undertakings UCITS and their management companies, institutions for occupational retirement provision and alternative investment funds. 118 The Regulation defines NFCs as undertakings not belonging to the aforementioned categories, i.e FCs, CCPs, TRs and trading venues. 119 The CCP must be authorised under Article 14 or recognised under Article 25 to clear that class of OTC derivatives and listed in the register in accordance with Article 6(2)(b). 120 Intragroup transactions are defined in the first chapter. 121 ‘Article 2 of EMIR defines an interoperability arrangement as an arrangement between two or more CCPs that involves a cross-system execution of transactions. The reference to cross-system implies that there should be a reciprocal link (peer-to-peer link) between the CCPs which would allow one to clear trades through the other and vice-versa. This allows access to any local market without having to become EMIR – Regulation of OTC derivatives in the European Union Page 21 of 36 Authorised CCPs must clear OTC derivative contracts and trading venues must provide trade feeds on a non-discriminatory and transparent basis to any authorised CCP. Counterparties and CCPs must make sure that the details of any derivative contract they have concluded and of any modification or termination of the contract are reported to a trade repository (or to ESMA in case no TR is available), at the latest the working day after the conclusion, modification or termination of the contract. Counterparties must keep records of those derivative contracts for at least five years after their termination. In the context of this mandatory reporting, which began in February 2014, ‘for each derivative transaction around 85 data fields have to be reported, which are divided into two groups: the first group contains information on the counterparties involved, which usually remain static over the life cycle of a trade; the second group provides details on the characteristics of the contract, such as the type of derivative, the underlier, the price, the amount outstanding, the execution and clearing venue of the contract, the valuation, the collateral and lifecycle events (e.g compression, cancellation, termination)’.122 TRs to which the contracts are reported need to be registered with (or in the case of thirdcountry TRs, recognised by) ESMA.123 NFCs that take positions in OTC derivative contracts and whose positions exceed the clearing threshold, must notify ESMA and the competent authority. If their rolling average position over 30 working days exceeds that threshold they become subject to the clearing obligation (if not, they are no longer subject) and must clear all relevant future contracts within four months of becoming subject to the clearing obligation. FCs must ensure that appropriate procedures and arrangements are in place to measure, monitor and mitigate operational risk and counterparty credit risk.124 Further, they must hold an appropriate and proportionate amount of capital to manage the risk not covered by appropriate exchange of collateral. In addition, FCs and some NFCs125 must mark-to-market daily the value of outstanding contracts and have risk-management procedures that require the timely, accurate and appropriately segregated exchange of collateral with respect to OTC derivative contracts entered into.126 Intra-group transactions are exempted under specific conditions which vary according to whether the counterparties are FCs or NFCs and to whether they are established in the same Member State, in the EU, or in the EU and in a third country. a local actor. At clearing level this means that a clearing member from a CCP would be able to access the clearing scope of another CCP without having to become a clearing member of corresponding CCPs thanks to the inter-CCP links.’ ESMA report ‘Possible systemic risk and cost implications of interoperability arrangements’. 122 Linda Fache Rousová, Kirsi-Maria Kulmala, Małgorzata Osiewicz ‘Reporting of derivatives transactions in Europe – Exploring the potential of EMIR micro data against the challenges of aggregation across six trade repositories’, paper published in the context of the IFC workshop on ‘Combining micro and macro statistical data for financial stability analysis. Experiences, opportunities and challenges’ that took place in Warsaw, Poland, on 14-15 December 2015. 123 Currently there are six TRs authorised by ESMA, which are CME, DDRL22, ICE, KDPW, Regis-TR and UnaVista. The list of trade depositories registered by ESMA in accordance with EMIR can be found on the website of the authority. Together, they provide daily derivatives data to over 60 authorities in the EU, which in accordance with their mandate have access to the respective data of their jurisdiction. 124 The same applies to NFCs that enter into an OTC derivative contract not cleared by a CCP. 125 Those who have become subject to the clearing obligation or those taking positions exceeding the clearing threshold in OTC derivative contracts. 126 (although dates vary for FCs and NFCs). EMIR – Regulation of OTC derivatives in the European Union Page 22 of 36 Infringement of the rules of this title neither affect the validity of an OTC derivative contract, nor give rise to any right to compensation from a party to an OTC derivative contract. However, Member States must lay down rules on effective, proportionate and dissuasive penalties – at least administrative fines – applicable to infringements of the rules and take all measures necessary to ensure that they are implemented. They must further ensure that competent authorities responsible for the supervision of FCs, and, where appropriate, non-FCs disclose to the public every penalty that has been imposed for infringements, unless such disclosure would seriously jeopardise the financial markets or cause disproportionate damage to the parties involved. Lastly, the Commission – assisted by ESMA – must monitor and report potential duplicate or conflicting requirements on market participants, and recommend possible action. 5.4 Authorisation and supervision of CCPs (Articles 14-25) A CCP’s authorisation application must be made to the competent authority of the Member States in which the CCP is established. In the application, the CCP must provide all information necessary to satisfy the competent authority that it has established all the necessary arrangements to meet the requirements laid down in EMIR. In addition, it must have permanent and available initial capital to protect itself against various categories of risks.127 Once granted, the authorisation is effective for the whole of the EU. However, the authorisation is granted only for activities linked to clearing.128 Those CCPs that wish to extend their business to additional services or activities not covered by the initial authorisation must submit a request for extension to their competent authority. Lastly, in case a CCP extends its business to another Member State, its competent authority must immediately notify the competent authority there. Competent authorities are designated by each Member State to carry out the duties for the authorisation and supervision of CCPs established on its territory. When multiple competent authorities are designated, the Member State must clearly determine their respective roles and designate one of them to be responsible for coordinating cooperation and exchange of information with the Commission, ESMA and other National Competent Authorities (NCAs). Competent authorities must cooperate closely with each other, ESMA and the ESCB and must duly consider the potential impact of their decisions on the stability of the financial system in all other Member States concerned. Once an authorisation application is submitted, a college of supervisors is established, managed and chaired by the CCP’s NCA.129 The NCA must transmit all information 127 More specifically, the article states that, to be authorised, the CCP must have initial capital of €7.5 million. In addition, its capital must be proportionate to the risk stemming from its activities and must be sufficient at all times to ensure an orderly winding-down or restructuring of the CCPs activities over an appropriate time span and its adequate protection against credit, counterparty, market, operational, legal and business risks which are not already covered by specific financial resources. 128 This, according to Niamh Moloney, is common across EU securities and markets regulation, and is further needed to mitigate risks. 129 Consisting of: ESMA; the NCA; the NCAs responsible for the supervision of the clearing members of the CCP that are established in the three Member States making the largest contributions to the default fund of the CCP; the NCAs responsible for the supervision of trading venues served by the CCP; the NCAs supervising CCPs with which interoperability arrangements have been established; the NCAs supervising central securities depositories to which the CCP is linked; the relevant members of the ESCB responsible for the oversight of the CCP, and of the CCPs with which interoperability arrangements have been established; and the central banks of issue of the most relevant Union currencies of the financial instruments cleared. EMIR – Regulation of OTC derivatives in the European Union Page 23 of 36 received from the CCP to ESMA and to the college and, after assessing that the application is complete, notify them and the applicant. The NCA may grant authorisation only where it is fully satisfied that the CCP complies with all the requirements laid down under EMIR and where the college has not exercised its veto.130 In case it disagrees with a positive opinion of the college, it must provide reasons and explanation. ESMA is empowered to mediate in case joint opinions are not reached and to take enforcement actions in cases where the CCP’s NCA has not applied EMIR or has applied it in a way which appears to be in breach of Union law.131 In some cases, the NCA must withdraw a CCP’s authorisation – although it can also decide to limit its withdrawal to a particular service, activity, or class of financial instruments. In those cases, it must notify ESMA and the members of the college within five days and must consult them, except in urgent situations. Once taken, the authorisation decision takes effect throughout the EU. NCAs must review the arrangements, strategies, processes and mechanisms implemented by CCPs to comply with EMIR and evaluate the risks to which CCPs are exposed.132 In addition, they must cooperate closely with each other and with ESMA, but also with the ESCB.133 Third country CCPs can also provide clearing services to clearing members or trading venues in the EU, if they are recognised by ESMA. Before taking a decision, ESMA must verify that certain conditions are met and must consult stakeholders. The CCP must follow a specific procedure. ESMA has a set time within which to deliver a decision, although this can be prolonged.134 Lastly, ESMA will establish cooperation arrangements with the relevant competent authorities of third countries whose legal and supervisory frameworks have been recognised as equivalent to EMIR. 5.5 Requirements for CCPs (Articles 26-50) A CCP must have robust governance arrangements, adopt policies and procedures which are sufficiently effective so as to ensure compliance with EMIR, maintain and operate an organisational structure that ensures continuity and orderly functioning in the performance of its services and activities and separate clearly between reporting lines for risk management and those for other operations, In addition, it must adopt, implement and maintain a remuneration policy which promotes sound and effective risk management and which does not create incentives to relax risk standards, maintain IT systems adequate to deal with the complexity, variety and type of services and activities 130 A CCP may not be authorised when all members of the college (except the NCA of the Member State where the CCP is established) have reached a unanimous opinion that the CCP not be authorised. 131 This, according to Niamh Moloney, ‘underlines the pivotal nature of the authorisation decision’. The author adds that ‘the sensitivity of these unusually intrusive college powers is well illustrated by the voting thresholds specified and by the graduated consequences which follow, as well by the requirement for college members not to directly or indirectly discriminate against any Member State as a venue for clearing services in any currency’. 132 This review obligation, reflects, according to Niamh Moloney ‘the emphasis across EMIR on supervisory review and monitoring of CCP resilience’. 133 This, according to Niamh Moloney, reflects ‘the potential for systemic risk’. This also seems reflected in the regulation, specifying that NCAs ‘duly consider the potential impact of their decisions on the stability of the financial system in all other Member States concerned’. 134 The information that the applicant CCP must provide ESMA with in its application for recognition are specified in regulatory technical standards (RTS). EMIR – Regulation of OTC derivatives in the European Union Page 24 of 36 performed so as to ensure high standards of security and the integrity and confidentiality of the information maintained and be subject to frequent and independent audits. A CCP’s senior management must be reputable and possess sufficient experience. In addition, the CCP must have a board. Its members must include at least two independent members, be of good repute and have adequate expertise. The role of the board and its responsibilities are determined by the CCP. A CCP must also establish a risk committee – composed of representatives of its clearing members, independent members of the board and clients’ representatives – and clearly determine its mandate, governance arrangements to ensure its independence, operational procedures, admission criteria and election mechanism for risk-committee members. The risk committee must advise the board on any arrangements that may impact the CCP’s risk management and, if the board decides not to follow its advice, it must promptly inform the competent authority. A CCP must maintain – for at least 10 years – all the records on the services and activity provided, as well as all information on all contracts it has processed, so as to enable the competent authority to monitor its compliance with EMIR. Those records must be made available, upon request, to the competent authority, ESMA and the relevant members of the ESCB. A CCP’s shareholders and members with qualifying holdings, as well as the amounts of those holdings, must be known by the NCA. If the NCA deems that the shareholders are not suitable, or that links between the CCP and natural/legal persons prevent it from adequately supervising the CCP, it can refuse to authorise or withdraw authorisation from a CCP. When a natural or legal person decides either to acquire/increase a qualifying holding in a CCP or, on the opposite, dispose, of a qualifying holding in a CCP, the CCP must provide information to competent authorities and to the NCAs must perform an assessment.135 Rules relating to the appraisal of the suitability of the proposed acquisition are also provided for. CCPs must maintain and operate effective written organisational and administrative arrangements to identify and manage any potential conflicts of interest between themselves and their clearing members/clients. When those arrangements are not sufficient to prevent risks of damage, the CCPs must disclose the nature and source of conflict of interest to clearing members before they accept to transact with them. CCPs must establish, implement and maintain a business continuity policy and disaster recovery ***plan***, to ensure the preservation of their functions, the timely recovery of operations and the fulfilment of their obligations. When a CCP outsources operational functions, services or activities, it remains fully responsible for discharging all of its obligations under EMIR and must ensure at all times that, among other things, outsourcing does not result in the delegation of its responsibility; it does not alter the relationship and obligations of the CCP towards its clearing members or clients; it does not change the conditions for authorisation of the CCP; and it does not prevent the exercise of supervisory and oversight functions. 135 The same applies when the person’s decision to acquire or dispose of a holding, results in the proportion of the voting rights or of the capital held reaching or exceeding/falling below 10 %, 20 %, 30 % or 50 % or should the CCP become/cease to be the person’s subsidiary. EMIR – Regulation of OTC derivatives in the European Union Page 25 of 36 5.5.1 Conduct of business rules CCPs must abide with general conduct of business rules, among other things, they must act fairly and professionally, and must have accessible, transparent and fair rules for the prompt handling of complaints. They must establish, where relevant, per type of product cleared, the categories of admissible clearing members and non-discriminatory, transparent and objective admission criteria. They may also impose specific additional obligations on clearing members, which nonetheless must be proportional to the risk brought by those members. Lastly, they must set objective and transparent procedures for the suspension and orderly exit of clearing members that no longer meet the criteria. CCPs must also comply with transparency requirements, such as publicly disclosing the prices and fees associated with the services provided, or divulging any breaches by clearing members of the participation requirements. Lastly, the assets of clearing members must be clearly distinguishable, so that in a default the affected assets can be identified and losses contained. 5.5.2 Prudential requirements CCPs must measure and assess their liquidity and credit exposures to their clearing members/other CCPs with interoperability arrangements on a near to real-time basis. CCPs must impose, call and collect margins to limit their credit exposures until the liquidation of the relevant positions. Such margins must be sufficient to cover losses that result from at least 99 % of the exposures movements over an appropriate time horizon and must ensure that a CCP fully collateralises its exposures daily with all its clearing members and with CCPs with which it has interoperability arrangements. Losses that exceed those covered by the above requirements and arise from the default or insolvency of the CCPs clearing members are to be covered by a pre-funded default fund, maintained by the CCP. The CCPs must establish a minimum amount for the fund and minimum size of contributions, which should enable it to, at least, withstand under extreme but plausible market conditions, the default of the clearing member to which it has the largest exposures, or of the second and third largest clearing members, if the sum of their exposures is larger. Further to the margin requirements and to the default fund, CCPs must maintain sufficient pre-funded and freely available financial resources, to cover potential losses that exceed the two aforementioned ‘protections’. CCPs also have the power to require non-defaulting clearing members to provide additional funds in the event of a default of another clearing member (although their exposures to the CCP are capped). A CCP must at all times have access to adequate liquidity to perform its services and activities. To that end, it shall obtain the necessary credit lines or similar arrangements to cover its liquidity needs in case the financial resources at its disposal are not immediately available. Furthermore, it must measure, on a daily basis, its potential liquidity needs. CCPs must use the margins posted by a defaulting clearing member prior to other financial resources in covering losses. If those margins are not sufficient to cover the losses incurred, CCPs must use the default fund contribution of the defaulting member to cover those losses. Further, CCPs can use contributions to the default fund of the nondefaulting clearing members and any other financial resources, only after having exhausted the contributions of the defaulting clearing member. Additionally, CCPs must use dedicated own resources before using the default fund contributions of nonEMIR – Regulation of OTC derivatives in the European Union Page 26 of 36 defaulting clearing members and cannot use the margins posted by non-defaulting clearing members to cover the losses resulting from the default of another clearing member (default waterfall). With regards to collateral, CCPs must accept highly liquid collateral with minimal credit and market risk to cover their initial and ongoing exposure to its clearing members.136 In addition, they must apply adequate haircuts137 to asset values that reflect the potential for their value to decline over the interval between their last revaluation and the time by which they can reasonably be assumed to be liquidated. It must also take into account the liquidity risk following the default of a market participant and the concentration risk on certain assets that may result in establishing the acceptable collateral and the relevant haircuts. Lastly, a CCP may accept – where appropriate and sufficiently prudent – the underlier of the derivative contract or the financial instrument that originates the CCP exposure as collateral to cover its margin requirements. CCPs must invest their financial resources only in cash or in highly liquid financial instruments with minimal market and credit risk (investment policy). Financial instruments posted as margins or as default fund contributions must be deposited with operators of securities settlement systems that ensure the full protection of those financial instruments. CCPs must review their models and parameters, subject them to rigorous and frequent stress tests and perform back tests to assess the reliability of the methodology adopted. In addition, they must have enforceable default procedures in place. The requirements also specify a role for central banks, in two ways. Firstly, the deposits of a CCP must be made through highly secure arrangements with authorised financial institutions or, through the use of the standing deposit facilities of central banks. And secondly, CCPs must use Central Bank money to settle their transactions.138 5.6 Interoperability arrangements (Articles 51-54) Provisions under this title establish the possibility for a CCP to enter into an interoperability arrangement139 with another CCP, under the conditions that the CCPs entering this arrangement put in place adequate risk management procedures,140 that they distinguish in their accounts the assets and positions held for the account of CCPs with whom they have such arrangements, and that the arrangement be approved by the competent authorities of the CCPs involved. In this context, the provisions recognise its right to non-discriminatory access both to the data that it needs for the performance of its functions from that particular trading venue and to the relevant settlement system and the conditions under which that right can be restricted. 136 For NFCs, CCPs may accept bank guarantees. 137 A haircut is a reduction applied to the value of an asset, expressed as a percentage. See ECB explainer. 138 When they do not, they are required to take steps to limit cash settlement risks and that, when they are obliged to make or receive deliveries of financial instruments, they should eliminate principal risk, by making delivery-vs-payment mechanisms. 139 According to Niamh Moloney, this regime is designed ‘to support interconnectivity between CCPs and thus the EU’s related wider financial market integration agenda, although there is some industry scepticism as to the feasibility of large-scale CCP interconnectivity, given that OTC derivatives CCP clearing is at an embryonic stage’. 140 For those with different risk-management models, they will identify these differences and take measures to limit their impact to the interoperability arrangement. EMIR – Regulation of OTC derivatives in the European Union Page 27 of 36 5.7 Registration and supervision of trade repositories (Articles 55-77) 5.7.1 Conditions and procedures for registration of a trade repository This chapter establishes the obligation for trade repositories to register with ESMA, setting conditions for that registration and noting that their registration is effective for the entire EU. It details the procedure of application for a registration and details the notification procedures with NCAs. A text in this chapter confers significant powers to ESMA:141 it can require a TR to bring an infringement to an end; impose fines; issue public notices and, as a last resort, withdraw the TRs registration. As a counterweight, it must notify TRs when it adopts a positive or negative decision with regards to registration and must fully explain its decision. It can ask TRs for information under specific conditions. The framework for general investigations conducted by ESMA is established, its powers are set and so are the requirements for TRs to submit to such investigations and obligations for it to notify national competent authorities of such investigations. Further, ESMA may accordingly conduct on-site inspections.142 Further to the above, the chapter sets procedural rules for taking supervisory measures and imposing fines, when ESMA finds that there are ‘serious indications of the possible existence of facts liable to constitute one or more of the infringements’ listed in Annex I of the regulation.143 It sets their limits, as well as aggravating or mitigating factors and establishes a cap at 20 % of the annual turnover of the trade repository concerned. In specific cases, ESMA can also impose effective and proportionate periodic penalty payments. However, in any of the cases above, ESMA must give the persons subject to the proceedings the opportunity to be heard on its findings, before taking any decision. The Court of Justice has unlimited jurisdiction to review decisions whereby ESMA has imposed a fine or a periodic penalty payment and to annul, reduce or increase the fine or periodic penalty payment imposed. Lastly, under certain conditions,144 ESMA can withdraw a TR’s registration. When it does, it must notify the relevant competent authority of its decision. Furthermore, the NCA can request ESMA to examine whether the conditions for the withdrawal of registration of the trade repository concerned are met. To cover the necessary expenditure for the registration and supervision of TRs and the costs NCAs may incur carrying out work pursuant to EMIR, ESMA can charge supervisory fees. 141 The regulation specifies, however, that the powers conferred on ESMA must not be used to require the disclosure of information or documents which are subject to legal privilege. 142 The provisions set the obligations for TRs to submit to such inspections upon the production of a written authorisation specifying the subject matter and the purpose of the inspection from ESMA officials, or other persons authorised by it. 143 These infringements can relate to organisational requirements or conflicts of interest; to operational requirements; to transparency and the availability of information; or to obstacles to the supervisory activities. 144 e.g when the trade repository obtained the registration by making false statements or by any other irregular means. EMIR – Regulation of OTC derivatives in the European Union Page 28 of 36 5.7.2 Relations with third countries This chapter deals with relations with third countries, namely equivalence145 and international agreements (Article 75), cooperation agreements (Article 76) and the recognition of TRs (Article 77). 5.8 Requirements for trade repositories (Articles 78-82) EMIR establishes general requirements for TRs – relative to their governance, organisational and administrative arrangements, policies and procedures, organisational structure, ancillary services, the senior management and members of the board, requirements for access by undertakings subject to the reporting obligation and the prices and fees associated with services. To be operationally reliable, a TR must identify sources of operational risk and minimise them through the development of appropriate systems, controls and procedures; it must maintain an adequate business continuity policy and disaster recovery ***plan*** and that it must ensure orderly substitution to other trade repositories, in case its registration is withdrawn. TRs must ensure the confidentiality, integrity and protection of the information received. In addition, they must promptly record the information received and maintain it for at least 10 years following the termination of the relevant contracts and lastly, must employ timely and efficient record-keeping procedures to document changes to recorded information. Lastly, they must abide by transparency and data availability146 obligations. 5.9 Common provisions (Articles 83-84) Title VIII incorporates common provisions – the obligation of professional secrecy (Article 83) and the exchange of information between NCAs, ESMA and other relevant authorities (Article 84). 6. Subsequent amendments and related delegated acts After its publication in the Official Journal, EMIR was amended both by other pieces of European legislation, and by delegated acts. 6.1 Subsequent amendments EMIR was amended by four texts. The Capital Requirements Regulation147 added a new chapter to the requirements for CCPs, relative to the calculation of the hypothetical capital (KCCP),148 and the reporting of information (including information relating to the hypothetical capital, its pre-funded contributions and financial resources and the number of its clearing members, as well as their calculation). 145 For more information on equivalence, see Marcin Szczepański ‘Understanding equivalence and the single passport in financial services’, EPRS briefing, February 2017. 146 TRs must publish specified aggregated position information and ensure that identified regulatory authorities and public authorities have direct and immediate access to their data. 147 Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms. 148 The ‘hypothetical capital’ of a CCP is a variable needed to determine the own funds requirement for a clearing member's exposures from its contributions to a CCP's default fund. (Regulation (EU) No 575/2013). EMIR – Regulation of OTC derivatives in the European Union Page 29 of 36 The Bank Recovery and Resolution Directive,149 amended the requirements for trade repositories, with regards to the transparency and data availability requirements, adding the resolution authorities of Article 3 of the directive to the list of entities to which the TR must make information available.150 The fourth Anti-Money Laundering Directive151 amended the EMIR article on the recognition of third-country CCPs by providing that ESMA may recognise a CCP established in a third country, if that country is not considered, according to the directive, to have ‘***strategic*** deficiencies in its national anti-money laundering and counter financing of terrorism regime that poses significant threats to the financial system of the Union’.152 Lastly, the Regulation on the transparency of securities financing transactions153 amended EMIR with regards to the definition of OTC derivatives,154 inserted an article on equivalence decisions for third-country markets, and added entities to the list to which a trade repository must add the necessary information, to enable them to fulfil their respective responsibilities and mandates (see point 5.8). 6.2 Main (technical) delegated acts On 19 December 2012, the European Commission adopted nine regulatory and implementing technical standards (RTS)155 to complement the obligations defined under the Regulation on OTC derivatives, central counterparties (CCPs) and trade. With regard to OTC derivatives, the RTS specify the provisions of EMIR related to: indirect clearing arrangements; the clearing obligation procedure; the public register; access to a trading venue, non-financial counterparties, and risk mitigation techniques for OTC derivatives contracts not cleared by a CCP. With regard to central counterparties, the regulatory technical standards specify the provisions of EMIR related to the requirements for CCPs, as well as the capital, retained earnings and reserves of a CCP. The implementing technical standards specify the format of the records to be maintained by CCPs. Finally, 149 Directive 2014/59/EU of the European Parliament and of the Council of 15 May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms. 150 A list which includes central banks, competent ministries or other public administrative authorities or authorities entrusted with public administrative powers. 151 Directive (EU) 2015/849 of the European Parliament and of the Council of 20 May 2015 on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing. 152 Previously, the article provided that the third country where the CCP was established ‘is considered as having equivalent systems for anti-money laundering and combating the financing of terrorism to those of the Union in accordance with the criteria set out in the common understanding between Member States on third-country equivalence under Directive 2005/60/EC’ (the third Anti-money Laundering Directive). 153 Regulation (EU) 2015/2365 of the European Parliament and of the Council of 25 November 2015 on transparency of securities financing transactions and of reuse. 154 ‘“OTC derivative” (...) means a derivative contract the execution of which does not take place on a regulated market within the meaning of Article 4(1)(14) of Directive 2004/39/EC or on a third-country market considered to be equivalent to a regulated market in accordance with Article 2a of this Regulation’. 155 RTS on capital requirements for central counterparties; on requirements for central counterparties; on indirect clearing arrangements, the clearing obligation, the public register, access to a trading venue, nonfinancial counterparties, risk mitigation techniques for OTC derivatives contracts not cleared by a CCP; on the minimum details of the data to be reported to trade repositories; RTS specifying the details of the application for registration as a trade repository, and RTS specifying the data to be published and made available by trade repositories and operational standards for aggregating, comparing and accessing the data. ITS on requirements for central counterparties; on the minimum details of the data to be reported to trade repositories; and ITS specifying the details of the application for registration as a trade repository. EMIR – Regulation of OTC derivatives in the European Union Page 30 of 36 with regard to trade repositories, the regulatory technical standards specify the provisions of EMIR related to the minimum details of the data to be reported to trade repositories, the details of the application for registration as a trade repository, as well as the data to be published and made available by trade repositories and operational standards for aggregating, comparing and accessing the data. The implementing technical standards specify the format and frequency of trade reports to trade repositories and the format of applications for registration of trade repositories. On 13 February 2014, the Commission adopted regulatory technical standards156 specifying the contracts that are considered to have a direct, substantial and foreseeable effect within the Union, as well as the cases where it is necessary or appropriate to prevent the evasion of rules or obligations provided for in Regulation (EU) No 648/2012. On 6 August 2015, the Commission adopted a delegated regulation157 that makes it mandatory for certain over-the-counter (OTC) interest rate derivative contracts (i.e ‘plain vanilla’ IRS, basis swaps, forward rate agreements and overnight index swaps) to be cleared through CCPs. On 1 March 2016, it adopted a delegated regulation158 that makes it mandatory for certain over-the-counter credit default derivative contracts (CDS denominated in euro and covering some European corporates) to be cleared through central counterparties. On 21 April 2016, it adopted a delegated regulation159 amending the technical standards for requirements for CCPs related to the margin period of risk (‘MPOR’)160 for client accounts (i.e five business days for OTC derivatives, one business day for financial instruments other than OTC derivatives held in omnibus client accounts161 or in individual client accounts, under some conditions, and two business days for financial instruments other than OTC derivatives held in accounts not meeting those conditions). On 10 June 2016, it adopted a delegated regulation162 that makes it mandatory for certain over-the-counter (OTC) interest rate derivative contracts (namely the Norwegian Krone (NOK), Polish Zloty (PLN) and Swedish Krona (SEK)) to be cleared through central counterparties. Finally, on 28 July 2016, the Commission endorsed draft regulatory technical standards163 that specify how margin should be exchanged for OTC derivatives contracts that are not cleared by a CCP. 156 Delegated Regulation (EU) No 285/2014 with regard to RTS on direct, substantial and foreseeable effect of contracts within the Union and to prevent the evasion of rules and obligations. 157 Delegated Regulation (EU) 2015/2205 supplementing Regulation (EU) No 648/2012. 158 Delegated Regulation (EU) 2016/592 supplementing Regulation (EU) No 648/2012. 159 Delegated Regulation (EU) 2016/822 amending Delegated Regulation (EU) No 153/2013 as regards the time horizons for the liquidation period to be considered for the different classes of financial instruments. 160 The time period from the last exchange of collateral covering a netting set of transactions with a defaulting counterpart until that counterpart is closed out and the resulting market risk is re-hedged. 161 An ‘omnibus’ account is an account opened in the name of an account provider, the securities credited to which belong to several clients of the account provider. 162 Delegated Regulation (EU) 2016/1178 supplementing Regulation (EU) No 648/2012 of the European Parliament and of the Council with regard to regulatory technical standards on the clearing obligation. 163 Delegated Regulation supplementing Regulation (EU) No 648/2012 with regard to regulatory technical standards for risk-mitigation techniques for OTC derivative contracts not cleared by a central counterparty. EMIR – Regulation of OTC derivatives in the European Union Page 31 of 36 6.3 Other delegated acts On 12 July 2013, the European Commission adopted a delegated regulation164 to include the central banks and debt management offices of Japan and the United States in the list of exempted entities under Article 1(4) of EMIR, in line with the report165 adopted by the European Commission on 22 March 2013. The same day, another delegated regulation166 was adopted, specifying the fees to be charged to trade repositories by the European Securities and Markets Authority (ESMA). On 28 May 2013, the European Commission adopted a delegated regulation167 on colleges for central counterparties. On 13 March 2014, the European Commission adopted a delegated regulation168 specifying the rules of procedure for penalties imposed on trade repositories by the European Securities and Markets Authority (ESMA). Finally, on 5 June 2015, the European Commission adopted a delegated act169 in accordance with Article 85(2) of EMIR, extending transitional relief from central clearing requirements for pension scheme arrangements until 16 August 2017. 6.4 CCP equivalence decisions The European Commission also adopted ‘equivalence’ decisions (implementing acts), recognising the following regulatory regimes: on 30 October 2014, for the regulatory regimes for CCPs in Australia, Hong Kong, Japan and Singapore.170 On 13 November 2015, for the regulatory regimes for CCPs in Canada, Mexico, South Africa, Switzerland and Republic of Korea.171 And on 15 March 2016, for the regulatory regime for CCPs of the United States Commodity Futures Trading Commission (CFTC).172 7. The 2015 EMIR review 7.1 Initial initiatives On 8 January 2015, the European Securities and Markets Authority (ESMA) published a review ‘of CCP colleges under EMIR’.173 ESMA identifies some cases where common approaches should be developed, in particular to the application of the processes envisaged in Article 15 and 49 of EMIR. 164 Delegated Regulation (EU) No 1002/2013. 165 Commission report ‘The International Treatment of Central Banks and Public Entities Managing Public Debt with regard to OTC Derivatives Transactions’ COM/2013/0158 final 166 Delegated Regulation (EU) No 1003/2013. 167 Delegated Regulation (EU) No 876/2013. 168 Delegated Regulation (EU) No 667/2014. 169 Delegated Regulation (EU) 2015/1515. 170 Respectively Commission implementing Decisions (2014/755/EU), (2014/754/EU), (2014/752/EU) and (2014/753/EU). 171 Respectively Commission implementing Decisions (EU) 2015/2040, (EU) 2015/2041, (EU) 2015/2039, (EU) 2015/2042 and (EU) 2015/2038. 172 Commission implementing Decision (EU) 2016/377. 173 European Securities and Markets Authority ‘ESMA review of CCP colleges under EMIR’. EMIR – Regulation of OTC derivatives in the European Union Page 32 of 36 On 21 May 2015, the European Commission published a consultation paper,174 the EMIR Review. This review was required pursuant to Article 85(1) of EMIR and considered matters including CCP liquidity and the impact of EMIR on non-financial firms as well clearing obligations, risk mitigation and trade reporting. It did not deal with any regulatory technical standards that were not finalised when the review opened (e.g RTS on interest rate swaps or margin for uncleared derivatives). On 29 July 2015, the European Systemic Risk Board (ESRB) reported175 on specific issues related to the clearing obligation procedure,176 to (prudential and transparency) requirements on CCPs and to the access to trade repository data. ESMA contributed to the review of EMIR on 13 August 2015, with four reports: the review on the use of OTC derivatives by non-financial counterparties;177 the review on the efficiency of margining requirements to limit procyclicality;178 the review on the segregation179 and portability180 requirements;181 and ESMA input as part of the Commission consultation on the EMIR Review.182 On 25 August 2015, the European System of Central Banks (ESCB) reported on possible measures to facilitate the access of CCPs to central bank liquidity facilities.183 In its assessment, the ESCB considered that, while competent authorities should continue to examine CCPs’ liquidity risk management frameworks, no provisions for central bank liquidity access should be introduced in EMIR. The ESCB considers that this could undermine central bank independence, guaranteed in Article 130 of Treaty of the Functioning of the European Union, and create moral hazard on a large scale. Based on the aforementioned contributions, the Commission published a report184 to the European Parliament and the Council on 23 November 2016. The Commission noted that, at this stage, certain core requirements have yet to be implemented or completed185 and, therefore, it was not possible to review the impact of EMIR comprehensively. It went on to say that, while ‘no fundamental change should be made 174 European Commission - ‘Public consultation on Regulation (EU) NO 648/2012 on OTC derivatives, central counterparties and trade repositories’. 175 ‘ESRB report on the efficiency of margining requirements to limit pro-cyclicality and the need to define additional ***intervention*** capacity in this area’. 176 The procedure for lifting the clearing obligation and the EU-wide and national perspective on systemic risk evaluation. 177 ‘EMIR Review Report no.1 - Review on the use of OTC derivatives by non-financial counterparties’. 178 ‘EMIR Review Report no.2 - Review on the efficiency of margining requirements to limit procyclicality’. 179 Maintaining separate records and accounts (article 39). 180 In the event of default of one of its clearing members, a CCP must ‘contractually commit itself to trigger the procedures for the transfer of the assets and positions held by the defaulting clearing member for the account of its clients to another clearing member designated by all of those clients’ (Article 48 (5)). 181 ‘EMIR Review Report no.3 - Review on the segregation and portability requirements’. According to the report, ‘The rationale behind the provisions on segregation and portability is to ensure some level of protection for clients of clearing member through specific records of positions and assets given as collateral (except for default fund contribution).’ 182 ‘EMIR Review Report no 4 - ESMA input as part of the Commission consultation on the EMIR Review’. 183 ‘Report of the ESCB on the need for any measure to facilitate the access of CCPs to central bank liquidity facilities’. 184 Commission Report, COM(2016) 857 final, 23 November 2016. 185 Namely ‘clearing obligations and margin requirements in respect of non-cleared OTC derivatives transactions are not yet fully applicable’. EMIR – Regulation of OTC derivatives in the European Union Page 33 of 36 to the nature of the core requirements of EMIR, which are integral to ensuring transparency and mitigating systemic risks in the derivatives markets’, its requirements could be adjusted in a number of areas, in order to (i) simplify and increase the efficiency of the requirements; and (ii) reduce disproportionate costs and burdens.186 The ESRB, in an April 2017 report,187 shared the Commission’s assessment that no fundamental changes are needed at this time, and also considered the review as an opportunity to improve on certain aspects of the regulation. More specifically: in relation to procyclicality, it proposes to include a specific definition in the text of the regulation, to have more granular requirements for EMIR tools destined to limit procyclicality, and would welcome the mandatory adoption by CCPs of a holistic approach to procyclicality. In addition, it reaffirms its proposal for a legal obligation for all CCPs to publish quantitative and qualitative information consistent with the CPMI-IOSCO public disclosure framework.188 Interestingly, while agreeing with the Commission that disproportionate costs and burdens linked to central clearing need to be reduced, it supports a broad application of the clearing obligation, including for pension schemes and NFCs active in the derivatives market. Lastly, it acknowledges that some of its proposals (‘skin in the game’, interoperability) do not currently fall under the scope of the Commission and will evaluate whether they can be better considered in the context of the discussion of other legislation, such as CCP recovery and resolution. 7.2 Further institutional contributions – the European Central Bank Although legislative frameworks are in place in the areas of trade reporting, central clearing, and capital requirements for non-centrally cleared trades, the ECB, in its December 2016 Economic Bulletin,189 is of the view that ‘work remains to be done to meet the G20 objective of making OTC derivatives markets more transparent and resilient’, by tackling challenges in the areas of trade reporting and the increasing use of CCPs. Trade reporting challenges stem from insufficient clarity with respect to reporting, the double-reporting regime and the multiplicity of TRs. The ECB is of the view that this challenge could be partially overcome either through aggregating European TRs and providing access to all relevant authorities, or by a full European harmonisation of the reporting of OTC derivatives data to TRs and by making such data available to authorities. The increasing use of CCPs similarly creates challenges, as it increases inter-linkages between the CCP, its members and their clients and can potentially concentrate systemic risk. Further, the ECB notes that ‘it is possible that CCPs can buffer the system against relatively small shocks, at the risk of potentially amplifying larger ones’.190 The ECB is of the view that, to overcome this challenge, CCPs must be made more resilient and easier to recover and resolve (this point chimes with the Commission initiatives – see below) and that, the stability of derivatives markets needs to be strengthened. Here the ECB notes that ‘ongoing measures under the CCP work ***plan*** will further enhance the macroprudential safeguards for central clearing’191and that that ‘there could be benefits in enabling macroprudential authorities to introduce requirements for conservative 186 Commission Inception impact assessment – EMIR amendment. 21 November 2016. 187 ESRB report ‘Revision of the European Market Infrastructure Regulation’ April 2017. 188 See CPMI-IOSCO ‘Public quantitative disclosure standards for central counterparties’. 189 ‘Looking back at OTC derivative reforms – objectives, progress and gaps’, op. cit. p. 16. 190 ‘Central clearing: trends and current issues’, op. cit. p. 15. 191 Measures such as requirements for anti-cyclical behaviour or more stringent provisions on stress testing, and the work on central clearing interdependencies. EMIR – Regulation of OTC derivatives in the European Union Page 34 of 36 margins and collateral haircuts for OTC derivative transactions to pre-emptively address the build-up of systemic risks, including the build-up of excessive leverage in this growing market segment’. Finally, the transparency of derivatives markets must be further improved. While data collected by TRs can provide useful insights, there are data quality problems, which can be grouped into two main categories: (i) issues that are due to misreporting by the counterparties or the TRs192 and problems that are caused by a lack of standardisation and harmonisation.193 7.3 Recent academic work on the subject Researchers from the US Office for Financial Research have examined the new environment and have reached some insightful conclusions. In a first paper, Paul Glasserman et al.194 show that (i) liquidity costs increase disproportionally, the larger the position size (so margin requirements should also increase); and that (ii) CCPs face a ‘hidden illiquidity’ problem,195 which should be taken into account when incorporating liquidity costs into margin requirements and which should be included by regulators in the CCP stress tests. In another paper, Agostino Capponi, et al.196 find that the capital cost of members’ hedging positions depends on those of all other members; further, hedging is increasingly costly and, while risk-mitigating on an individual level, contributes to the emergence of size externalities on a systemic level. To limit concentration risk, the authors propose a self-financing charge, directed by the regulatory authorities and enforced by the CCPs that consists in a fee, proportional to the charge of each member’s margin trading account at the CCP and in a rebate, the same for all clearing members, which relates to the aggregate margin trading account across clearing members. In a third paper, Paul Glasserman and Qi Wu197 investigate the potentially procyclical character of margin requirements for CCPs. They note that, in times of higher market volatility, price changes are larger, so the minimum level of margin required to cover potential price changes with high confidence must also be larger. This, they continue, can potentially have a destabilising effect on financial markets.198 Risk-sensitive margin requirements are thus procyclical (they can amplify shocks). To mitigate this, the authors propose to set ‘through-the-cycle’ margin levels. Those levels would be less sensitive to 192 A significant number of outstanding trades do not have an assigned MTM value, despite the fact that most counterparties must provide daily updates for this field. This is due to (i) counterparties failing to submit cancellation messages for cancelled trades, and (ii) TRs not incorporating cancellation messages. 193 Practice has shown that some of the 85 variables reported by counterparties – e.g a single field for a maturity date, despite the fact that some important derivative contracts such as FRAs have two maturity dates – need to be revised. The revised RTS on the minimum details of the data to be reported to TRs, which the European Commission adopted on 19 October 2016, are expected to help resolve these issues. 194 Paul Glasserman, Ciamac C. Moallemi and Kai Yuan ‘Hidden Illiquidity with Multiple Central Counterparties’ OFR, 2015, p. 2. 195 The problem can be summarised as such: given that the same dealer may have similar positions in more than one CCPs, if each CCP sets its margin requirements based only on the positions it sees, it will underestimate the margin it needs (as market prices are driven by the combined effect from all CCPs and therefore will be larger than expected). 196 Agostino Capponi, Allen Cheng and Sriram Rajan ‘Systemic Risk: The Dynamics under Central Clearing’. 197 Paul Glasserman and Qi Wu ‘Persistence and Procyclicality in Margin Requirements’. 198 An increase in volatility may force these firms to post additional collateral precisely when it becomes most difficult to raise cash or other liquid assets; thus, firms short on cash may be forced to sell assets, driving down prices, or pull back funding to other firms, spreading a liquidity shortage. EMIR – Regulation of OTC derivatives in the European Union Page 35 of 36 current conditions and therefore less correlated to market stress; on the other hand, they would need to be ‘higher in quiet times’ and, thus, may be difficult to implement. Lastly, Stathis Tompaidis199 examines the issue of stress tests, used to evaluate the CCP’s resilience in the face of losses due to defaults of their clearing members (which include the largest and most systemically important banks). The author proposes to go further than what actual stress tests capture, through a different methodology than that used previously, namely: (i) generating a large number of scenarios using a factor analysis technique, (ii) using existing stress test results to calculate profits and losses for a clearing member’s portfolio for each scenario, and (iii) using a structural default model to determine defaults consistent with the stress scenarios. 7.4 Outlook In May 2017, in the framework of the REFIT exercise the Commission proposed a regulation200 amending parts of EMIR. The proposal was accompanied by a communication,201 in which the Commission notes that, apart from the amendments introduced in the context of the REFIT ‘further changes will be necessary to improve the current framework that ensures financial stability and supports the further development and deepening of the Capital Markets Union’. In this context, the Commission notes that the withdrawal of the United Kingdom from the European Union, is expected to have a significant impact on the regulation and supervision of clearing in Europe, given that ‘a substantial volume of transactions denominated in euro would cease to be cleared in the EU and would no longer be subject to EMIR and the EU supervisory architecture’ and ‘Derivatives denominated in some other Member States' currencies are also cleared in the UK’. Therefore, it will present another proposal in June ‘to ensure financial stability and the safety and soundness of CCPs that are of systemic relevance for financial markets across the EU and to support the further development of the Capital Markets Union’. Finally, ESMA will conduct a second series of stress tests in 2017 (the first were carried out in 2014). While the first exercise conducted by ESMA was focused solely on the counterparty risk that EU CCPs would face as a result of clearing member defaults and simultaneous market price shocks, this new stress test – which will be performed on the 17 EU CCPs202 supervised by ESMA – will assess (i) the sufficiency of CCPs’ resources to absorb losses under a combination of market price shocks and member default scenarios (credit stress); and (ii) the sufficiency of CCPs’ liquid resources under a combination of market price shocks, member/liquidity provider default scenarios and additional liquidity stress assumptions (liquidity stress). Further, it will increase the number of defaulting entities and level of shocks to identify at which point resources are exhausted (reverse credit stress).203 In addition, ESMA will assess (i) the impact of the loss sharing mechanism of CCPs (default fund contributions and power of assessments) on the capital of the non-defaulting clearing members (CM knock-on analysis); the degree of concentration of CCPs exposures (concentration analysis) and the degree of interconnectedness of CCPs through common clearing member groups. 199 Stathis Tompaidis ‘Measuring System-wide Resilience of Central Counterparties’. 200 See A. Delivorias ‘Regulation of OTC derivatives – Amending EMIR', EPRS briefing, June 2017 201 Commission communication ‘Responding to challenges for critical financial market infrastructures and further developing the Capital Markets Union’. 202 For a list of the CCPs included in the scope of the exercise, see above, p. 15. 203 ESMA ‘Methodological Framework for the 2017 EU-wide CCP Stress Test Exercise’. EMIR – Regulation of OTC derivatives in the European Union Page 36 of 36 8. Main references Arshadur Rahman ‘Over-the-counter (OTC) derivatives, central clearing and financial stability’, Bank of England Quarterly Bulletin, Q3 2015, 13p. Benoît Coeuré ‘Reforme des marches de produits dérivés de gré à gré: la position de la Banque Centrale Europeenne’ Revue d’économie financière, 2013/1 N° 109, 16p. Craig Pirrong ‘The Economics of Central Clearing: Theory and Practice’, ISDA Discussion Papers Series, May 2011, 44p. 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Mariusz Szpringer, Wlodzimierz Szpringer ‘Law and Economics of Central Counterparties (CCP) – Selected Issues of Regulation and Competition Concerning Financial Market Infrastructure’, European Business Law Review, October 2016, 17p. Michael Durbin ‘All about derivatives’, McGraw-Hill Education, 2 edition, 2010. Niamh Moloney ‘EU securities and financial markets regulation’, Oxford University Press, 2014. Samim Ghamami and Paul Glasserman ‘Does OTC Derivatives Reform Incentivize Central Clearing?’, Office of Financial Research, July 2016, 48p. Torsten Ehlers and Egemen Eren ‘The changing shape of interest rate derivatives markets’, BIS Quarterly Review, December 2016, 13p. Stathis Tompaidis ‘Measuring Systemwide Resilience of Central Counterparties’, Office of Financial Research, February 2017.

‘Derivatives’, ‘central counterparties’ and ‘trade repositories’. What are they and how are they interrelated? Why was regulation necessary, and how does the European Market Infrastructure Regulation (EMIR) regulate? This paper places these elements in context and provides an introduction to the subject of over-thecounter derivatives, as well as the developments that led to the Commission's proposals for revision of the legislation in 2017. This is a publication of the Members' Research Service Directorate-General for Parliamentary Research Services, European Parliament This document is prepared for, and addressed to, the Members and staff of the European Parliament as background material to assist them in their parliamentary work. The content of the document is the sole responsibility of its author(s) and any opinions expressed herein should not be taken to represent an official position of the Parliament. PE 603.984 ISBN 978-92-846-1167-6 doi:10.2861/017300 QA-02-17-724-EN-N

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**Body**

London: UK Government has issued the following news release:

Information on the main security and political risks which UK businesses may face when operating in Colombia.

UKTI’s Exporting to Colombia guide provides useful information on developing your overseas trade in Colombia. 1. General overview

Colombia is composed of 5 distinct regions: Caribbean coast; Pacific coast; Amazon; Plains; and the central Andean heartland, in which most of the major cities (Bogota, Medellin, Cali) are located. It is one of the most bio-diverse countries in the world. The fragmented geography creates thousands of isolated ecosystems and endemic species. Colombia and its ecosystems are particularly vulnerable to climate change. Through the International Climate Fund, the UK has committed around £120 million to support Colombia’s efforts to implement sustainable development approaches.

Major Industries:

* oil and gas

1. mining
2. financial and professional services
3. ***agriculture*** (coffee, palm oil, cut flowers)

Other interesting facts: Colombia is the fourth largest coffee ***producer*** in the world. The cultural and landscape of the coffee region (Eje Cafetero) was declared a UNESCO World Heritage Site in 2011. It is the world’s leading ***producer*** of emeralds. Emerald mining has been a major driver of conflict in Colombia with ´tsars´ forming private armies.

Currently, the over 700 companies based in the country generate USD 25.5 million in revenues. New commercial opportunities have arisen, as experts say the “peace dividend” will allow new sectors and markets to develop. 2. Political

The Republic of Colombia is a democratic State, which is based on the separation of powers, according to its 1991 National Constitution. The Executive branch is headed by the President of Colombia, who serves as head of State and head of the government. The Legislative branch is composed of 268 Members of Parliament, divided into two chambers. Finally, the Judicial branch consists of four high courts: the Supreme Court, the Constitutional Court, the Council of State and the Superior Council of Judicature.

Traditionally, Colombia has had 2 major political parties (Conservatives and Liberals). Nevertheless, the 1991 Constitution gave new guarantees to have a Multi-party system. Currently, 11 parties have presence in the Colombian Congress, including 3 indigenous ones, and four more are present in the regional administrations.

Colombia has suffered from an internal conflict for more than 50 years. This arose when left-wing groups took to armed struggle in the mid-1960s. The most well-known of these groups is the Revolutionary Armed Forces of Colombia (FARC) the oldest guerrilla group in the world. However, there have been more illegal groups during these years, most of which have disappeared. These groups were from the both sides of the political spectrum. From the left-wing came the M-19 group, the People’s liberation Army (EPL) and the National Liberation Army, the latter being the only illegal organised group remaining. From the right-wing, the United Self-Defence Forces of Colombia (AUC) emerged during the 90s, promoted mainly by large landowners to counter the left-wing illegal guerrillas. This group demobilised in 2006. The ideological conflict has been largely overtaken by a struggle for control of the drugs-trafficking business.

In 2012, the Colombian government started peace negotiations with FARC, based on 6 main points: rural reform, political participation of FARC, FARC’s illicit drug business, compensation to victims, end of conflict and the implementation of the peace deal. On 24 November 2016, the Colombian government and the Revolutionary Armed Forces of Colombia (FARC) signed a peace agreement. Since the ceasefire in 2015, the crimes attributed to this group dropped steeply. Departments like Caqueta, Cauca, Putumayo, Choco and Guaviare, previously heavily affected by the conflict, have seen consistent improvements in their levels of security. Pockets of violence continue to exist in some of these regions, but the overall security environment has dramatically improved.

President Santos is in his second (and final) term as Head of State, having first been elected in 2010. Presidential elections will take place in May 2018. He has made securing a peace deal with the FARC guerrilla a priority of both terms and received the Nobel Peace Prize in 2016 in recognition of his efforts. As we enter the last year of his administration, his priority is to secure the implementation of the peace deal, and secure his legacy. The Government is currently in peace negotiations with the ELN (the ‘National Liberation Army’: the second guerrilla group in the country). This negotiation has faced various obstacles as the ELN continues to carry out attacks on key oil infrastructure and kidnappings.

In May 2018, Colombia will have presidential elections. As the election approach, there is no clear front-runner yet, though most of the main candidates have announced their bids. There is a clear bloc opposed to elements of the peace deal. The outcome of the 2018 elections would have a significant bearing on the peace process. If the opposite bloc wins, the agreement could be unilaterally changed, affecting the continuity of the peace process.

Since 27 November 2017 and during the Presidential campaign, the “Ley de Guarantias” comes into force (similar to Purdah), where national public contracting is paused. This involves a necessary change in the pace of doing business as public procurement either accelerates its pace in the months prior to the beginning of the “Ley de Garantias” or stops until after the election.

The UK has been a strong supporter of the peace process both politically as well as financially. The UK was the penholder of the UN Security Council Resolution to establish a Special Political Mission to monitor and verify the ceasefire between the Government of Colombia and the FARC. And we have committed £16.8 million in Conflict, Stability and Security Funds since 2015 towards supporting the Colombian Government in the implementation of the peace agreement through security and justice capacity building projects.

Although most of the Colombian territory is controlled by the public forces, the FCO continues to recommend against travelling to certain rural parts of the country - see latest FCO Travel Advice for full details. 3. Economics

The population in Colombia is expected to exceed the 50 million threshold during 2018, making it the third largest national population in Latin America. Colombia has the third biggest economy in the region with an estimated value of USD 287 billion (GDP at PPP USD 712 billion). During the last 2 years, the country has lost several positions in the World Bank’s Ease of Doing Business ranking, and is now ranked 59th and fourth in the region.

The Colombian economy traditionally grows at 3%, but has dipped below expectation over the last 3 years, achieving just 1.7% in 2017. This downward cycle is caused by the drop of oil prices and the subsequent devaluation of the Colombian Peso. As the oil price is now rising, 2018 forecasts indicate a slight recovery of the economy with an expected growth close to 2.5%. Although Colombia is categorised as a steadily growing middle-income country, the benefits of its sustained economic growth have been distributed unequally. Large advanced urban centres (urban population is 76.4%) co-exist alongside extensive rural areas with high poverty rates and low human development indicators (GINI index is 53.5).

Colombia ended 2017 with an unemployment rate of 9.4%, which remains within the official target of keeping it under 10%, but it has been growing during the last years. Furthermore, the main problem in the labour market is informality. The last official report shows that 50.6% of working people have no social security.

In terms of inflation, the Colombian Central Bank has established an inflation target between 2% and 4%. Nevertheless, it has not been accomplished during the last 3 years because of the devaluation and the high level of imports to satisfy the domestic consumption. The central government is expecting to return to the target by the end of 2018.

The Central Bank’s interest rate currently stands as 4.50%. Since December 2016, the Bank has continuously reduced the rate from a maximum of 7.75%. These decisions have been taken given the lower inflationary pressure and the fall of the economic growth. Colombia’s sovereign debt bonds had a downward revision in December 2017 by S&P from BBB to BBB-. Fitch’s ratings remain at BBB with a stable outlook. This revision was based on the lower perspectives of the economic growth and the growing pressures on the public finances. The Central Bank’s main board stated that this would be the last reduction of the rate during 2018.

Colombia has had an open-trade tradition. The country has 15 major FTA in force. The most important regional agreements are the Pacific Alliance (Chile, Colombia, Mexico, Peru) and the Andean Community of Nations (Bolivia, Colombia, Ecuador, Peru). Besides, Colombia has current agreements with the European Union, the European Free Trade Association and the Caribbean Community. Regarding bilateral agreements, Colombia has FTAs in force with the United States, Canada, Costa Rica and South Korea.

The Colombian government has always been prudent in its macroeconomic management. It has never defaulted and is reducing its fiscal deficit. In 2011, the Fiscal Rule was approved by Congress, binding the government to reduce its structural deficit annually to achieve 1% of GDP in 2022. For 2011, the structural deficit was close to 3%, while it was 2% in 2017, according to the Fiscal Rule targets. Furthermore, Colombia has an upward trend in its foreign reserves, which has been useful to face the recent economic crisis, particularly the 2007 International Financial Crisis. Currently, the Colombian net Foreign Reserves stands at USD 47.6 billion.

The Colombian government has been formally invited to begin the accession to the OECD since 2013. Colombia has followed the requirements and suggestions made by the OECD to finish this process in 2018. Among the changes, Colombia has applied transparency rules in terms of SOE’s good governance and public accountability. Besides, Colombia implemented changes in the tax and pension regulations, following the recommendations made by the international organisation. However, there are still issues hindering the country’s full accession. Intellectual property laws and regulation to start businesses are still inconsistent to with international standards. The intellectual property issues are mainly about pirated goods and health care market, in which can be established price caps and dismissed certain patents by the government if it considers an on-going public health problem. Finally, there is still a great concern about the crimes related to social leaders and labour unionists. The OECD will pay attention to this matter carefully before any approval for full accession. The Colombian government aspires to achieve full accession by 2018.

In terms of FDI, Colombia received USD 10.2 billion during the first 3 quarters of 2017 and according to unofficial forecasts, the final estimation for 2017 would be around USD 13 billion. By sectors, Mining got the 25% of the FDI, being 20% exclusively for the oil industry. Transport got 28.6% and the manufacturing sector 17.2%. By country, the main sources of FDI were Spain (22%), the United States (14%), Mexico (13%), Panama (10%) and the United Kingdom (9%). The Colombian government is making efforts to finish 2018 around the levels of FDI received in 2014 (USD 16 billion). Colombia has the highest number of customs-free zones in the region with 108 zones in operation, which is the 25% of the customs-free zones in Latin America. Furthermore, Colombia has a system of ‘legal stability contracts’ for large investors that allows companies to fix certain aspects of an investment (e.g tax rates) during a determined period of time. Finally, the post-conflict environment encourages FDIs, especially in infrastructure, ***agricultural*** industry, renewable energies and tourism. 3.1 Colombia’s trade balance

From January to November 2017, Colombia had a trade deficit around USD 6.7 billion. This was a direct consequence of oil prices. However, this deficit reduced from USD 11 billion in 2016, especially because of the contraction of imports due to adverse exchange terms.

|  |  |
| --- | --- |
| Colombia?s trade balance |  |
| Total exports (January to November 2017) | USD 33.8 billion |
| Total imports (January to November 2017) | USD 40.5 billion |

Source: Ministry of Trade, Industry and Tourism 3.2 Colombia’s trading partners

The United States remains as Colombia’s largest trading partner, both for exports and imports. The Netherlands represents the largest destination for Colombian exports in Europe, while Germany is the Colombia’s biggest import partner in Europe.

|  |  |  |  |
| --- | --- | --- | --- |
|  | Exports (January to November 2017) | Imports (January to November 2017) |  |
| United States | 28.0% | United States | 26.0% |
| Panama | 7.2% | China | 18.8% |
| China | 5.7% | Mexico | 7.6% |
| Netherlands | 4.3% | Brazil | 5.0% |
| Ecuador | 3.7% | Germany | 4.1% |
| Brazil | 3.7% | Japan | 2.7% |

Source: Ministry of Trade, Industry and Tourism 3.3 Colombia’s main export products

Colombia heavily depends on energy and mining exports, making it vulnerable to shocks in commodity prices. Colombia is the world’s 4th largest coal exporter and the Latin America’s 4th largest oil ***producer***.

|  |  |
| --- | --- |
| Colombia?s main export products (2017) |  |
| Crude petroleum | 27.4% |
| Coal | 18.9% |
| Coffee | 7.1% |
| Refined petroleum | 5.5% |
| Flowers | 4.2% |

Source: The Observatory of Economic Complexity 3.4 Colombia’s main import products

Despite being a huge petroleum ***producer*** and exporter, Colombia’s largest import product is refined petroleum. Additionally in recent years, vehicles and mobiles phones have accounted for a huge amount of the country’s imports.

|  |  |
| --- | --- |
| Colombia?s main import products (2017) |  |
| Refined petroleum | 8.2% |
| Vehicles | 4.3% |
| medicines | 3.1% |
| Mobile phones | 2.9% |
| Computers | 2.6% |

Source: The Observatory of Economic Complexity 3.5 UK-Colombia trade relations

The EU-Colombia FTA and the deeper financial integration of the Pacific Alliance offer new opportunities for UK businesses within the Colombian market.

UK exports (of goods) to Colombia include: machinery and equipment (36.2%), chemicals (25.6%), vehicles (12.6%), petroleum derivatives (7%) and ***agricultural*** products. In terms of services, the UK main exports to Colombia include: travel and leisure (29.4%), commercial services (27.1%) and transportation (14.8%).

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| UK Exports to Colombia (GBP million) |  |  |  |  |  |  |
|  | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
| Goods | 230 | 314 | 330 | 368 | 366 | 383 |
| Services | 223 | 366 | 389 | 188 | 106 | 258 |
| Total | 453 | 680 | 719 | 556 | 472 | 641 |

Source: Office for National Statistics (ONS)

UK imports (of goods) from Colombia include: coal (48.6%), bananas (24.4%), coffee (10.3%), flowers (8.6%) and ***agricultural*** products (1.5%). In terms of services, the UK main imports from Colombia include: financial services (22.3%), travel and leisure (12.8%), transportation (12.1%) and commercial services (9.1%).

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| UK imports from Colombia (GBP million) |  |  |  |  |  |  |
|  | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
| Goods | 675 | 921 | 938 | 827 | 655 | 648 |
| Services | 109 | 137 | 117 | 55 | 58 | 8 |
| Total | 784 | 1,058 | 1,055 | 882 | 713 | 656 |

Source: Office for National Statistics (ONS) 3.6 UK-Colombia investment relations

The UK-Colombia Investment Protection and Promotion Agreement (IPPA) and the bilateral Double Taxation Agreement (not in force yet) offer new opportunities for British companies in Colombia.

In 2015, the UK represented Colombia’s eight largest foreign investor with investment flows falling to approximately USD 740 million compared to USD 1.9 billion accounted in 2014 (when the UK occupied the fifth position). Historically, UK investments have been concentrated in extractive sectors, but there has been significant diversification in recent years across a range of sectors. 3.7 Key opportunities for the UK

DIT Bogota has identified 5 High Value Opportunities. Education

Structural reforms have required Colombia to pursue additional collaboration between government bodies, public and private institutions and high quality education entities in the UK.

Opportunities in Vocational Training and Education (TVET), English Language ***Programmes*** to offer bilingual education, designing of international curriculum, and designing of qualifications framework, consultancy on projects, education technology, and joint work for research projects have risen.

Additionally, opportunities in educational PPPs (school operation, student residences, and rapidly deployable schooling facilities) can also be found. Between 2000 and 2013, government spending on education rose from 3.5% to 4.9% of GDP (UNESCO-UIS, 2015); despite being above Chile (4.5%), it is still below Costa Rica (6.8%), Brazil (6.3%) and Mexico (5.1%). Financial services

The financial industry is one of the main economic sectors contributing to the economic growth. Challenges for further development are: financial inclusion, insurance penetration, infrastructure financing (4G) and Fintech. Total financial system assets are equivalent to almost 150% of GDP, with credit entities (banks) accounting for 45%. 25 of 57 credit institutions are banks. There are 4 pension funds, 25 insurance companies, 19 life insurance companies and 18 foreign reinsurance firms.

Colombia’s financial sector is mostly controlled by domestic conglomerates with limited international participation. However, the potential for supplying products and services is substantial for British companies.

Besides, there are still various aspects of the market not directly regulated by the Colombian authorities. There is potential to work on a government-to-government basis, given the British government’s experience in the financial services sector. Healthcare

Healthcare in Colombia is complex. It is made up by numerous actors: private sector, public sector (central government and local governments), EPS, IPS, etc. This division in actors increases the requirement for a targeted strategy and significant stakeholder engagement.

The quality of the healthcare provision in Colombia is diverse: varying from excellent high-end provision, to poor, basic and scarce provision.

The healthcare system in Colombia reproduces the US model with a privatized system, making it more complicated for UK entry. That being said, the UK healthcare model is highly esteemed in Colombia and there is significant opportunity to demonstrate UK expertise through the NHS and PPP models.

The public sector in Colombia is complex as central government’s reach is limited and mainly general-policy focused. Local governments are responsible for the implementation of projects, running small contracts often.

The private sector in Colombia is strong and certainly provides a good market opportunity for UK businesses. However, this sector is complicated because of the diverse nature of the private sector which does not have a strong central organisation. Mining

Gold production is showing an important growth although the 75% of the production is illegal. This sector has faced political and legal instability due to the lack of coordination between the central government, the high Courts and the regional authorities. Presidential candidates are proposing to improve the related regulation and projects might begin to materialise. Rail

Infrastructure has been the priority for President Santos’s Administrations under the lead of the former Vice-president German Vargas Lleras. The Colombian Government estimates that investments on transport infrastructure will be around £19.9 million until 2020. These numbers open a series of opportunities for the UK transport exporters with a £1.9 million market share. 4. Human Rights

In his inauguration speech, President Santos declared that the defence of human rights would be a “firm and unavoidable commitment” of his government. Nevertheless, the situation on the ground continues to cause concern. Human rights advocators are frequently victims of violence and intimidation. Peasants, indigenous and Afro-Colombian people suffer displacement and threats, while impunity remains high. There are concerns about a surge in attacks against human rights advocators in the post-conflict environment.

Colombia has ratified 60 ILO conventions including 8 on fundamental labour rights. However, intimidation and violence against trade unionists is still a matter of concern. Trade unions are legal but unionisation levels are low and members can be subject to threats and violence.

The Colombian constitution guarantees extensive rights to indigenous and Afro-Colombian groups over their traditional territories and to protect their culture. Activities such as mining, oil exploration or infrastructure development in the regions where these groups live in have to go through a process of popular consultation known as ‘consulta previa’.

The Colombian constitution guarantees extensive rights to indigenous and Afro-Colombian groups, over their traditional territories and to protect their culture. Activities such as mining and oil exploration or infrastructure development in the regions where these group live have to go through a process of consultation known as ‘consulta previa’.

Colombia is developing a National Action ***Plan*** on business and human rights in line with the UN guiding principles. The UK is supporting this process following its own national action ***plan***, which also encourages British business to respect human rights in all their operations globally.

Colombia is a member of the Voluntary Principles on Security and Human Rights (VPs), “a multi-stakeholder initiative involving governments, companies, and non-governmental organizations that promotes the implementation of a set of principles that guide oil, gas, and mining companies on providing security for their operations in a manner that respects human rights” (State.gov, 2017).

Land issues in Colombia are complex, in light of the extended conflict and the fact that Colombia has the second-highest number of internally displaced people in the world. A Land and Victims law was passed in June 2011. It aims to recognise victims of the internal armed conflict and to provide them with compensation. It aims to return illegally seized lands to the original owners or give abandoned land to those who have been forcibly displaced. According to the Land Restitution Unit, more than 100,000 hectares have been returned to land claimants, benefiting 15,000 victims. Under this law, companies are expected to not only demonstrate that any land acquisition was legal but also they carried out the due diligence to establish if the land was not illegally acquired before.

Colombia remains a priority country in the FCO’s Annual Human Rights Report. The UK has spent over £2 million on human rights projects in Colombia since 2011, focusing on the security of human rights defenders, preventing sexual violence in conflict, business and human rights and access to justice.

See reference to Colombia in the Foreign and Commonwealth Office’s annual report on Human Rights 5. Bribery and corruption

Bribery is illegal. It is an offence for British nationals or residents to bribe within the UK or anywhere in the world. In addition, a commercial organisation carrying on businesses in the UK can be liable for the conduct of a person who is neither a UK national or resident in the UK or a body incorporated or formed in the UK. In this case, it does not matter whether the acts or omissions which form part of the offence take place in the UK or elsewhere.

Corruption is a major obstacle to do business in Colombia. The perception of corruption throughout the last years has remained unchanged: Colombia’s Corruption Perception Index in 2016 was 37 out of 100, being 0 the highest perception of corruption, placing Colombia as 90th in the world ranking among 176 countries (Transparency International, 2017). EY’s Global Fraud Survey 2016 shows that 80% of companies interviewed agree that bribery and other corrupt practices happen widely doing businesses in Colombia. Businesses report excessive red tape and very high tax burdens. However, prospects look good since the Government is committed to building a better economic environment and capitalising on the peace agreement with FARC.

Visit the Business Anti-Corruption portal page providing advice and guidance about corruption in Colombia and some basic effective procedures you can establish to protect your company from them.

Read the information provided on our Bribery and corruption page. 6. Terrorism threat

Terrorist threatens have diminished considerably during the recent years and particularly after the signing of the peace agreement with FARC. There are some remote rural areas where there is still terrorist threat from the ELN. In the major cities, the terrorist threat is very low.

Read the information provided on our Terrorism threat page. 6.1 Protective security advice

High-profile businesses can be targets for criminal gangs and common criminals and will need to consider adapting security for office buildings and high-level personnel. Most major office buildings and residential blocks in smarter areas have private security. Businesses operating outside the main cities should think about protective security and take specialized advice. As in any country, it is the best to avoid any possible criminal threat.

Up-to-date information on the security situation in Colombia can be found on FCO Travel Advice safety and security page. 7. Cyber security

Colombia is seeking to improve its cyber security sector, including deterring criminal organisations from attacking ***strategic*** assets. It is starting to implement its cyber White Paper, CONPES 3854, oriented towards the development of a national strategy to counter the increased cyber threat. This is led by the President’s Office in coordination with the Ministry of Defence and the Ministry of Information and Communication Technologies.

Colombia has the CCOC (Joint Command for Cybernetic Operations), the COLCERT (Computer Emergency Response Team), the Joint Cyber Unit, the Cyber Command and the Police Cyber Centre. All these efforts are made to integrate different government institutions 8. Commercial disputes

Colombia ranks 174th out of 190 economies on the ease of enforcing contracts. On average, processes take 1,288 days and costs 45.8% of the claimed value. In 2014, a piece of regulation was approved, allowing easier processes to enforce contracts by simplifying and speeding up the proceeding for commercial disputes. Although Colombia does not have a court or division dedicated solely to hearing commercial cases, it does have a small claims court/fast track procedure for small claims, where self-representation is allowed.

Colombia has existing laws setting overall time standards for key milestones in a civil case. However, these time standards may not be always respected.

Colombia does not have any electronic-case management tools in force. 9. Intellectual property

Intellectual Property (IP) rights are territorial. That is, they only give protection in the countries where they are granted or registered. If you are thinking about trading internationally, you should consider registering your IP rights in your export markets. Manufacturers and traders are strongly advised to patent their inventions and register their trademarks in Colombia. To do so, a patent or trademark agent could be contacted.

Colombia is a member of the World Trade Organization (WTO), and it ratified the Trade-Related Aspects of Intellectual Property (TRIPs) Agreement and the World Intellectual Property Organization (WIPO).

The IP protection is based on the agreement made by the Andean Community of Nations, endorsed by the Andean Decision 486 of 2000. The responsible agency of giving and managing IP rights is the Superintendence of Industry and Commerce (SIC). SIC has an online platform called Industrial Property System (SIPI) that allows applicants to do all the process via Internet.

Colombia has established a multiclass registration system, meaning that applicants can obtain trademark registration in all 45 international classes. In addition, the Colombian Trademark office has granted the registration of non-traditional trademarks such as: scent, colour, motion, shape, taste and touch trademarks. Regarding the documents required to make a trademark application, Colombia has lifted the requirement for the legalization of documents such as Power of Attorney (POA) due to the Free Trade Agreement (FTA) with the US. Nowadays, the trademark authority requires the filing of a simple copy of the POA. Besides, the Madrid System for trademarks is in force, allowing the trademark owners to protect their trademarks in Colombia filing the applications in their own countries.

Patent processes in Colombia can be long and a backlog of applications exists. Application for patents for overseas inventions must be made within one year of filing the first foreign application. Patents are granted for 20 years from the date of filing the application. Regarding the filing requirements, the Colombian Patent Office requires the filing of a simple copy of the POA as well.

Compulsory licences may be granted if, after 3 years, the patent has not been worked, the working has been suspended for more than 1 year, national market demand has not been met, or if the patentee has not granted licences under reasonable conditions. The responsibility for notifications about working within 3 years is the responsibility of the patentee.

Regulations for the protection of IPR exist in Colombia. However, concerns exist in relation to enforcement, especially in physical contraband and digital content piracy. Moreover, some national regulation on health has been a matter of concern for the pharmaceutical industry.

Companies looking to protect and enforce their IP rights in the country may wish to seek advice from local attorneys or IPR consultants.

Refer also to the website of the World Intellectual Property Organisation (WIPO) and the Madrid Protocol for the international registration of marks. Also read the information provided on our Intellectual Property page. 10. Organised Crime

Organised criminal activity is primarily linked to the drugs trade. Such groups are also engaged in many of the common activities of organised crime groups in other countries (for example racketeering). Their main operation concentrates in rural areas where the drugs are farmed. The fight against these groups is a government’s priority. 11. Contact Us

Contact the UKTI Colombia team for more information and advice on opportunities for doing business in Colombia.

**Load-Date:** February 19, 2018

**End of Document**



[***BlackRock North American Income Trust Plc - Annual Financial Report***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5R5R-1HV1-JB72-146V-00000-00&context=1516831)

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**Body**

BLACKROCK NORTH AMERICAN INCOME TRUST PLCLEI: 549300WWOCXSC241W468Annual results announcement for the year ended 31 October 2017HIGHLIGHTSNew dividend policy from 1 November 2017 with quarterly dividends of 2.00p per share (increase of 60% on quarterly dividends of 1.25p per share), a 5% prospective yield on the current share price.Net asset value total return of 11.4%, outperforming the benchmark by 3.1%.Share price total return of 6.3%.PERFORMANCE RECORD

|  |  |  |
| --- | --- | --- |
| Attributable to ordinary shareholders | 31 October 2017 | 31 October 2016 |
|  |  |  |
| Net assets (£'000)¹ | 118,295 | 109,479 |
| Net asset value per ordinary share | 171.76p | 158.78p |
| Ordinary share price (mid-market) | 160.50p | 155.75p |
| Discount to cum income net asset value² | 6.6% | 1.9% |
|  | -------- | -------- |
| Performance |  |  |
|  | -------- | -------- |
| Net asset value per share (total return)³ | +11.4% | +34.2% |
| Russell 1000 Value Index (total return) | +8.3% | +34.6% |
| Share price (total return)³ | +6.3% | +43.0% |
|  | -------- | -------- |

The change in net assets reflects market movements and share buybacks during the year.This is the difference between the share price and the NAV per share with debt at par. It is an indicator of the need for shares to be bought back or, in the event of a premium to NAV per share, issued.This measures the Company's share price and NAV total return, which assumes dividends paid by the Company have been reinvested.

|  |  |  |  |
| --- | --- | --- | --- |
|  | Year ended  31 October 2017 | Year ended  31 October 2016 | Change  % |
| Revenue |  |  |  |
| Net revenue profit after taxation (£'000) | 3,731 | 3,730 | 0.0 |
| Revenue return per ordinary share | 5.41p | 5.17p | +4.6 |
|  | -------- | -------- | -------- |
| Interim dividends |  |  |  |
| 1st interim | 1.20p | 1.10p | +9.1 |
| 2nd interim | 1.25p | 1.20p | +4.2 |
| 3rd interim | 1.25p | 1.20p | +4.2 |
| 4th interim | 1.25p | 1.20p | +4.2 |
|  | -------- | -------- | -------- |
| Total dividends paid | 4.95p | 4.70p | +5.3 |
|  | ======== | ======== | ======== |

ANNUAL PERFORMANCE SINCE LAUNCH ON 24 OCTOBER 2012 TO 31 OCTOBER 2017

|  |  |  |  |
| --- | --- | --- | --- |
|  | NAV Total Return | Russell 1000 Value Index Total Return | Share Price Total Return |
| 2013 | 17.1 | 27.4 | 16.5 |
| 2014 | 11.8 | 16.9 | 2.4 |
| 2015 | 4.9 | 4.1 | 4.7 |
| 2016 | 34.2 | 34.6 | 43.0 |
| 2017 | 11.4 | 8.3 | 6.3 |

Source: BlackRock.

Performance figures have been calculated in sterling terms on a total return basis.CHAIRMAN'S STATEMENTPERFORMANCE

Over the twelve months to 31 October 2017, the Company's net asset value per share (NAV) increased by 11.4%\* compared with a rise of 8.3%\* in the Russell 1000 Value Index. The share price rose by 6.3%\*. Further information is set out in the Investment Manager's Report.At the close of business on 11 December 2017, the Company's NAV had increased by 2.4% since the year end.MARKET REVIEW

Sustained global economic expansion provided a positive backdrop for earnings momentum from the middle of 2016. In the U.S., despite political uncertainty over the administration's ability to push through tax reform, better-than-expected economic data and stronger corporate earnings results have helped the market advance. The jobless rate has touched levels rarely seen since the 1950s and, with the strong growth in household incomes, official consumer data has remained resilient. Corporate earnings have generally beaten estimates with many companies benefiting from a weakening U.S. dollar.EARNINGS AND DIVIDENDS

The Company's revenue earnings per share for the year amounted to 5.41p (2016: 5.17p), an increase of 4.6%. The first quarterly dividend of 1.20p per share was paid on 4 April 2017 and two further dividends of 1.25p per share were paid on 30 June 2017 and 6 October 2017. A fourth interim dividend of 1.25p per share has been declared and will be paid on 5 January 2018. This represents an increase of 5.3% on the payments made in the previous financial year.The Board is conscious that, although the quarterly dividend has increased by 25% from 1.00p per share to 1.25p per share since the Company's launch in 2012, the strong capital growth of the portfolio during this period (74.8%) has also resulted in a lower dividend yield for new investors. In line with the commitment to a progressive dividend policy, the Board has resolved to pay a quarterly dividend of 2.00p per share in the current financial year, a full year distribution of 8.00p per share, which would represent a dividend yield of approximately 5% at the current share price, paying out a small amount of the Company's capital profits to achieve this. The investment approach of the Portfolio Managers will not alter as a consequence of this policy, and the Board do not envisage that the proportion of the portfolio over which options are written will increase. The Board believes that this dividend policy will benefit existing shareholders, whilst also making the Company's shares attractive to new buyers, appealing to retail investors in particular. It is also consistent with the underlying investment objective of the Company and utilises an attractive and distinctive option now open to investment companies, but not available to many open-ended funds.DISCOUNT CONTROL

The Directors recognise the importance to investors that the share price should not trade at a significant discount to the underlying NAV. Accordingly, the Board monitors this closely and will consider the repurchase of shares when appropriate.During the year and up to the date of this report, the Company has repurchased 75,000 ordinary shares. These shares have been placed in treasury to be subsequently reissued to satisfy market demand. Shares will only be reissued at a premium to the estimated NAV at the time of issue.The Directors have authority from shareholders to reissue up to 10% of the Company's issued ordinary share capital and to buy back up to 14.99% of the Company's issued ordinary share capital (excluding any shares held in treasury). The authorities to reissue and buy back shares expire at the conclusion of the 2018 Annual General Meeting and resolutions will be put to shareholders seeking a renewal of these powers.ANNUAL GENERAL MEETING

The Annual General Meeting of the Company will be held at BlackRock's offices at 12 Throgmorton Avenue, London EC2N 2DL on Tuesday, 6 March 2018 at 12.00 noon. Details of the business of the meeting are set out in the Notice of Meeting on pages 74 to 77 of the Annual Report. The Portfolio Managers will make a presentation to shareholders on the Company's performance and the outlook for U.S. markets in the year ahead.OUTLOOK

The economic background remains supportive and moderate growth is anticipated to continue in 2018. As a consequence, we are likely to see further increases in interest rates next year and the requirement for higher interest rates has also been well telegraphed. Although the administration has struggled to carry through its ***planned*** tax reforms, on 1 December the U.S. Senate passed its bill for a much-awaited overhaul of the U.S. tax code. If the legislation continues to progress as ***planned***, this should provide additional support to earnings.Whilst there are a number of short term factors likely to continue to influence market sentiment, our Portfolio Managers take a longer term view and have not shifted the portfolio significantly following the presidential election outcome. The Portfolio Managers will therefore continue to focus on companies which show promise in terms of delivering both immediate income and have attractive dividend growth prospects.SIMON MILLER

13 December 2017\*  All percentages calculated in sterling terms with income reinvested.***STRATEGIC*** REPORTThe Directors present the ***Strategic*** Report of the Company for the year ended 31 October 2017. The aim of the ***Strategic*** Report is to provide shareholders with the information to assess how the Directors have performed their duty to promote the success of the Company for the collective benefit of shareholders.PRINCIPAL ACTIVITY

The Company carries on business as an investment trust and its principal activity is portfolio investment. Investment trusts are pooled investment vehicles which allow exposure to a diversified range of assets through a single investment, thus spreading investment risk.OBJECTIVE

The Company's objective is to provide an attractive and growing level of income return with capital appreciation over the long term, predominantly through investment in a diversified portfolio of primarily large-cap U.S. quoted equities with a focus on companies that pay and grow their dividends. The Company may invest through an active options overlay strategy utilising predominantly covered call options and may also hold other securities from time-to-time including, inter alia, convertible securities, fixed interest securities, preference shares, non-convertible preferred stock and depositary receipts. The Company may also invest in listed large-cap equities quoted on exchanges outside the U.S., subject to the restrictions set out below, and in securities denominated in U.S. dollars and non-U.S. dollar currencies.STRATEGY, BUSINESS MODEL AND INVESTMENT POLICY

Strategy

To achieve the Company's investment objective, the Manager adopts a stock specific approach in managing the Company's portfolio, selecting investments that it believes will both increase in value over the long term and provide income. The Company does not invest in companies which are not listed, quoted or traded at the time of investment, although it may have exposure to such companies where, following investment, the relevant securities cease to be listed, quoted or traded. Typically, it is expected that the investment portfolio will comprise of between 80 and 120 securities (excluding its active options overlay strategy). As at 31 October 2017, there were 90 holdings in the Company's portfolio.Business model

The Company's business model follows that of an externally managed investment trust. Therefore, the Company does not have any employees and outsources its activities to third party service providers including BlackRock Fund Managers Limited (the Manager or BFM) who is the principal service provider. The management of the investment portfolio and the administration of the Company have been contractually delegated to BlackRock Fund Managers Limited (the Manager) who in turn (with the permission of the Company) has delegated certain investment management and other ancillary services to BlackRock Investment Management (UK) Limited (the Investment Manager or BIM (UK)). The Manager, operating under guidelines determined by the Board, has direct responsibility for the decisions relating to the day-to-day running of the Company and is accountable to the Board for the investment, financial and operating performance of the Company.Other service providers include the Depositary, The Bank of New York Mellon (International) Limited. The Manager delegates fund accounting services to the Investment Manager, which in turn sub-delegates these services to The Bank of New York Mellon (International) Limited. The Company delegates registration services to the Registrar, Computershare Investor Services PLC.Investment policy

The Company may invest through derivatives for efficient portfolio management and may, for investment purposes, employ an active options overlay strategy utilising predominantly covered call options. Any use of derivatives for efficient portfolio management and options for investment purposes is based on the same principles of risk spreading and diversification that apply to the Company's direct investments. For the avoidance of doubt, the Company does not enter into physical or synthetic short positions or write any uncovered options.Portfolio risk is mitigated by investing in a diversified spread of investments. In particular, the Company observes the following investment restrictions: no single investment (including for the avoidance of doubt, any single derivative instrument) will, at the time of investment, account for more than 10% of the gross assets; no more than 20% of the gross assets, at the time of investment, will be invested in securities issued outside of the U.S\*.; no more than 35% of the gross assets, at the time of investment, will be exposed to any one sector; and no more than 20% of the Company's portfolio will be under option at any given time. (\*Securities issued outside of the U.S. of companies exercising the predominant part of their economic activity in the U.S. will be excluded from this 20 per cent limit.)The Company's foreign currency investments are not hedged to sterling as a matter of general policy. However, the investment team may employ currency hedging, either back to sterling or between currencies (i.e. cross-hedging of portfolio investments).In order to comply with the current Listing Rules, the Company also complies with the following investment restrictions (which do not form part of the Company's investment policy): the Company will not conduct any trading activity which is significant in the context of its group as a whole; and the Company will not invest more than 10% of its gross assets in other listed closed-ended investment funds, whether managed by the Manager or not, except that this restriction shall not apply to investments in listed closed-ended investment funds which themselves have stated investment policies to invest no more than 15% of their gross assets in other listed closed-ended investment funds.The Company may borrow up to 20% of its net assets (calculated at the time of draw down), although the Board intends only to utilise borrowings representing up to 10% of net assets at the time of draw down. Borrowings may be used for investment purposes. The Company has entered into a multi-currency overdraft facility with its custodian for this purpose. The Company may enter into interest rate hedging arrangements.Information regarding the Company's investment exposures is contained within the schedule of investments on pages 16 to 19 of the Annual Report. Further information regarding investment risk and activity throughout the year can be found in the Investment Manager's Report.No material change will be made to the investment policy without the approval of shareholders by ordinary resolution.INVESTMENT PHILOSOPHY AND PROCESS

An overview of the Investment Manager's investment philosophy and process follows. The Manager seeks to offer a stable foundation for investors to protect and grow their asset through disciplined application of value investment principles. The Manager believes a portfolio of attractively valued, quality companies with histories of dividend growth can potentially deliver strong risk-adjusted returns over the long term.Philosophy and Core BeliefsCompanies that pay dividends are generally better managedManagement quality is a key driver of long term business successCompanies with quality franchises, strong free cash flow, and conservative balance sheets are best able to grow their dividendsDividend growth compounds returns and reduces volatilityThe Manager's investment process has three main elements including idea generation, investment research and portfolio construction. The investment process is continuous and forms a virtuous circle that ensures the best investment ideas are reflected in the portfolio at all times. The Investment Manager derives new investment ideas from the bottom-up fundamental research generated by its research analysts and its quantitative screens. The Manager's research analysts derive investment ideas from their existing knowledge of industry and company trends and developments. The Manager's quantitative screens utilise both quality and value factors with the goal of highlighting potentially attractive opportunities that the analysts may have otherwise missed. The Manager's Directors of Research collaborate with the research analysts to prioritise research ideas and ensure research best practices. Below is a summary of the research screen.Investment Process: Research ScreenQuality Factors (60%):Dividend GrowthBalance Sheet StrengthProfitabilityFree Cash FlowImproving TrendsValue Factors (40%):Dividend YieldEarningsCash FlowBook ValueThe Manager's research analyst team conducts fundamental research. This research includes traditional financial statement analysis, meetings with company managements, discussions with industry experts and collaboration with investors across BlackRock. The Manager's bottom-up fundamental research process is outlined below:Company Reporting Research:Financial Statement analysisExamine ratios and multiplesFocus on balance sheet strengthModel cash flows and earningDevelop scenario and sensitivity analysisIndustry Research:Analyse industry supply & demand and pricing trendsInvestigate competitive advantages and potential threatsConsider regulatory environment and local marketsExpand research in attractive industries to related companiesField Research:Meet with managements, customers, suppliers and competitorsEvaluate strength of company management team & franchiseSeek to identify business drivers & industry trends prior to consensusFinal investment decisions result from the Manager's bottom-up, company specific research. Portfolio allocations are a reflection of the investment opportunities the Manager is identifying in the current environment.PERFORMANCE

Over the year ended 31 October 2017, the Company's net asset value returned 11.4% compared with a return of 8.3% in the Russell 1000 Value Index. The ordinary share price returned 6.3% (all percentages are calculated in sterling terms with income reinvested). The Investment Manager's Report includes a review of the main developments during the year, together with information on investment activity within the Company's portfolio.RESULTS AND DIVIDENDS

The results for the Company are set out in the Statement of Comprehensive Income. The total return for the year, after taxation, was £12,313,000 (2016: £27,701,000) of which the revenue return amounted to £3,731,000 (2016: £3,730,000) and the capital return amounted to £8,582,000 (2016: £23,971,000).The Company pays dividends quarterly. One quarterly interim dividend of 1.20p per share was paid on 4 April 2017, two quarterly dividends of 1.25p per share were paid on 30 June 2017 and 6 October 2017 and a further dividend of 1.25p per share will be paid on 5 January 2018. Total dividends of 4.95p per share were paid or declared in the year ended 31 October 2017 (2016: 4.70p).KEY PERFORMANCE INDICATORS

The Directors consider a number of performance measures to assess the Company's success in achieving its objectives. The key performance indicators (KPIs) used to measure the progress and performance of the Company over time, and which are comparable to those reported by other investment trusts, are set out in the following table.

|  |  |  |
| --- | --- | --- |
|  | Year ended  31 October 2017 | Year ended  31 October 2016 |
|  |  |  |
| Net asset value per ordinary share | 171.76p | 158.78p |
| Ordinary share price (mid-market) | 160.50p | 155.75p |
| Net asset value total return1 | 11.4% | 34.2% |
| Benchmark index2 | 8.3% | 34.6% |
| Share price total return1 | 6.3% | 43.0% |
| Dividends per share | 4.95p | 4.70p |
| Discount to cum income net asset value3 | 6.6% | 1.9% |
| Revenue return per share | 5.41p | 5.17p |
| Ongoing charges4 | 1.07% | 1.04% |

1 This measures the Company's share price and NAV total return, which assumes dividends paid by the Company have been reinvested.

2 Russell 1000 Value Index.

3 This is the difference between the share price and the NAV per share with debt at par. It is an indicator of the need for shares to be bought back or, in the event of a premium to NAV per share, issued.

4 Ongoing charges represent the management fee and all other operating expenses excluding interest as a % of average shareholders' funds.Performance is assessed on a total return basis for the NAV, share price and the benchmark.The Board monitors the above KPIs on a regular basis. Additionally, it regularly reviews a number of indices and ratios to understand the impact on the Company's relative performance of the various components such as asset allocation and stock selection. The Board also assesses the performance of the Company against its peer group of investment trusts with similar investment objectives.SHARE RATING

The Directors recognise the importance to investors that shares should not trade at a significant discount to their prevailing net asset value. Accordingly, the Board has concluded that the Company's share buy back and share issuance powers will, in normal market conditions, be used to ensure that the share price does not trade at a significant discount or premium to the underlying net asset value per share. In the year under review, the Company's shares have traded from a premium of 1.6% to a discount of 8.9% on a cum income basis and were trading at a discount of 8.2% as at close of business on 11 December 2017.PRINCIPAL RISKS

The key risks faced by the Company are set out on the following pages. The Board has put in place a robust process to assess and monitor these risks. A core element of this is the Company's risk register. This identifies the risks facing the Company and assesses the likelihood and potential impact of each risk and the quality of the controls operating to mitigate it. A residual risk rating is then calculated for each risk based on the outcome of this assessment. This approach allows the effect of any mitigating procedures to be reflected in the final assessment.The risk register, its method of preparation and the operation of key controls in the Manager's and other third-party service providers' systems of internal control, are reviewed on a regular basis by the Audit and Management Engagement Committee. In order to gain a more comprehensive understanding of the Manager's and other third-party service providers' risk management processes and how these apply to the Company's business, the Audit and Management Engagement Committee periodically receives internal control reports from the Company's service providers.In relation to the 2016 update to the UK Corporate Governance Code, the Board is confident that the procedures that the Company has put in place are sufficient to ensure that the necessary monitoring of risks and controls has been carried out throughout the reporting period. The Board will continue to assess the principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity, on an ongoing basis.The principal risks and uncertainties faced by the Company during the year, together with the potential effects, controls and mitigating factors, are set out in the table below.

|  |  |
| --- | --- |
| Principal Risk | Mitigation/Control |
| Counterparty  The potential loss that the Company could incur if a counterparty is unable (or unwilling) to perform on its commitments. | Due diligence is undertaken before contracts are entered into and exposures are diversified across a number of counterparties.  The Depositary is now liable for restitution for the loss of financial instruments held in custody unless able to demonstrate the loss was a result of an event beyond its reasonable control. |
| Investment Performance  Returns achieved are reliant primarily upon the performance of the portfolio.  An inappropriate investment policy may lead to underperformance compared to the benchmark index, a loss of capital and dissatisfied shareholders. | To manage this risk the Board:  ·   regularly reviews the Company's investment mandate and long term strategy;  ·   has set investment restrictions and guidelines which the Investment Manager monitors and regularly reports on;  ·   receives from the Investment Manager a regular explanation of stock selection decisions, portfolio exposure, gearing and any changes in gearing and the rationale for the composition of the investment portfolio;  ·   monitors and maintains an adequate spread of investments in order to minimise the risks associated with particular countries or factors specific to particular sectors, based on the diversification requirements inherent in the investment policy;  ·   receives and reviews regular reports showing an analysis of the Company's performance against the Russell 1000 Value Index and other similar indices; and  ·   ensures that the Investment Manager has training and development ***programmes*** in place for its employees and its recruitment and remuneration packages are developed in order to retain key staff. |
| Legal & Compliance  The Company has been accepted by HM Revenue & Customs as an investment trust, subject to continuing to meet the relevant eligibility conditions, and operates as an investment trust in accordance with Chapter 4 of Part 24 of the Corporation Tax Act 2010. As such, the Company is exempt from capital gains tax on the profits realised from the sale of its investments.  Any breach of the relevant eligibility conditions could lead to the Company losing investment trust status and being subject to corporation tax on capital gains realised within the Company's portfolio.  Any serious breach could result in the Company and/or the Directors being fined or the subject of criminal proceedings or the suspension of the Company's shares which would in turn lead to a breach of the Corporation Tax Act 2010.  The Company is required to comply with the provisions of the Companies Act 2006, the Alternative Investment Fund Managers' Directive, the UK Listing Rules, Disclosure and Transparency Rules, the Market Abuse Regulation, the Bribery Act 2010 and the Criminal Finances Act 2017. | The Investment Manager monitors investment movements, the level of forecast income and expenditure and the amount of proposed dividends to ensure that the provisions of Chapter 4 of Part 24 of the Corporation Tax Act 2010 are not breached. The results are reported to the Board at each meeting. Compliance with the accounting rules affecting investment trusts is also carefully and regularly monitored.  The Company Secretary, Manager and the Company's professional advisers provide regular reports to the Board in respect of compliance with all applicable rules and regulations. The Board and Manager also monitor changes in government policy and legislation which may have an impact on the Company. |
| Market  Market risk arises from volatility in the prices of the Company's investments. It represents the potential loss the Company might suffer through realising investments in the face of negative market movements.  Changes in general economic and market conditions, such as currency exchange rates, interest rates, rates of inflation, industry conditions, tax laws, political events and trends, including the impact of the U.K. leaving the EU and the results of the U.S. presidential election, can also substantially and adversely affect the securities and, as a consequence, the Company's prospects and share price. | The Board considers the diversification of the portfolio, asset allocation, stock selection, and levels of gearing on a regular basis and has set investment restrictions and guidelines which are monitored and reported on by the Investment Manager. The Board monitors the implementation and results of the investment process with the Investment Manager. |
| Operational  In common with most other investment trust companies, the Company has no employees. The Company therefore relies on the services provided by third parties and is dependent on the control systems of the Manager and The Bank of New York Mellon (International) Limited, who also maintain the Company's assets, dealing procedures and accounting records. The security of the Company's assets, dealing procedures, accounting records and adherence to regulatory and legal requirements depend on the effective operation of the systems of these third-party service providers.  Failure by any service provider to carry out its obligations could have a material adverse effect on the Company's performance. Disruption to the accounting, payment systems or custody records could prevent the accurate reporting and monitoring of the Company's financial position. | Due diligence is undertaken before contracts are entered into with third party service providers. Thereafter, the performance of the provider is subject to regular review and reported to the Board.  Third party service providers, BlackRock and The Bank of New York Mellon, ***produce*** internal control reports to provide assurance regarding the effective operation of internal controls as reported on by their reporting accountants. These reports are provided to the Audit and Management Engagement Committee.  The Company's assets are subject to a strict liability regime and, in the event of a loss of assets, the Depositary must return assets of an identical type or the corresponding amount, unless able to demonstrate the loss was a result of an event beyond its reasonable control.  The Board reviews the overall performance of the Manager, Investment Manager and all other third party service providers on a regular basis and compliance with the Investment Management Agreement annually.  The Board also considers the business continuity arrangements of the Company's key service providers. |
| Financial  The Company's investment activities expose it to a variety of financial risks which include market risk, counterparty credit risk, liquidity risk and the valuation of financial instruments. | Details of these risks are disclosed in note 14 on pages 56 to 66 of the Annual Report, together with a summary of the policies for managing these risks. |
| Marketing  Marketing efforts are inadequate or do not comply with relevant regulatory requirements. There is a failure to communicate adequately with shareholders or reach out to potential new shareholders resulting in reduced demand for the Company's shares and a widening of the discount. | The Board reviews marketing strategy and initiatives and the Manager is required to provide regular updates on progress. BlackRock has a dedicated investment trust sales team visiting both existing and potential clients on a regular basis. Data on client meetings and issues raised are provided to the Board on a regular basis.  All investment trust marketing documents are subject to appropriate review and authorisation. |

VIABILITY STATEMENT

In accordance with provision C.2.2 of the UK Corporate Governance Code, the Directors have assessed the prospects of the Company over a longer period than the 12 months referred to by the 'Going Concern' guidelines. The Board conducted this review for a period of three years. In its assessment of the viability of the Company the Directors have noted that:the Company invests in highly liquid, large listed companies so its assets are readily realisable;the Company is not exposed to any one investment or sector because it sets parameters for its investments;the Company has limited gearing and no concerns around facilities, headroom or covenants; andthe business model should remain attractive for much longer than three years, unless there is significant economic or regulatory change.The Company will undertake a continuation vote at the Annual General Meeting in 2019 and the Board has reviewed the potential impact that this may have on the Company's viability. The Board is confident that the continuation vote will be passed and has prepared the viability statement under this assumption.The Directors have also reviewed:the Company's principal risks and uncertainties as set out on the previous pages;the impact of a significant fall in U.S. equity markets on the value of the Company's investment portfolio;the ongoing relevance of the Company's investment objective, business model and investment policy in the current environment; andthe level of demand for the Company's shares.The Directors have also considered the Company's revenue and expense forecasts and the fact that expenses and liabilities are relatively stable. The Directors reviewed the assumptions and considerations underpinning the Company's existing going concern assertion which are based on:processes for monitoring costs;key financial ratios;evaluation of risk management and controls;compliance with the investment objective;portfolio risk profile;share price discount;gearing; andcounterparty exposure and liquidity risk.These were extended forward for three years and based on the results of this analysis the Directors have concluded that there is a reasonable expectation that the Company will continue in operation and be able to meet its liabilities as they fall due over the period of their assessment.FUTURE PROSPECTS

The Board's main focus is to provide an attractive and growing level of income return with capital appreciation over the long term and the future of the Company is dependent upon the success of the investment strategy. The outlook for the Company in the next twelve months is discussed in both the Chairman's Statement and in the Investment Manager's Report.SOCIAL, COMMUNITY AND HUMAN RIGHTS ISSUES

As an investment trust with no employees, the Company has no direct social or community responsibilities or impact on the environment. However, the Company believes that it is in shareholders' interests to consider human rights issues and environmental, social and governance factors when selecting and retaining investments. Details of the Company's policy on socially responsible investment are set out on page 33 of the Annual Report.MODERN SLAVERY ACT

As an investment vehicle the Company does not provide goods or services in the normal course of business, and does not have customers. Accordingly, the Directors consider that the Company is not required to make any slavery or human trafficking statement under the Modern Slavery Act 2015. In any event, the Board considers the Company's supply chains, dealing predominantly with professional advisers and service providers in the financial services industry, to be low risk in relation to this matter.DIRECTORS, GENDER REPRESENTATION AND EMPLOYEES

The Directors of the Company on 31 October 2017, all of whom held office throughout the year, are set out in the Governance Structure and Directors' biographies on page 20 of the Annual Report. The Board consists of three male Directors and one female Director. The Company does not have any employees; therefore there are no disclosures to be made in that respect.The ***Strategic*** Report was approved by the Board at its meeting on 13 December 2017.BY ORDER OF THE BOARD

CAROLINE DRISCOLL FOR AND ON BEHALF OF BLACKROCK INVESTMENT MANAGEMENT (UK) LIMITED

Company Secretary13 December 2017RELATED PARTY TRANSACTIONSBlackRock Fund Managers Limited (BFM) provides management and administration services to the Company under a contract which is terminable on six months' notice. BFM has (with the Company's consent) delegated certain portfolio and risk management services, and other ancillary services to BlackRock Investment Management (UK) Limited (BIM (UK)). Further details of the investment management contract are disclosed in the Directors' Report on pages 21 and 22 of the Annual Report.The investment management fee due for the year ended 31 October 2017 amounted to £868,000 (2016: £747,000). At the year end, £868,000 was outstanding in respect of the management fee (2016: £400,000).In addition to the above services, BlackRock has provided marketing services. The total fees paid or payable for these services for the year ended 31 October 2017 amounted to £29,000 excluding VAT (2016: £35,000) before prior year over accrual adjustments of £8,000 (2016: write back of over accrual of £59,000). Marketing fees of £22,000 excluding VAT (2016: £20,000) were outstanding as at the year end.The Board consists of four non-executive Directors, all of whom are considered to be independent of the Manager by the Board. None of the Directors has a service contract with the Company. For the year ended 31 October 2017, the Chairman received an annual fee of £36,000, the Chairman of the Audit and Management Engagement Committee received an annual fee of £30,000 and each of the other Directors received an annual fee of £25,000.The related party transactions with the Directors are set out in the Directors' Remuneration Report on pages 28 and 29 of the Annual Report. At 31 October 2017 £10,000 (2016: £8,000) was outstanding in respect of Directors' fees.INVESTMENT MANAGER'S REPORTMARKET OVERVIEW

For the year ended 31 October 2017, U.S. large cap stocks, as represented by the S&P 500 Index, advanced by 23.6% (in U.S. dollar terms). Stocks ended 2016 on a high note, as Donald Trump's U.S. presidential election victory, with expectations for tax reform, increased infrastructure spending and reduced government regulation, provided a lift to consumer sentiment and U.S. growth expectations. Valuation multiples expanded during the period, reflecting investor expectations for potentially rising interest rates, in addition to an acceleration in U.S. nominal GDP growth. Performance was strongest in the financials sector, as expectations for President Trump's administration to enact pro-business policies and potentially reduce existing regulatory burdens improved the outlook for banks in particular.U.S. stocks have continued their rally in 2017, as the S&P 500 Index has posted a positive return in each month of the year thus far. In our view supportive economic data, stronger corporate earnings results and investor optimism are the primary drivers of year-to-date U.S. equity market returns. Despite headline risks including legislative gridlock in Washington D.C. and geopolitical tensions with North Korea, the underlying fundamentals of the U.S. economy remain firm. Steady job growth in recent years has restored the labour force to near full employment, wage growth is trending higher, albeit slowly, and traditional measures of inflation are moderate. High levels of consumer and business confidence, as well as robust consumer spending, also point toward healthy economic conditions. Further, the aforementioned prospect for reduced regulation is a potentially underappreciated tailwind for the U.S. economy.PORTFOLIO OVERVIEW

The portfolio generated relative outperformance in eight out of eleven GICS (Global Industry Classification Standard) sectors during the period. The largest contributor to relative performance was stock selection in the health care sector, led by selection decisions in the health care providers & services industry. In financials, a combination of stock selection and an overweight to the banks industry contributed to relative performance. A combination of stock selection and allocation decisions in the energy sector also boosted relative returns. Notably, our underweight to the U.S. integrated oil & gas operators and our overweight to their non-U.S. domiciled peers proved to be beneficial. Further, our underweight to the energy equipment & services industry also added to relative results. Stock selection within the information technology and consumer staples sectors contributed to relative performance, as did our underweight positioning in consumer staples and real estate.At the sector level, the primary detractor from relative performance was a combination of stock selection and allocation decisions in industrials. Notably, our underweight to the machinery and road & rail industries proved to be costly, as was stock selection in the professional services industry. Stock selection in the utilities sector also detracted from relative returns, albeit modestly. At the industry level, other notable detractors included stock selection in the food & staples retailing industry as well as our decision to underweight the diversified financial services and consumer finance industries. Lastly, the portfolio's cash position dampened relative performance during the period.As expected, writing covered call options in a rising equity environment capped upside returns during the period and therefore detracted modestly from absolute performance. As designed, the Company's option overwrite component enhanced the portfolio's income during the period.Below is a comprehensive overview of our allocations (in sterling) at the end of the year.DISTRIBUTION OF INVESTMENTS

AS AT 31 OCTOBER 2017

|  |  |  |
| --- | --- | --- |
|  | Total % | Benchmark % |
| Consumer Discretionary | 3.7 | 6.7 |
| Consumer Staples | 6.1 | 8.4 |
| Energy | 11.3 | 10.7 |
| Financials | 28.2 | 26.6 |
| Real Estate | 0.0 | 4.8 |
| Health Care | 18.0 | 13.7 |
| Industrials | 10.1 | 8.3 |
| Information Technology | 10.7 | 8.6 |
| Materials | 3.7 | 3.0 |
| Telecommunication Services | 2.4 | 2.8 |
| Utilities | 5.8 | 6.4 |

Source: BlackRock.Health Care - 4.3% overweight (18.0% of portfolio)

Our overweight to the health care sector is concentrated in the health care providers & services and pharmaceuticals industries. These companies exhibit many of the quality and stability characteristics that we target, along with solid earnings and dividend growth prospects. Relative to consumer staples, another defensive sector, we believe the health care space offers investors healthier balance sheets, cheaper valuations and stronger revenue growth potential. Further, the sector has lower payout ratios, which we believe can translate into more robust future dividend growth as well.Information Technology - 2.1% overweight (10.7% of portfolio)

Our preference in the sector is to own large-cap mature tech companies that, in our view, are competitively insulated from disruptors and well-positioned to take advantage of long term secular tailwinds. We believe valuations remain attractive and companies such as Oracle (3.2% of the portfolio), Microsoft (2.2% of the portfolio), and Taiwan Semiconductor Manufacturing (1.3% of the portfolio) offer a compelling mix of healthy balance sheets, strong free cash flow generation and growing dividend streams. Additionally, we believe the sector should continue to benefit from an increase in capital spending.Industrials - 1.8% overweight (10.1% of portfolio)

We have reduced our exposure to the industrials sector over the past year and the Company now holds an allocation that is modestly underweight to its benchmark. Despite reducing our overall exposure, we remain optimistic within specific pockets of the sector. In particular, we are bullish on the large-cap aerospace & defence operators. These firms have strong balance sheets, good visibility into sales and earnings, and historically have demonstrated shareholder friendly capital return policies. Further, we believe there is a potential for an upward inflection, globally, in defence spending. We also maintain exposure to industrial conglomerates such as General Electric (0.9% of the portfolio), Honeywell International (1.4% of the portfolio) and 3M (0.8% of the portfolio).Financials - 1.6% overweight (28.2% of portfolio)

Financials represent the Company's largest absolute sector allocation. In particular, we remain bullish on the U.S. banks and capital markets stocks. Our bullishness is predicated on our belief that the U.S. banks are safer and sounder investments today than before the financial crisis. The U.S. banks have improved balance sheets, low credit losses, high capital levels and attractive valuations. Further, their growing dividends are attractive from a capital return perspective. We believe earnings growth will be the primary driver of stock returns going forward, with deregulation in the U.S. a potentially underappreciated tailwind. To the extent that earnings exceed consensus expectations, the U.S. banks may benefit from incremental margin expansion as well.Materials - 0.7% overweight (3.7% of portfolio)

Our exposure to the materials sector is primarily based in the chemicals industry. In particular, we believe longer term secular trends in global population growth will benefit well positioned companies in the ***agricultural*** chemical space. We believe companies with scale and high-quality assets will be able to deliver stronger earnings and dividend growth. Our largest portfolio holding in the chemicals industry is DowDuPont (2.4% of the portfolio).Energy - 0.6% overweight (11.3% of portfolio)

In energy, we favour oil-weighted companies over those levered to natural gas and prefer exposure to large-cap integrated oil and independent oil & gas ***producers***. From a quality standpoint, we seek to own companies with experienced management teams and exposure to lower cost resource assets. From a valuation standpoint, we seek to own companies with free cash flow generation and margin capture stories that in our view are underappreciated by the market.Telecommunication Services - 0.4% underweight (2.4% of portfolio)

We are underweight to telecoms and our allocation remains concentrated in diversified telecommunication bellwether Verizon Communications (1.5% of the portfolio). Our stock-specific exposure in the sector is to companies that offer healthy dividend yields and opportunity for steady, longer term growth.Utilities - 0.6% underweight (5.8% of portfolio)

With fixed income yields at the lower end of their historical ranges, strong investor demand for income in recent years has resulted in elevated valuations for many high dividend yielding stocks, including utilities companies. Despite rich valuations, we are finding pockets of opportunity in U.S. regulated utilities such as NextEra Energy (1.6% of the portfolio) and PG&E (1.2% of the portfolio). These companies add a level of stability and defensiveness to the portfolio through their durable dividend profiles and healthy earnings growth potential. We also favour these companies due to the stable regulatory environments in which they operate.Consumer Staples - 2.3% underweight (6.1% of portfolio)

The consumer staples sector is a common destination for the conservative equity income investor. Historically, many of these companies have offered investors recognisable brands, diverse revenue streams, exposure to growing end markets and the ability to garner pricing power. These characteristics, in turn, have translated into strong and often stable free cash flow and growing dividends for shareholders. In recent years some of these secular advantages have become challenged, in our view, due to changing consumer preferences, greater end market competition from local brands, and disruption from the rapid adoption of online shopping. These challenges, combined with higher than historical valuations, have facilitated our underweight to the sector. Notably, we prefer ownership of companies with underappreciated growth profiles, sticky customer bases, and the ability to grow market share and/or improve profit margins.Consumer Discretionary - 3.0% underweight (3.7% of portfolio)

The balance sheet for U.S. consumers has improved in recent years, aided by a recovering domestic housing market, strong jobs growth and accelerating wages. These factors have also contributed to an increase in consumer confidence. However, these positive tailwinds have failed to translate into stronger retail sales for many brick & mortar stores as changing consumer preferences, technological innovation and new competitors threaten traditional business models. We remain cautious within the sector given these disruptive forces. Our positioning in the sector reflects stock-specific opportunities that, in our view, are (1) trading at discounted valuations or (2) somewhat insulated from these disruptive pressures. For example, we are positive on Lowe's Companies (0.5% of the portfolio) a home improvement retailer, and Comcast (1.5% of the portfolio), a low-cost provider of high speed data service.Real Estate - 4.8% underweight (0.0% of portfolio)

Our largest underweight position in the Company is in the real estate sector. We maintain a zero weighting in the space due to our view that valuations are unattractive at current levels. Further, the returns of real estate stocks relative to the returns of Long Treasury Bonds are highly correlated today. Therefore, we believe the prospects for higher interest rates in the U.S. are a potential headwind for the sector as well.POSITIONING AND OUTLOOK

In our view, the opportunity for investors lies in the persistence of today's positive economic backdrop being a catalyst for additional corporate earnings growth. To the extent that investor expectations can be realised through stronger corporate earnings, we believe stocks have a reasonable path forward to achieve further gains in this business cycle.We believe more moderate return expectations are prudent, however, given elevated U.S. equity market valuations. Political gridlock in Washington D.C. and a lack of clarity in regards to fiscal policy (i.e. potential health care/tax reform) and foreign policy are key risks to monitor in the months ahead. As such, we continue to emphasise the core tenets of our investment philosophy: disciplined application of value investment principles, an emphasis on owning quality and sustainable businesses, dividend growth and a long term investment horizon. We believe attractively-priced, dividend growth stocks with sound balance sheets are particularly well positioned for today's environment. Many of these companies still offer competitive yields relative to 10-year and 30-year U.S. Treasuries and offer the potential for future capital appreciation and income growth.Our largest exposures are in the financials, health care and energy sectors. In recent months, notable portfolio changes included increasing our allocation to the health care and consumer staples sectors and reducing our exposure to the consumer discretionary, financials and real estate sectors. As always, the strategy continues to emphasise investment in quality dividend paying companies with consideration toward balancing capital appreciation and current income over time.TONY DESPIRITO, FRANCO TAPIA AND DAVID ZHAO BLACKROCK INVESTMENT MANAGEMENT LLC

13 December 2017TEN LARGEST INVESTMENTS

as at 31 October 2017JPMorgan Chase: 4.1% (2016: 3.5%) is a U.S. based diversified financial company. JPMorgan's capital base is one of the strongest in the banks industry and it provides a measure of safety and financial flexibility. Overall, JPMorgan is a well-managed, quality global franchise with above average organic growth and returns relative to industry peers.Bank of America: 4.0% (2016: 3.4%) is one of the largest financial institutions in the U.S. with lending operations in the consumer, small-business and corporate markets, in addition to asset management and investment banking divisions. Bank of America has delivered consistent results over the last year, with particular strength within their consumer bank division.Citigroup: 3.9% (2016: 2.5%) is a U.S. based money center bank with a global footprint. We believe Citigroup is attractively valued on both a price-to-earnings and book value basis, has self-help opportunities within its consumer banking segment and offers the potential for dividend growth.Pfizer: 3.9% (2016: 3.4%) is a diversified pharmaceutical firm based in the U.S. In our view, Pfizer trades at an attractive valuation, offers investors a healthy drug pipeline and has the balance sheet flexibility to deliver long term shareholder value through a variety of avenues.Oracle: 3.2% (2016: 1.8%) is a vertically integrated software company that offers both applications and underlying database software. Oracle's database and enterprise markets are sticky in terms of customer retention, which we like. Further, we are positive on Oracle's ability to successfully convert customers from an on premise licencing model (i.e. customers pay for an upfront licence and ongoing maintenance) to a higher margin, cloud based subscription model (i.e. delivery of software and services over the internet).Wells Fargo: 3.0% (2016: 2.7%) is a U.S. bank which operates in three segments including community banking, wholesale banking and wealth & investment management. Wells Fargo has a strong deposit franchise and we are encouraged by the company's history of strong investment returns and prudent credit risk management. In our view, shares of the company are underappreciated today in an environment characterised by low credit losses and ample access to liquidity.Anthem: 2.6% (2016: 1.5%) is one of the largest health maintenance organisations in the U.S. with offerings in the commercial (large and small employer), Medicare, Medicaid and individual markets. We believe Anthem has an undervalued competitive position given their overall scale and investment in technology. These structural advantages have the potential to drive down costs and improve the company's profitability.DowDuPont: 2.4% (2016: Du Pont: 1.5% and Dow Chemical: 1.3%) was officially formed on 31 August 2017 after the merger between E.I. du Pont de Nemours & Company and The Dow Chemical Company was finalised. The combined company is more vertically integrated and it is one of the largest chemical ***producers*** in the world. We are encouraged by the potential synergies and productivity improvements at the combined company and believe this merger has the potential to drive additional profit growth for the company going forward.Microsoft: 2.2% (2016: 2.4%) is a global technology leader that is engaged in developing and licencing both software and hardware products & services. We view Microsoft as an attractive long term investment given the firm's overall 'ecosystem', which historically has resulted in pricing power and efficient free cash flow generation over time. We are bullish on the stock given the firm's dominant position in business and enterprise software and the opportunity for greater client engagement and usage by shifting from on premise to a cloud distribution model.Suncor Energy: 2.0% (2016: 1.5%) is an integrated energy company focused on developing the Athabasca oil sands basin in Canada. We believe the company has underappreciated oil assets, strong downstream assets and a lower breakeven cost than many of its integrated oil and gas peers.All percentages reflect the value of the holding as a percentage of total investments. Percentages in brackets represent the value of the holding as at 31 October 2016. Together, the ten largest investments represent 31.3% of the Company's portfolio (31 October 2016: 27.4%).INVESTMENTS

as at 31 October 2017

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Company | Country | Sector | Securities | Market value  £'000 | % of total  portfolio |
|  |  |  |  |  |  |
| JPMorgan Chase | United States | Financials | Ordinary shares  Options | 4,708  (28) | }               4.1 |
| Bank of America | United States | Financials | Ordinary shares  Options | 4,642  (52) | }               4.0 |
| Citigroup | United States | Financials | Ordinary shares  Options | 4,467  (32) | }               3.9 |
| Pfizer | United States | Health Care | Ordinary shares  Options | 4,389  (2) | }               3.9 |
| Oracle | United States | Information Technology | Ordinary shares  Options | 3,646  (13) | }               3.2 |
| Wells Fargo | United States | Financials | Ordinary shares  Options | 3,444  (30) | }               3.0 |
| Anthem | United States | Health Care | Ordinary shares | 2,977 | 2.6 |
| DowDuPont | United States | Materials | Ordinary shares  Options | 2,726  (16) | }               2.4 |
| Microsoft | United States | Information Technology | Ordinary shares  Options | 2,518  (53) | }               2.2 |
| Suncor Energy | Canada | Energy | Ordinary shares  Options | 2,256  (3) | }               2.0 |
| AstraZeneca | United Kingdom | Health Care | Ordinary shares | 2,244 | 2.0 |
| American International Group | United States | Financials | Ordinary shares | 2,231 | 2.0 |
| Royal Dutch Shell | Netherlands | Energy | Ordinary shares  Options | 2,197  (10) | }               1.9 |
| Morgan Stanley | United States | Financials | Ordinary shares  Options | 2,117  (12) | }               1.9 |
| Chevron | United States | Energy | Ordinary shares  Options | 2,052  (3) | }               1.8 |
| Merck | United States | Health Care | Ordinary shares  Options | 2,036  \*- | }               1.8 |
| Koninklijke Philips | Netherlands | Industrials | Ordinary shares | 1,904 | 1.7 |
| Northrop Grumman | United States | Industrials | Ordinary shares  Options | 1,880  (5) | }               1.6 |
| Total | France | Energy | Ordinary shares  Options | 1,868  (6) | }               1.6 |
| MetLife | United States | Financials | Ordinary shares  Options | 1,858  (5) | }               1.6 |
| NextEra Energy | United States | Utilities | Ordinary shares  Options | 1,855  (9) | }               1.6 |
| Aetna | United States | Health Care | Ordinary shares | 1,843 | 1.6 |
| Comcast | United States | Consumer Discretionary | Ordinary shares  Options | 1,758  (2) | }               1.5 |
| Verizon Communications | United States | Telecommunication Services | Ordinary shares  Options | 1,748  (3) | }               1.5 |
| US Bancorp | United States | Financials | Ordinary shares  Options | 1,712  (6) | }               1.5 |
| Honeywell International | United States | Industrials | Ordinary shares  Options | 1,607  (1) | }               1.4 |
| Diageo | United Kingdom | Consumer Staples | Ordinary shares  Options | 1,552  (6) | }               1.4 |
| Goldman Sachs | United States | Financials | Ordinary shares  Options | 1,536  (5) | }               1.3 |
| Taiwan Semiconductor Manufacturing | United States | Information Technology | Ordinary shares  Options | 1,489  (66) | }               1.3 |
| First Energy | United States | Utilities | Ordinary shares  Options | 1,376  (6) | }               1.2 |
| PG&E | United States | Utilities | Ordinary shares  Options | 1,314  \*- | }               1.2 |
| Public Service Enterprise | United States | Utilities | Ordinary shares  Options | 1,313  (1) | }               1.2 |
| Lockheed Martin | United States | Industrials | Ordinary shares  Options | 1,300  (2) | }               1.1 |
| Medtronic | Ireland | Health Care | Ordinary shares  Options | 1,273  (1) | }               1.1 |
| SunTrust Banks | United States | Financials | Ordinary shares  Options | 1,195  (11) | }               1.0 |
| Qualcomm | United States | Information Technology | Ordinary shares  Options | 1,145  (4) | }               1.0 |
| Samsung Electronics | United States | Information Technology | Ordinary shares | 1,133 | 1.0 |
| Travelers Companies | United States | Financials | Ordinary shares  Options | 1,139  (14) | }               1.0 |
| UnitedHealth Group | United States | Health Care | Ordinary shares  Options | 1,118  (10) | }               1.0 |
| Hess | United States | Energy | Ordinary shares  Options | 1,104  (4) | }               1.0 |
| Procter & Gamble | United States | Consumer Staples | Ordinary shares  Options | 1,069  \*- | }               0.9 |
| General Electric | United States | Industrials | Ordinary shares  Options | 1,045  (1) | }               0.9 |
| Unilever | Netherlands | Consumer Staples | Ordinary shares  Options | 1,008  \*- | }               0.9 |
| Novo-Nordisk | Denmark | Health Care | Ordinary shares  Options | 904  (1) | }               0.8 |
| Marsh & McLennan | United States | Financials | Ordinary shares  Options | 903  (3) | }               0.8 |
| Motorola Solutions | United States | Information Technology | Ordinary shares  Options | 904  (4) | }               0.8 |
| 3M | United States | Industrials | Ordinary shares  Options | 912  (15) | }               0.8 |
| Marathon Oil | United States | Energy | Ordinary shares  Options | 855  (6) | }               0.7 |
| Mckesson | United States | Health Care | Ordinary shares  Options | 824  \*- | }               0.7 |
| Kroger | United States | Consumer Staples | Ordinary shares  Options | 789  (1) | }               0.7 |
| Publicis | France | Consumer Discretionary | Ordinary shares  Options | 780  (1) | }               0.7 |
| Marathon Petroleum | United States | Energy | Ordinary shares  Options | 767  (3) | }               0.7 |
| Humana | United States | Health Care | Ordinary shares  Options | 760  (5) | }               0.7 |
| Dr Pepper Snapple | United States | Consumer Staples | Ordinary shares  Options | 748  (1) | }               0.7 |
| Nielsen | United States | Industrials | Ordinary shares  Options | 706  \*- | }               0.6 |
| Exelon | United States | Utilities | Ordinary shares  Options | 665  (2) | }               0.6 |
| Quest Diagnostics | United States | Health Care | Ordinary shares  Options | 660  (5) | }               0.6 |
| SK Telecom | South Korea | Telecommunication Services | Ordinary shares  Options | 646  (6) | }               0.6 |
| Keycorp | United States | Financials | Ordinary shares  Options | 641  (1) | }               0.6 |
| Union Pacific | United States | Industrials | Ordinary shares  Options | 625  (1) | }               0.5 |
| CRH | Ireland | Materials | Ordinary shares  Options | 624  (1) | }               0.5 |
| Johnson & Johnson | United States | Health Care | Ordinary shares  Options | 620  (8) | }               0.5 |
| Experian | Ireland | Industrials | Ordinary shares  Options | 601  (2) | }               0.5 |
| Schwab (Charles) | United States | Financials | Ordinary shares  Options | 591  (1) | }               0.5 |
| Lowe's Companies | United States | Consumer Discretionary | Ordinary shares  Options | 590  (2) | }               0.5 |
| Invesco | United States | Financials | Ordinary shares  Options | 568  (3) | }               0.5 |
| Dollar General | United States | Consumer Discretionary | Ordinary shares  Options | 557  (2) | }               0.5 |
| Constellation Software | Canada | Information Technology | Ordinary shares  Options | 559  (7) | }               0.5 |
| International Paper | United States | Materials | Ordinary shares  Options | 541  (3) | }               0.5 |
| Mattel | United States | Consumer Discretionary | Ordinary shares  Options | 530  (2) | }               0.5 |
| Pentair | United Kingdom | Industrials | Ordinary shares  Options | 516  (1) | }               0.5 |
| Kellogg Co | United States | Consumer Staples | Ordinary shares  Options | 494  (1) | }               0.4 |
| Smith & Nephew | United Kingdom | Health Care | Ordinary shares  Options | 492  (5) | }               0.4 |
| Occidental Petroleum | United States | Energy | Ordinary shares | 487 | 0.4 |
| Altria Group | United States | Consumer Staples | Ordinary shares  Options | 457  (1) | }               0.4 |
| Lenovo | China | Information Technology | Ordinary shares  Options | 457  (5) | }               0.4 |
| Pioneer Natural Resources | United States | Energy | Ordinary shares  Options | 451  (3) | }               0.4 |
| Prudential Financial | United States | Financials | Ordinary shares  Options | 445  (1) | }               0.4 |
| Halliburton | United States | Energy | Ordinary shares  Options | 444  \*- | }               0.4 |
| Enbridge | Canada | Energy | Ordinary shares  Options | 444  \*- | }               0.4 |
| United Parcel Service | United States | Industrials | Ordinary shares  Options | 443  (1) | }               0.4 |
| Philip Morris International | United States | Consumer Staples | Ordinary shares  Options | 432  \*- | }               0.4 |
| CDW | United States | Information Technology | Ordinary shares  Options | 391  (2) | }               0.3 |
| Praxair | United States | Materials | Ordinary shares  Options | 352  (3) | }               0.3 |
| BCE | Canada | Telecommunication Services | Ordinary shares  Options | 340  \*- | }               0.3 |
| General Mills | United States | Consumer Staples | Ordinary shares  Options | 331  \*- | }               0.3 |
| Cardinal Health | United States | Health Care | Ordinary shares  Options | 194  (1) | }               0.2 |
| Brighthouse Financial | United States | Financials | Ordinary shares  Options | 166  \*- | }               0.1 |
| Equifax | United States | Industrials | Ordinary shares | 151 | 0.1 |
| Becton Dickinson | United States | Health Care | Ordinary shares | 85 | 0.1 |
|  |  |  |  | -------- | -------- |
| Portfolio |  |  |  | 113,702 | 100.0 |
|  |  |  |  | -------- | -------- |

\*  Market value less than £1,000.All investments are in ordinary shares unless otherwise stated. The number of holdings as at 31 October 2017 was 90 (31 October 2016: 89). The total number of individual open options as at 31 October 2017 was 175 (31 October 2016: 186).The negative valuation of £532,000 in respect of options held represents the notional cost of repurchasing the contracts at market prices as at 31 October 2017 (31 October 2016: £311,000).At 31 October 2017, the Company did not hold any equity interests comprising more than 3% of any company's share capital.STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ANNUAL REPORT AND FINANCIAL STATEMENTSThe Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and regulations. Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors have elected to prepare the financial statements under IFRS as adopted by the European Union.Under Company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company as at the end of each financial year and of the profit or loss of the Company for that period.In preparing those financial statements, the Directors are required to:present fairly the financial position, financial performance and cash flows of the Company;select suitable accounting policies in accordance with IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently;present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;make judgements and estimates that are reasonable and prudent;state whether the financial statements have been prepared in accordance with IFRS as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements;provide additional disclosures when compliance with the specific requirements in IFRS as adopted by the European Union is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company's financial position and financial performance; andprepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.The Directors are also responsible for preparing the ***Strategic*** Report, Directors' Report, the Directors' Remuneration Report, the Corporate Governance Statement and the Report of the Audit and Management Engagement Committee in accordance with the Companies Act 2006 and applicable regulations, including the requirements of the Listing Rules and the Disclosure and Transparency Rules. The Directors have delegated responsibility to the Manager for the maintenance and integrity of the Company's corporate and financial information included on the BlackRock website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.Each of the Directors, whose names are listed on page 20 of the Annual Report, confirm to the best of their knowledge that:the financial statements, which have been prepared in accordance with IFRS as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and net return of the Company; andthe ***Strategic*** Report contained in the Annual Report and Financial Statements includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that it faces.The 2016 UK Corporate Governance Code also requires Directors to ensure that the Annual Report and Financial Statements are fair, balanced and understandable. In order to reach a conclusion on this matter, the Board has requested that the Audit and Management Engagement Committee advise on whether it considers that the Annual Report and Financial Statements fulfil these requirements. The process by which the Committee has reached these conclusions is set out in the Audit and Management Engagement Committee's report on pages 34 to 37 of the Annual Report. As a result, the Board has concluded that the Annual Report and Financial Statements for the year ended 31 October 2017, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position, performance, business model and strategy.FOR AND ON BEHALF OF THE BOARD

SIMON MILLER

Chairman13 December 2017STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 October 2017

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  | Notes | Revenue  2017  £'000 | Revenue  2016  £'000 | Capital  2017  £'000 | Capital  2016  £'000 | Total  2017  £'000 | Total  2016  £'000 |
| Income from investments held at fair value through profit or loss | 3 | 3,017 | 2,772 | - | - | 3,017 | 2,772 |
| Other income | 3 | 1,990 | 2,144 | - | - | 1,990 | 2,144 |
|  |  | -------- | -------- | -------- | -------- | -------- | -------- |
| Total revenue |  | 5,007 | 4,916 | - | - | 5,007 | 4,916 |
|  |  | -------- | -------- | -------- | -------- | -------- | -------- |
| Net profit on investments and options held at fair value through profit or loss |  | - | - | 9,664 | 24,078 | 9,664 | 24,078 |
| Net (loss)/profit on foreign exchange |  | - | - | (541) | 378 | (541) | 378 |
|  |  | -------- | -------- | -------- | -------- | -------- | -------- |
| Total |  | 5,007 | 4,916 | 9,123 | 24,456 | 14,130 | 29,372 |
|  |  | -------- | -------- | -------- | -------- | -------- | -------- |
| Expenses |  |  |  |  |  |  |  |
| Investment management fees | 4 | (217) | (187) | (651) | (560) | (868) | (747) |
| Other operating expenses | 5 | (378) | (267) | (16) | (37) | (394) | (304) |
|  |  | -------- | -------- | -------- | -------- | -------- | -------- |
| Total operating expenses |  | (595) | (454) | (667) | (597) | (1,262) | (1,051) |
|  |  | -------- | -------- | -------- | -------- | -------- | -------- |
| Net profit on ordinary activities before taxation |  | 4,412 | 4,462 | 8,456 | 23,859 | 12,868 | 28,321 |
| Taxation |  | (681) | (732) | 126 | 112 | (555) | (620) |
|  |  | ======== | ======== | ======== | ======== | ======== | ======== |
| Profit for the year |  | 3,731 | 3,730 | 8,582 | 23,971 | 12,313 | 27,701 |
|  |  | ======== | ======== | ======== | ======== | ======== | ======== |
| Earnings per ordinary share (pence) | 7 | 5.41 | 5.17 | 12.46 | 33.20 | 17.87 | 38.37 |
|  |  | ======== | ======== | ======== | ======== | ======== | ======== |

The total column of this statement represents the Company's Statement of Comprehensive Income, prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU). The supplementary revenue and capital columns are both prepared under guidance published by the Association of Investment Companies (AIC). All items in the above statement derive from continuing operations. No operations were acquired or discontinued during the year. All income is attributable to the equity holders of the Company.The Company does not have any other comprehensive income. The net profit for the year disclosed above represents the Company's total comprehensive income.STATEMENT OF CHANGES IN EQUITY

for the year ended 31 October 2017

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | Notes | Called up  share  capital  £'000 | Share  premium  account  £'000 | Capital  redemption  reserve  £'000 | Special  reserve  £'000 | Capital  reserves  £'000 | Revenue  reserve  £'000 | Total  £'000 |
| For the year ended 31 October 2017 |  |  |  |  |  |  |  |  |
| At 31 October 2016 |  | 1,004 | 36,774 | 1,460 | 25,029 | 43,161 | 2,051 | 109,479 |
| Total Comprehensive Income: |  |  |  |  |  |  |  |  |
| Net profit for the year |  | - | - | - | - | 8,582 | 3,731 | 12,313 |
| Transactions with owners, recorded directly to equity: |  |  |  |  |  |  |  |  |
| Ordinary shares purchased into treasury | 8 & 9 | - | - | - | (118) | - | - | (118) |
| Share purchase costs | 8 & 9 | - | - | - | (1) | - | - | (1) |
| Dividends paid\* | 6 | - | - | - | - | - | (3,378) | (3,378) |
|  |  | -------- | -------- | -------- | -------- | -------- | -------- | -------- |
| At 31 October 2017 |  | 1,004 | 36,774 | 1,460 | 24,910 | 51,743 | 2,404 | 118,295 |
|  |  | -------- | -------- | -------- | -------- | -------- | -------- | -------- |
| For the year ended 31 October 2016 |  |  |  |  |  |  |  |  |
| At 31 October 2015 |  | 1,004 | 36,774 | 1,460 | 37,956 | 19,190 | 1,662 | 98,046 |
| Total Comprehensive Income: |  |  |  |  |  |  |  |  |
| Net profit for the year |  | - | - | - | - | 23,971 | 3,730 | 27,701 |
| Transactions with owners, recorded directly to equity: |  |  |  |  |  |  |  |  |
| Ordinary shares purchased into treasury |  | - | - | - | (12,922) | - | - | (12,922) |
| Share purchase costs |  | - | - | - | (65) | - | - | (65) |
| Share purchase costs written back |  | - | - | - | 60 | - | - | 60 |
| Dividends paid\*\* | 6 | - | - | - | - | - | (3,341) | (3,341) |
|  |  | -------- | -------- | -------- | -------- | -------- | -------- | -------- |
| At 31 October 2016 |  | 1,004 | 36,774 | 1,460 | 25,029 | 43,161 | 2,051 | 109,479 |
|  |  | -------- | -------- | -------- | -------- | -------- | -------- | -------- |

\*  4th interim dividend of 1.20p per share for the year ended 31 October 2016, declared on 3 November 2016 and paid on 5 January 2017; 1st interim dividend of 1.20p per share for the year ended 31 October 2017, declared on 21 February 2017 and paid on 4 April 2017; 2nd interim dividend of 1.25p per share for the year ended 31 October 2017, declared on 3 May 2017 and paid on 30 June 2017; and 3rd interim dividend of 1.25p per share for the year ended 31 October 2017, declared on 8 August 2017 and paid on 6 October 2017.\*\* 4th interim dividend of 1.10p per share for the year ended 31 October 2015, declared on 4 November 2015 and paid on 5 January 2016; 1st interim dividend of 1.10p per share for the year ended 31 October 2016, declared on 18 February 2016 and paid on 4 April 2016; 2nd interim dividend of 1.20p per share for the year ended 31 October 2016, declared on 4 May 2016 and paid on 1 July 2016; and 3rd interim dividend of 1.20p per share for the year ended 31 October 2016, declared on 3 August 2016 and paid on 7 October 2016.STATEMENT OF FINANCIAL POSITION

as at 31 October 2017

|  |  |  |  |
| --- | --- | --- | --- |
|  | Notes | 31 October 2017  £'000 | 31 October 2016  £'000 |
| Non current assets |  |  |  |
| Investments held at fair value through profit or loss |  | 114,234 | 105,726 |
|  |  | -------- | -------- |
| Current assets |  |  |  |
| Other receivables |  | 466 | 154 |
| Cash collateral held with brokers |  | - | 125 |
| Cash and cash equivalents |  | 7,509 | 4,686 |
|  |  | -------- | -------- |
|  |  | 7,975 | 4,965 |
|  |  | -------- | -------- |
| Total assets |  | 122,209 | 110,691 |
|  |  | -------- | -------- |
| Current liabilities |  |  |  |
| Other payables |  | (3,382) | (901) |
| Derivative financial liabilities held at fair value through profit or loss |  | (532) | (311) |
|  |  | -------- | -------- |
|  |  | (3,914) | (1,212) |
|  |  | ---------- | ---------- |
| Net assets |  | 118,295 | 109,479 |
|  |  | ====== | ====== |
| Equity attributable to equity holders |  |  |  |
| Called up share capital | 8 | 1,004 | 1,004 |
| Share premium account | 9 | 36,774 | 36,774 |
| Capital redemption reserve | 9 | 1,460 | 1,460 |
| Special reserve | 9 | 24,910 | 25,029 |
| Capital reserves | 9 | 51,743 | 43,161 |
| Revenue reserve | 9 | 2,404 | 2,051 |
|  |  | -------- | -------- |
| Total equity |  | 118,295 | 109,479 |
|  |  | ====== | ====== |
| Net asset value per ordinary share (pence) | 7 | 171.76 | 158.78 |
|  |  | ====== | ====== |

CASH FLOW STATEMENT

for the year ended 31 October 2017

|  |  |  |
| --- | --- | --- |
|  | 31 October 2017  £'000 | 31 October 2016  £'000 |
| Operating activities |  |  |
| Net profit on ordinary activities before taxation | 12,868 | 28,321 |
| Net profit on investments and options held at fair value through profit or loss (including transaction costs) | (9,664) | (24,078) |
| Net loss/(profit) on foreign exchange | 541 | (378) |
| Sales of investments held at fair value through profit or loss | 95,600 | 78,286 |
| Purchases of investments held at fair value through profit or loss | (94,223) | (64,305) |
| Decrease/(increase) in other receivables | 34 | (4) |
| Increase/(decrease) in other payables | 338 | (21) |
| (Increase)/decrease in amounts due from brokers | (356) | 2,619 |
| Increase/(decrease) in amounts due to brokers | 2,125 | (1,017) |
| Net movement in cash collateral held with brokers | 125 | (125) |
|  | -------- | -------- |
| Net cash inflow from operating activities before taxation | 7,388 | 19,298 |
|  | -------- | -------- |
| Taxation on investment income included within gross income | (532) | (689) |
|  | -------- | -------- |
| Net cash inflow from operating activities | 6,856 | 18,609 |
|  | -------- | -------- |
| Financing activities |  |  |
| Ordinary shares purchased into treasury | (118) | (12,922) |
| Share issue and share purchase costs paid | (1) | (101) |
| Share issue costs rebate received | 5 | 60 |
| Dividends paid | (3,378) | (3,341) |
|  | -------- | -------- |
| Net cash outflow from financing activities | (3,492) | (16,304) |
|  | -------- | -------- |
| Increase in cash and cash equivalents | 3,364 | 2,305 |
| Effect of foreign exchange rate changes | (541) | 378 |
|  | -------- | -------- |
| Change in cash and cash equivalents | 2,823 | 2,683 |
| Cash and cash equivalents at start of year | 4,686 | 2,003 |
|  | -------- | -------- |
| Cash and cash equivalents at end of year | 7,509 | 4,686 |
|  | -------- | -------- |
| Comprised of: |  |  |
| Cash at bank | 7,509 | 4,686 |
|  | -------- | -------- |
|  | 7,509 | 4,686 |
|  | ===== | ===== |

NOTES TO THE FINANCIAL STATEMENTS1. PRINCIPAL ACTIVITY

The principal activity of the Company is that of an investment trust company within the meaning of section 1158 of the Corporation Tax Act 2010. The Company was incorporated on 30 August 2012, and this is the fifth Annual Report.2. ACCOUNTING POLICIES

The principal accounting policies adopted by the Company are set out below.(a) Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006. All of the Company's operations are of a continuing nature.Insofar as the Statement of Recommended Practice (SORP) for investment trust companies and venture capital trusts issued by the Association of Investment Companies (AIC), revised in November 2014, is compatible with IFRS, the financial statements have been prepared in accordance with the guidance set out in the SORP.Substantially, all of the assets of the Company consist of securities that are readily realisable and, accordingly, the Directors believe that the Company has adequate resources to continue in operational existence for the foreseeable future. Consequently, the Directors have determined that it is appropriate for the financial statements to be prepared on a going concern basis.The Company's financial statements are presented in sterling, which is the functional currency of the Company and the currency of the primary economic environment in which the Company operates. All values are rounded to the nearest thousand pounds (£'000) except where otherwise indicated.A number of new standards, amendments to standards and interpretations that became effective during the year, had no significant impact on the amounts reported in these financial statements but may impact accounting for future transactions and arrangements.At the date of authorising these financial statements the following standards and interpretations which had not been applied in these financial statements were in issue but not yet effective.IFRS 9 Financial Instruments (2014) replaces IAS 39 and deals with a package of improvements including principally a revised model for classification and measurement of financial instruments, a forward looking expected loss impairment model and a revised framework for hedge accounting. In terms of classification and measurement, the revised standard is principles based depending on the business model and nature of cash flows. Under this approach, instruments are measured at either amortised cost or fair value. Under IFRS 9 equity and derivative investments will be held at fair value because they fail the 'solely payments of principal and interest' test and debt investments will be held at fair value because the business model is to manage them on a fair value basis. The standard is effective from 1 January 2018 with earlier application permitted. The Company does not ***plan*** to early adopt this standard. The standard is not expected to have any impact on the Company as all its investments are held at fair value through profit or loss.Amendments to IAS 7 - Disclosure Initiative Statement of Cash Flows (effective 1 January 2017). The amendments are not expected to have a significant effect on the presentation of the Cash Flow Statement within the financial statements of the Company as the Company does not have any debt.Amendments to IAS 12 - Recognition of deferred tax assets for unrealised losses (effective 1 January 2017). The amendment is not expected to have a significant effect on the measurement of amounts recognised in the financial statements of the Company.IFRS 15 Revenue from Contracts with Customers (effective 1 January 2017) specifies how and when an entity should recognise revenue and enhances the nature of revenue disclosures. Given the nature of the Company's revenue streams from financial instruments, the provisions of this standard are not expected to have a material impact.(b) Presentation of the Statement of Comprehensive Income

In order to better reflect the activities of an investment trust company and in accordance with guidance issued by the AIC, supplementary information which analyses the Statement of Comprehensive Income between items of a revenue and a capital nature has been presented alongside the Statement of Comprehensive Income.(c) Segmental reporting

The Directors are of the opinion that the Company is engaged in a single segment of business being investment business.(d) Income

Dividends receivable on equity shares are recognised as revenue for the year on an ex-dividend basis. Where no ex-dividend date is available dividends receivable on or before the year end are treated as revenue for the year. Provision is made for any dividends not expected to be received. Special dividends, if any, are treated as a capital or a revenue receipt depending on the facts or circumstances of each particular case. The return on a debt security is recognised on a time apportionment basis so as to reflect the effective yield on the debt security.Options may be purchased or written over securities held in the portfolio for generating or protecting capital returns, or for generating or maintaining revenue returns. Where the purpose of the option is the generation of income, the premium is treated as a revenue item. Where the purpose of the option is the maintenance of capital, the premium is treated as a capital item.Option premium income is recognised as revenue evenly over the life of the option contract and included in the revenue column of the Statement of Comprehensive Income unless the option has been written for the maintenance and enhancement of the Company's investment portfolio and represents an incidental part of a larger capital transaction, in which case any premia arising are allocated to the capital column of the Statement of Comprehensive Income.Deposit interest receivable is accounted for on an accruals basis.Where the Company has elected to receive its dividends in the form of additional shares rather than in cash, the cash equivalent of the dividend is recognised as income. Any excess in the value of the shares received over the amount of the cash dividend is recognised in capital.(e) Expenses

All expenses, including finance costs, are accounted for on an accruals basis. Expenses have been charged wholly to the revenue column of the Statement of Comprehensive Income, except as follows:              expenses which are incidental to the acquisition or sale of an investment are charged to the capital column of the Statement of Comprehensive Income. Details of transaction costs on the purchases and sales of investments are disclosed within note 9 to the financial statements on page 55 of the Annual Report;expenses are treated as capital where a connection with the maintenance or enhancement of the value of the investments can be demonstrated;the investment management fee and finance costs have been allocated 75% to the capital column and 25% to the revenue column of the Statement of Comprehensive Income in line with the Board's expectations of the long term split of returns, in the form of capital gains and income, respectively, from the investment portfolio.(f) Taxation

The tax expense represents the sum of the tax currently payable and deferred tax. The tax currently payable is based on the taxable profit for the year. Taxable profit differs from net profit as reported in the Statement of Comprehensive Income because it excludes items of income or expenses that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that were applicable at the balance sheet date.Where expenses are allocated between capital and revenue, any tax relief in respect of expenses is allocated between capital and revenue returns on the marginal basis using the Company's effective rate of corporation tax for the accounting period.Deferred taxation is recognised in respect of all temporary differences that have originated but not reversed at the financial reporting date, where transactions or events that result in an obligation to pay more tax in the future or right to pay less tax in the future have occurred at the financial reporting date. This is subject to deferred tax assets only being recognised if it is considered more likely than not that there will be suitable profits from which the future reversal of the temporary differences can be deducted. Deferred tax assets and liabilities are measured at the rates applicable to the legal jurisdictions in which they arise.(g) Investments held at fair value through profit or loss

The Company's investments are designated upon initial recognition as held at fair value through profit or loss in accordance with IAS 39 - 'Financial Instruments: Recognition and Measurement' and are managed and evaluated on a fair value basis in accordance with its investment strategy.All investments are measured initially and subsequently at fair value through profit or loss. Purchases of investments are recognised on a trade date basis. The sale of investments are recognised at the trade date of the disposal. Proceeds are measured at fair value, which is regarded as the proceeds of sale less any transaction costs.The fair value of the equity investments is based on their quoted bid price at the financial reporting date, without deduction for the estimated selling costs. This policy applies to all current and non current asset investments held by the Company.Changes in the value of investments held at fair value through profit or loss and gains and losses on disposal are recognised in the Statement of Comprehensive Income as 'Net profits or losses on investments held at fair value through profit of loss'. Also included within the heading are transaction costs in relation to the purchase or sale of investments.(h) Derivatives

Derivatives are held at fair value based on the bid/offer prices of the options written to which the Company is exposed. The value of the option is subsequently marked-to-market to reflect the fair value of the option based on traded prices. Where the premium is taken to revenue, an appropriate amount is shown as capital return such that the total return reflects the overall change in the fair value of the option. When an option is closed out or exercised the gain or loss is accounted for as a capital gain or loss.(i) Other receivables and other payables

Other receivables and other payables do not carry any interest and are short term in nature and are accordingly stated at their nominal value.(j) Dividends payable

Under IFRS, final dividends should not be accrued in the financial statements unless they have been approved by shareholders before the financial reporting date. Interim dividends should not be accrued in the financial statements unless they have been paid.Dividends payable to equity shareholders are recognised in the Statement of Changes in Equity.(k) Foreign currency translation

Transactions involving foreign currencies are converted at the rate ruling at the date of the transaction. Foreign currency monetary assets and liabilities and non monetary assets held at fair value are translated into sterling at the rate ruling on the financial reporting date. Foreign exchange differences arising on translation are recognised in the Statement of Comprehensive Income as a revenue or capital item depending on the income or expense to which they relate. For investment transactions and investments held at the year end, denominated in a foreign currency, the resulting gains or losses are included in the profit/(loss) on investments held at fair value through profit or loss in the Statement of Comprehensive Income.(l) Cash and cash equivalents

Cash comprises cash in hand and on demand deposits. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of changes in value.(m) Bank borrowings

Bank overdrafts are recorded as the proceeds received. Finance charges are accounted for on an accruals basis in the Statement of Comprehensive Income using the effective interest rate method and are added to the carrying amount of the instruments to the extent that they are not settled in the period in which they arise.3. INCOME

|  |  |  |
| --- | --- | --- |
|  | 2017  £'000 | 2016  £'000 |
| Investment income: |  |  |
| UK listed dividends | 143 | 74 |
| Overseas listed dividends | 2,849 | 2,668 |
| Overseas listed special dividends | 25 | 30 |
|  | -------- | -------- |
|  | 3,017 | 2,772 |
|  | -------- | -------- |
| Other income: |  |  |
| Deposit interest | 36 | 1 |
| Option premium income | 1,954 | 2,143 |
|  | -------- | -------- |
|  | 1,990 | 2,144 |
|  | -------- | -------- |
| Total income | 5,007 | 4,916 |
|  | ===== | ===== |

During the year, the Company received premiums totalling £1,947,000 (2016: £2,149,000) for writing covered call options for the purposes of revenue generation. Option premiums of £1,954,000 (2016: £2,143,000) were amortised to income. All derivative transactions were based on constituent stocks in the Russell 1000 Value Index. At 31 October 2017, there were 175 (2016: 186) open positions with an associated liability of £532,000 (2016: £311,000).Dividends and interest received during the year amounted to £3,032,000 and £36,000 (2016: £2,786,000 and £1,000).Special dividends of £13,000 have been recognised in capital (2016: nil).4. INVESTMENT MANAGEMENT FEES

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | 2017 | 2016 |  |  |  |  |
|  | Revenue  £'000 | Capital  £'000 | Total  £'000 | Revenue  £'000 | Capital  £'000 | Total  £'000 |
| Investment management fee | 217 | 651 | 868 | 187 | 560 | 747 |
|  | ------- | ------- | ------- | ------- | ------- | ------- |
| Total | 217 | 651 | 868 | 187 | 560 | 747 |
|  | ==== | ==== | ==== | ==== | === | ==== |

The investment management fee is payable in quarterly arrears, calculated at the rate of 0.75% of the Company's net assets (2016: 0.75%).5. OTHER OPERATING EXPENSES

|  |  |  |
| --- | --- | --- |
|  | 2017  £'000 | 2016  £'000 |
| Allocated to revenue: |  |  |
| Custody fee | 5 | 3 |
| Auditors' remuneration: |  |  |
| - audit services | 28 | 28 |
| Registrar's fee | 26 | 27 |
| Directors' emoluments | 123 | 105 |
| Broker fees | 37 | 40 |
| Depositary fees | 13 | 11 |
| Marketing fees | 29 | 35 |
| Marketing fees prior year adjustment | 8 | (59) |
| Other administrative costs | 109 | 77 |
|  | -------- | -------- |
|  | 378 | 267 |
|  | -------- | -------- |
| Allocated to capital: |  |  |
| Custody transaction charges | 16 | 37 |
|  | -------- | -------- |
|  | 394 | 304 |
|  | -------- | -------- |
| The Company's ongoing charges, calculated as a percentage of average net assets and using expenses, VAT refunded, finance costs and taxation were: | 1.07% | 1.04% |
|  | ===== | ===== |

For the year ended 31 October 2017, expenses of £16,000 (2016: £37,000) were charged to the capital column of the Statement of Comprehensive Income. These relate to transaction costs charged by the custodian on sale and purchase trades.6. DIVIDENDS

Dividends paid on equity shares:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | Record date | Payment date | 2017  £'000 | 2016  £'000 |
| 4th interim dividend of 1.20p per share paid for the year ended 31 October 2016 (2015: 1.10p) | 25 November 2016 | 5 January 2017 | 827 | 877 |
| 1st interim dividend of 1.20p per share paid for the year ended 31 October 2017 (2016: 1.10p) | 3 March 2017 | 4 April 2017 | 828 | 802 |
| 2nd interim dividend of 1.25p per share paid for the year ended 31 October 2017 (2016: 1.20p) | 19 May 2017 | 30 June 2017 | 862 | 835 |
| 3rd interim dividend of 1.25p per share paid for the year ended 31 October 2017 (2016: 1.20p) | 18 August 2017 | 6 October 2017 | 861 | 827 |
|  |  |  | -------- | -------- |
| Accounted for in the financial statements |  |  | 3,378 | 3,341 |
|  |  |  | ===== | ===== |

The total dividends payable in respect of the year ended 31 October 2017 which form the basis of section 1158 of the Corporation Tax Act 2010 and section 833 of the Companies Act 2006, and the amounts declared, meet the relevant requirements as set out in this legislation.

|  |  |  |
| --- | --- | --- |
| Dividends paid or declared on equity shares: | 2017  £'000 | 2016  £'000 |
| 1st interim dividend of 1.20p per share paid for the year ended 31 October 2017 (2016: 1.10p) | 828 | 802 |
| 2nd interim dividend of 1.25p per share paid for the year ended 31 October 2017 (2016: 1.20p) | 862 | 835 |
| 3rd interim dividend of 1.25p per share paid for the year ended 31 October 2017 (2016: 1.20p) | 861 | 827 |
| 4th interim dividend of 1.25p per share payable on 5 January 2018 for the year ended  31 October 2017\* (2016: 1.20p) | 861 | 827 |
|  | -------- | -------- |
|  | 3,412 | 3,291 |
|  | ===== | ===== |

\* Based on 68,874,044 ordinary shares in issue on 24 November 2017.7. EARNINGS AND NET ASSET VALUE PER ORDINARY SHARE

Total revenue and capital return per share and net asset value per share are shown below and have been calculated using the following:

|  |  |  |
| --- | --- | --- |
|  | 2017 | 2016 |
| Net revenue profit attributable to ordinary shareholders (£'000) | 3,731 | 3,730 |
| Net capital profit attributable to ordinary shareholders (£'000) | 8,582 | 23,971 |
|  | -------- | -------- |
| Total profit attributable to ordinary shareholders (£'000) | 12,313 | 27,701 |
|  | -------- | -------- |
| Equity shareholders' funds (£'000) | 118,295 | 109,479 |
|  | -------------- | -------------- |
| The weighted average number of ordinary shares in issue during the year, on which the earnings per ordinary share was calculated was: | 68,920,483 | 72,193,444 |
|  | -------------- | -------------- |
| The actual number of ordinary shares in issue at the year end, on which the net asset value per ordinary share was calculated was: | 68,874,044 | 68,949,044 |
|  | -------------- | -------------- |
| Return per share |  |  |
| Revenue earnings per share - (pence) | 5.41 | 5.17 |
| Capital earnings per share - (pence) | 12.46 | 33.20 |
|  | -------- | -------- |
| Total earnings per share - (pence) | 17.87 | 38.37 |
|  | -------- | -------- |
| Net asset value per ordinary share - (pence) | 171.76 | 158.78 |
|  | -------- | -------- |
| Ordinary share price - (pence) | 160.50 | 155.75 |
|  | ====== | ===== |

There were no dilutive securities at the year end.8. CALLED-UP SHARE CAPITAL

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | Number of  ordinary  shares in  issue | Treasury  shares | Total  shares | Nominal  value  £'000 |
| Allotted, called up and fully paid share capital comprised: |  |  |  |  |
| Ordinary shares of 1 pence each |  |  |  |  |
| At 31 October 2016 | 68,949,044 | 31,412,261 | 100,361,305 | 1,004 |
| Purchase of ordinary shares | (75,000) | 75,000 | - | - |
|  | ------------- | -------------- | --------------- | -------- |
| At 31 October 2017 | 68,874,044 | 31,487,261 | 100,361,305 | 1,004 |
|  | ======== | ======== | ========= | ===== |

During the year ended 31 October 2017, the Company purchased 75,000 (2016: 11,090,000) shares for a total consideration of £119,000 (2016: £12,927,000) including costs.9. RESERVES

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | Share  premium  account  £'000 | Capital  redemption  reserve  £'000 | Special  reserve  £'000 | Capital  reserve  arising on  investments  sold  £'000 | Capital  reserve  arising on  revaluation  of investments  £'000 | Revenue  reserve  £'000 |
|  |  |  |  |  |  |  |
| At 31 October 2016 | 36,774 | 1,460 | 25,029 | 23,283 | 19,878 | 2,051 |
| Movement during the year: |  |  |  |  |  |  |
| Total Comprehensive Income: |  |  |  |  |  |  |
| Net capital profit for the year | - | - | - | 15,244 | (6,662) | - |
| Net revenue profit for the year | - | - | - | - | - | 3,731 |
| Transactions with owners recorded directly to equity: |  |  |  |  |  |  |
| Ordinary shares purchased into treasury | - | - | (118) | - | - | - |
| Share purchase costs | - | - | (1) | - | - | - |
| Dividends paid | - | - | - | - | - | (3,378) |
|  | -------- | -------- | -------- | -------- | -------- | -------- |
| At 31 October 2017 | 36,774 | 1,460 | 24,910 | 38,527 | 13,216 | 2,404 |
|  | ====== | ===== | ===== | ===== | ===== | ===== |

The share premium account and capital redemption reserve are not distributable profits under the Companies Act 2006. The special reserve may be used as distributable profits for all purposes and, in particular, for the repurchase by the Company of its ordinary shares and for payment as dividends.10. VALUATION OF FINANCIAL INVESTMENTS

Financial assets and financial liabilities are either carried in the Statement of Financial Position at their fair value (investment and derivatives) or at an amount which is a reasonable approximation of fair value (due from brokers, dividends and interest receivable, due to brokers, accruals, cash at bank and bank overdrafts). IFRS 13 requires the Company to classify fair value measurements using a fair value hierarchy that reflects the significance of inputs used in making the measurements. The valuation techniques used by the Company are explained in the accounting policies note 2(g).Categorisation within the hierarchy has been determined on the basis of the lowest level input that is significant to the fair value measurement of the relevant asset as follows.The fair value hierarchy has the following levels:Level 1 - Quoted market price in an active market for an identical instrument. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The Company does not adjust the quoted price for these instruments.Level 2 - Valuation techniques used to price securities based on observable inputs. This category includes instruments valued using quoted market prices in active markets for similar instruments; quoted prices for similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data. Valuation techniques used for non-standardised financial instruments such as options, currency swaps and other over-the-counter derivatives include the use of comparable recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants making the maximum use of market inputs and relying as little as possible on entity specific inputs.Level 3 - Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and these inputs could have a significant impact on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant entity determined adjustments or assumptions are required to reflect differences between the instruments and instruments for which there is no active market. The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety.For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a Level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability.The determination of what constitutes 'observable' requires significant judgement by the Investment Manager. The Investment Manager considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.Over-the-counter derivative option contracts have been classified as Level 2 investments as their valuation has been based on market observable inputs represented by the underlying quoted securities to which these contracts expose the Company.Fair values of financial assets and financial liabilities

The table below sets out fair value measurements using the IFRS 13 fair value hierarchy.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Financial assets at fair value through profit or loss at 31 October 2017 | Level 1  £'000 | Level 2  £'000 | Level 3  £'000 | Total  £'000 |
| Assets: |  |  |  |  |
| Equity investments | 114,234 | - | - | 114,234 |
| Liabilities: |  |  |  |  |
| Derivative financial instruments - written options | - | (532) | - | (532) |
|  | -------- | -------- | -------- | -------- |
|  | 114,234 | (532) | - | 113,702 |
|  | ====== | ===== | ===== | ====== |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Financial assets at fair value through profit or loss at 31 October 2016 | Level 1  £'000 | Level 2  £'000 | Level 3  £'000 | Total  £'000 |
| Assets: |  |  |  |  |
| Equity investments | 105,726 | - | - | 105,726 |
| Liabilities: |  |  |  |  |
| Derivative financial instruments - written options | (251) | (60) | - | (311) |
|  | -------- | -------- | -------- | -------- |
|  | 105,475 | (60) | - | 105,415 |
|  | ====== | ===== | ===== | ====== |

There were no transfers between levels for financial assets and financial liabilities during the year recorded at fair value as at 31 October 2017 and 31 October 2016. The Company did not hold any Level 3 securities throughout the financial year or as at 31 October 2017 (2016: nil).11. CONTINGENT LIABILITIES

There were no contingent liabilities at 31 October 2017 (2016: nil).12. PUBLICATION OF NON-STATUTORY ACCOUNTSThe financial information contained in this announcement does not constitute statutory accounts as defined in the Companies Act 2006.  The Annual Report and Financial Statements for the year ended 31 October 2017 will be filed with the Registrar of Companies after the Annual General Meeting.The figures set out above have been reported upon by the auditors, whose report for the year ended 31 October 2017 contains no qualification or statement under section 498(2) or (3) of the Companies Act 2006.The comparative figures are extracts from the audited financial statements of BlackRock North American Income Trust plc for the year ended 31 October 2016, which have been filed with the Registrar of Companies.  The report of the auditor on those financial statements contained no qualification or statement under section 498 of the Companies Act.13. ANNUAL REPORTCopies of the Annual Report and Financial Statements will be published shortly and will be available from the registered office, c/o The Company Secretary, BlackRock North American Income Trust plc, 12 Throgmorton Avenue, London EC2N 2DL.14. ANNUAL GENERAL MEETINGThe Annual General Meeting of the Company will be held at the offices of BlackRock, 12 Throgmorton Avenue, London EC2N 2DL on Tuesday, 6 March 2018 at 12.00 noon.ENDSThe Annual Report will also be available on the BlackRock website at blackrock.co.uk/brna.  Neither the contents of the Manager's website nor the contents of any website accessible from hyperlinks on the Manager's website (or any other website) is incorporated into, or forms part of, this announcement.For further information please contact:Simon White, Managing Director, Investment Trusts, BlackRock Investment Management (UK) Limited

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13 December 2017

**Load-Date:** December 13, 2017

**End of Document**



[***P8\_TA(2016)0004 Annual report on EU Competition Policy European Parliament resolution of 19 January 2016 on the Annual report on EU Competition Policy (2015/2140(INI))***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5RHK-RWR1-JDG9-Y441-00000-00&context=1516831)

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**Body**

Brussels: Official Journal of the European Union has issued the following notice:

P8\_TA(2016)0004

Annual report on EU Competition Policy

European Parliament resolution of 19 January 2016 on the Annual report on EU Competition Policy (2015/2140(INI))

(2018/C 011/01)

The European Parliament,

|  |  |
| --- | --- |
| ? | having regard to the Commission report of 4 June 2015 on competition policy in 2014 (COM(2015)0247) and the Commission staff working document as supporting document of the same date, |

|  |  |
| --- | --- |
| ? | having regard to the Treaty on the Functioning of the European Union (TFEU), in particular Articles 101-109, 147 and 174, |

|  |  |
| --- | --- |
| ? | having regard to the relevant competition rules, guidelines and resolutions of the Commission, |

|  |  |
| --- | --- |
| ? | having regard to its resolution of 10 March 2015 on the Annual Report on EU Competition Policy in 2013 (1), and its resolution of 11 December 2013 on the Annual Report on EU Competition Policy in 2012 (2) and the requirements laid down therein by Parliament, |

|  |  |
| --- | --- |
| ? | having regard to the study by the Directorate-General for Internal Policies (Policy Department A (Economic and Scientific Policy)) for the Committee on Internal Market and Consumer Protection entitled ?Unfair trading practices in the business-to-business food supply chain (UTPs)? (3), |

|  |  |
| --- | --- |
| ? | having regard to the opinion of the European Economic and Social Committee entitled ?Internal market of international road freight: social dumping and cabotage? (4), |

|  |  |
| --- | --- |
| ? | having regard to the May 2012 report of the European Competition Network (ECN) entitled ?Report on competition law enforcement and market monitoring activities by European competition authorities in the food sector? (5), |

|  |  |
| --- | --- |
| ? | having regard to Council Directives 77/799/EEC and 2011/16/EU on administrative cooperation in the field of taxation, |

|  |  |
| --- | --- |
| ? | having regard to the conclusions and action proposals of the OECD/G20 Base Erosion and Profit Shifting Project, |

|  |  |
| --- | --- |
| ? | having regard to the Commission Decision of 6 May 2015 initiating an inquiry into the e-commerce sector pursuant to Article 17 of Council Regulation (EC) No 1/2003 (C(2015)3026), |

|  |  |
| --- | --- |
| ? | having regard to Directive 2014/104/EU of 26 November 2014 on rules governing actions for damages, |

|  |  |
| --- | --- |
| ? | having regard to the Commission communication of 28 June 2014 on guidelines for State energy subsidies and environmental aid (6), |

|  |  |
| --- | --- |
| ? | having regard to Commission Regulation (EU) No 651/2014 of 17 June 2014 declaring certain categories of aid compatible with the internal market in application of Articles 107 and 108 of the TFEU, |

|  |  |
| --- | --- |
| ? | having regard to Council Regulation (EC) No 139/2004 of 20 January 2004 on the control of company amalgamations, |

|  |  |
| --- | --- |
| ? | having regard to the Commission White Paper ?Towards more effective EU merger control? of 9 July 2014 (COM(2014)0449), |

|  |  |
| --- | --- |
| ? | having regard to the competition inquiry into the pharmaceutical sector of 8 July 2009 and to the follow-up reports, in particular the 5th Report on the Monitoring of Patent Settlements, |

|  |  |
| --- | --- |
| ? | having regard to the universal framework for Sustainability Assessment of Food and ***Agriculture*** systems (SAFA) developed by the Food and ***Agriculture*** Organisation of the United Nations (FAO), |

|  |  |
| --- | --- |
| ? | having regard to Rule 52 of its Rules of Procedure, |

|  |  |
| --- | --- |
| ? | having regard to the report of the Committee on Economic and Monetary Affairs and the opinions of the Committee on International Trade and the Committee on the Internal Market and Consumer Protection (A8-0368/2015), |

|  |  |
| --- | --- |
| A. | whereas EU competition policy is a cornerstone of the social market economy in Europe and an essential instrument for a properly functioning internal market in the Union; |

|  |  |
| --- | --- |
| B. | whereas, in the field of competition, the European Union's voice is heard and respected on the international scene; whereas this unified, independent, external representation, backed up by clearly defined powers, enables the Union to exert its true political, demographic and economic power; |

|  |  |
| --- | --- |
| C. | whereas competition policy is in itself a means of safeguarding European democracy, in that it prevents the over-concentration of economic and financial power in the hands of a few; |

|  |  |
| --- | --- |
| D. | whereas the European Union is established as an open social market economy with free and fair competition, the purpose of which is to increase the prosperity of consumers and the living standards of all EU citizens, and whereas the European Union is establishing an internal market designed to bring about sustainable development in Europe on the basis of balanced economic growth and price stability; |

|  |  |
| --- | --- |
| E. | whereas the aim of the strong application of competition-law principles under the EU Treaty is to contribute to the achievement of the overall objectives of EU economic policy and, at the same time, to benefit consumers, workers and entrepreneurs, and promote innovation and growth, by controlling and restricting unfair market practices resulting from monopolies and dominant market positions, so that every individual has a fair chance of success; |

|  |  |
| --- | --- |
| F. | whereas the independence of national competition authorities is of paramount importance; |

|  |  |
| --- | --- |
| G. | whereas each year losses of EUR 181-320 billion ? approximately 3 % of EU GDP ? accrue owing to the existence of cartels; |

|  |  |
| --- | --- |
| H. | whereas, in terms of energy costs, the European single market performs worse than the internal US market, with a price dispersion of 31 %, to be compared with 22 % in the latter; |

|  |  |
| --- | --- |
| I. | whereas in many Member States a severe credit crunch is still affecting SMEs, which represent 98 % of the EU firms and 67 % of employed people; |

|  |  |
| --- | --- |
| J. | whereas tax evasion, tax fraud and tax havens are costing the EU taxpayers an estimated EUR 1 trillion per year in lost revenue, distorting competition in the single market between those companies who pay taxes and those who do not; |

|  |  |
| --- | --- |
| K. | whereas in recent years, in particular, the dynamism in the digital economy and, above all, distortions of competition as a result of aggressive tax practices and national taxation policies (which are probably causing considerable harm to the internal market), have brought with them new challenges for market players, requiring an immediate and targeted response from the Commission; whereas global cooperation on the enforcement of competition rules helps avoid inconsistencies in the corrective measures taken and in the outcomes of enforcement measures, and helps businesses to reduce their compliance costs; |

|  |  |
| --- | --- |
| L. | whereas, given the challenges of the digital age, the existing competition law instruments need to be reviewed fundamentally; |

|  |  |
| --- | --- |
| M. | whereas international air transport rules on fair competition, and the regulation of state-owned enterprises, are deficient with respect to airlines from certain third countries operating to and from Europe dominating certain routes, causing considerable harm to European airlines and impairing the connectivity of European hub airports, thereby reducing choice for European consumers; |

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| N. | whereas competition does not have the same impact in all Member States; |

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| O. | whereas competition policy needs to take particular account of the objectives of sustainable development and social cohesion; |

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| P. | whereas social dumping is a factor distorting the internal market, hurting both consumers? and workers? rights; |

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| Q. | whereas guaranteeing the free movement of people, goods, services and capital is the basis of Europe?s growth; |

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|  | 1. | Welcomes the report by the Commission, which underlines the importance of competition policy in the EU, and notes that it essentially covers the term of office of the last Commission under Competition Commissioner Almunia; |

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|  | 2. | Calls on the Commission in future to send the sectoral working paper to Parliament as an integral part of the report; |

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|  | 3. | Welcomes the fact that Competition Commissioner Vestager wishes to work in close cooperation with Parliament to develop competition policy as one of the key instruments of the European Union towards making the common internal market a reality, and calls on the Commission not to implement internal EU competition policy in such a way as to restrict firms? market strategies, so that they can compete on world markets with actors from outside the EU; |

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|  | 4. | Stresses that an effective and credible competition policy must not be directed exclusively towards bringing down prices for consumers, but must also be mindful of the ***strategic*** interests of the European economy, such as: the ability to innovate; investment; competitiveness and sustainability; the special competitive conditions for SMEs, start-ups and microenterprises; and the need to promote high labour and environmental standards; |

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|  | 5. | Calls on the Commission to put a stop to social dumping, and emphasises that competition policy decisions must take particular account of the social impact; |

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|  | 6. | Considers that the specific nature of the digital economy, characterised by decreasing marginal costs tending towards zero and by strong network effects, favours an increase in the level of concentration in key markets; invites the Commission to adapt its competition policy to the specificities of this sector; |

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|  | 7. | Calls on the Commission to complete the internal market in areas where it is still fragmented and incomplete, and to end unjustified market restrictions and distortions of competition as soon as possible wherever they are found; calls on the Commission to ensure that competition policy at the same time strengthens social cohesion in the Union; |

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|  | 8. | Stresses that the prioritisation of the work of the competition authority, and the presentation in the 2014 Competition Report, are largely consistent with the common priorities; sees, however, the need in some areas for a more determined course of action, which the Commission should emphatically address in the coming year; highlights the importance of global cooperation on competition enforcement; supports an active participation of the Commission in the International Competition Network; |

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|  | 9. | Calls again on the Commission ? as it did with regard to the previous annual report ? to prevent the development of excessive market concentration and abuse of market dominance in connection with the creation of the digital single market, as doing so will ensure a higher level of service for consumers and the possibility of more attractive prices; |

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|  | 10. | Regards it as essential to guarantee fair terms of competition on the digital market and to combat the abuse of dominant positions and tax optimisation, aims which ultimately benefit consumers; |

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|  | 11. | Believes that the development of e-government is an important factor in supporting growth, including as regards the participation of SMEs; calls, therefore, on the Member States to use all the tools made available to them by the new public procurement legislation for promoting growth in the EU, and calls on the Commission to support all initiatives connected with the development of e-government; stresses, furthermore, that the promotion and implementation of e-governance systems in all Member States is instrumental to the efficient monitoring of infringements and to ensuring transparency in both the public and the private sector; |

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|  | 12. | Calls on the Commission to ensure that the Member States implement the new public procurement legislation in a timely manner, in particular as regards the deployment of e-procurement and e-administration, and the new provisions on consideration of social and environmental criteria and on the division of contracts into lots, in order to boost innovation and fair competition, support SMEs in procurement markets and ensure best value for money in the use of public funds; |

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|  | 13. | Calls on the Commission to go even further in seeking an ambitious opening-up of international public procurement markets, in order to eliminate the imbalance which exists with regard to the degree of opening-up of public procurement markets between the EU and other trading partners, and, to that end, to take account of its report on the Commission?s proposal for an international procurement instrument and the forthcoming revision thereof; |

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|  | 14. | Points out that customers on the single market are being sold products containing ingredients that differ from one consignment to another even though the brand name and the packaging is the same; calls on the Commission to determine whether, in the context of EU competition policy, this is a practice that has negative repercussions for suppliers of local and regional ***produce***, in particular SMEs; |

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|  | 15. | Considers it essential for the Commission to continue to promote better convergence of, and cooperation among, national competition authorities in the EU; |

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|  | 16. | Welcomes the strong interplay between competition enforcement and the digital single market strategy, in particular in actions related to geo-blocking practices and licensing agreements, with a view to completing the digital single market; considers that a similar interplay is vital in the internal energy market to remove barriers to the free flow of energy across borders, and to build the Energy Union; |

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|  | 17. | Considers that competition in the telecommunications sector is essential not only to drive innovation and investment in networks, but also encourage affordable prices and choice in services for consumers; calls, therefore, on the Commission to safeguard competition in this sector, including in the allocation of spectrum; |

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|  | 18. | Calls on the Commission to scrutinise the unfair and unlawful clauses and practices employed by the banking sector in consumer contracts; calls on the Commission, in the context of the ECN, to foster exchanges of proven practices; urges the Commission to reduce the amount of red tape of all kinds generated by the implementation of competition policy; |

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|  | 19. | Believes that competition policy should play an important part in making financial markets more secure and transparent for consumers; welcomes, furthermore, the legislative measures adopted in the field of electronic payments and, in particular, the introduction of ceilings on interbank commissions for card payment transactions; |

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|  | 20. | Reminds the Commission that competition policy also entails regulating the price of services for which it is difficult to set a market value, such as ATM fees; |

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|  | 21. | Calls on the Commission to examine ATM networks from the perspective of competition policy, given that this is a network infrastructure; |

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|  | 22. | Believes that further thought should be given to how European companies must be supported as they compete on a global basis with other like-sized operations from different parts of the world, which do not have to follow the same competition rules that European entities must comply with on their home turf; |

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|  | 23. | Calls on the Commission to ensure coherence between the Union?s trade and competition policies and the objectives of its industrial policy; points out that the Union?s competition policy should not hinder the emergence of European industrial champions in economy; calls, therefore, for trade and competition policies to promote the development and competitiveness of European industry on the world stage; |

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|  | 24. | Recognises that many energy-intensive industries are struggling economically and that some, such as the steel industry, are in crisis; urges the Commission to review EU State aid rules for energy-intensive industries, guaranteeing effective carbon leakage protection and providing fair opportunities for EU industries, particularly the most vulnerable energy-intensive industries; |

Antitrust proceedings — cases of abuse of dominant position

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|  | 25. | Calls on the Commission to increase its efforts as regards investigations of instances of abuse of dominant market positions to the detriment of EU consumers; |

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|  | 26. | Notes that abuses of dominant position are prohibited and constitute a serious competition problem; |

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|  | 27. | Considers that the Commission is working successfully in cases involving infringements of the rules on cartels and is able to demonstrate that it has made a significant contribution towards the realisation of internal market and equal competition rules; |

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|  | 28. | Underlines that anticompetitive practices and monopolies can constitute barriers to trade which distort trade and investment flows; calls on the Commission ? in the interest of free and fair global trade ? to take action internationally against cartels and anticompetitive, oligopolistic and monopolistic practices that are damaging to competition; |

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|  | 29. | Considers that the existing rules on fines to be imposed on legal persons for infringements must be supplemented by concomitant penalties against the natural persons responsible; takes the view that the fines should be high enough to act as a deterrent; emphasises the importance of a successful whistleblower policy, which has allowed the Commission to detect cartels; |

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|  | 30. | Regards legal certainty as crucial, and calls on the Commission to incorporate the rules on fines, such as those imposed in cartel proceedings, into a legislative instrument; |

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|  | 31. | Notes that the original market models of the competition policy may be inappropriate for the digital economy, and that the use of price-based indicators in this dynamic economic sector often fails to achieve the desired outcome; calls on the Commission to carry out, on the basis of new criteria, a comprehensive legal and economic assessment of fast-moving markets and ephemeral business models employed by digital undertakings, in order to obtain a clear understanding of the market structure and market trends, take appropriate measures to protect consumers and take proper account of the importance of data and of the specific market structures of the digital economy; points out that, for the purposes of defining the relevant market, in particular in the digital economy, relevant assessment criteria in terms of competition must be applied; |

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|  | 32. | Maintains that the protection of intellectual property is central to fair competition, and notes with regret that global companies are unwilling to acquire the licences required for using European patents; calls on the Commission to provide effective protection for standard essential patents (SEPs) and to exercise close supervision to ensure that patent users obtain licences in the proper way; |

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|  | 33. | Calls on the Commission to investigate if there is any kind of correlation between a high incidence of politicians and former ministers on the governing boards of energy companies and oligopolistic practices in the energy sector in some Member States; |

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|  | 34. | Call into question the long duration of the investigations into US internet giant Google, and regrets the fact that these investigations have already dragged on for several years, with no transparency and no definitive results to show, reflecting the fact that until 2014 the Commission was reluctant to indicate its intention to abolish market restrictions; points out that, especially where dynamic markets are concerned, proceedings that take so long can amount to de facto market cleansing and create uncertainty for all parties; |

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|  | 35. | Calls on the Commission to conduct a thorough investigation into the Google practice whereby the ?Android? operating system is offered only in conjunction with other Google services, and whereby manufacturers may not pre-install rival products; calls, furthermore, on the Commission to examine in detail Google?s dominant market position in the area of direct hotel bookings, and to seek an appropriate solution to this problem; supports the Commission measures designed to bring about a greater degree of interoperability and portability across all digital sectors and, thereby, avoid a winner-takes-all scenario; stresses the importance of equipping the Commission with the right tools to maintain an up-to-date overview of swift developments on the digital market; |

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|  | 36. | Calls on the Commission to conduct and complete all other pending cartel investigations carefully, and to do away with any market restrictions; welcomes the new Commissioner?s refusal to bow to political pressure, and calls for the proceedings to be speeded up so that results can be achieved within the next year; welcomes, therefore, the Statement of Objections sent by the Commission to Google concerning its comparison shopping service; calls on the Commission to continue to examine determinedly all concerns identified in its investigations, including other areas of search bias, in order to guarantee a level playing field for all market players in the digital market; |

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|  | 37. | Points out that under Article 8 of the Cartel Proceedings Regulation, Regulation (EC) No 1/2003, the Commission may order interim measures when there is a risk of serious and irreparable damage to competition; calls on the Commission to determine how far such measures could be applied in protracted competition proceedings, especially on the digital market; |

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|  | 38. | Recalls that net neutrality (meaning the principle according to which all internet traffic is treated equally, without discrimination, restriction or interference, independently of its sender, recipient, type, content, device, service or application) is of utmost importance when it comes to ensuring that there is no discrimination between internet services and that competition is fully guaranteed; |

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|  | 39. | Stresses that competition policy should be evidence-based, and welcomes the Commission?s sector inquiry into e-commerce, focusing on potential barriers to cross-border online trade in goods and services in, e.g , the sectors for electronics, clothing, shoes and digital content; |

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|  | 40. | Notes that the Google case has triggered a general discussion on the power of dominant internet platforms such as eBay, Facebook, Apple, LinkedIn, Amazon, Uber, Airbnb, etc., their influence on markets and on the public sphere, and the need to regulate them to protect both; points out that the aim of regulating internet platforms should be to guarantee higher user protection while maintaining incentives to innovate; |

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|  | 41. | Calls on the Commission to investigate the market dominance of Google in the market for direct hotel bookings; points out that the company is seeking to have hotel searchers book and pay via Google rather than a third-party travel or hotel site; underlines that this move is potentially controversial as it turns Google into an online travel agency, or its equivalent, charging booking fees; notes that most hoteliers would prefer direct bookings rather than through a third-party site or aggregator; underlines that Google could leverage its dominant position and, by the same token, weaken competitors in travel markets, and thereby harm consumers; |

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|  | 42. | Welcomes the Commission?s newly adopted amendments to Regulation (EC) No 773/2004 relating to the conduct of proceedings by the Commission pursuant to Articles 81 and 82 of the EC Treaty, and the related communications arising out of the Directive on Actions for Damages; considers it unfortunate that Parliament was not involved in the drafting of the amendments; |

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|  | 43. | Points out that competition policy has a key role to play in the completion of the digital single market; shares the view that a robust competition policy on fast-moving markets requires thorough market knowledge; welcomes, therefore, the fact that a sector inquiry into e-commerce is being carried out in implementation of the digital single market strategy; |

State aid

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|  | 44. | Calls on the Commission, as the guardian of the Treaties, to monitor closely the Member States? implementation of the above directive, and to ensure that its provisions are enforced in a uniform manner throughout the EU; calls on the Commission, on the Member States and on authorities at regional and communal administrative levels actively to promote compliance with EU competition policy and to explain its legal basis; emphasises the importance of addressing horizontal and vertical State aid in the same way; sees a need for action to be taken to raise awareness in all parts of the European Union about the classification and granting of illegal State aid, in particular when aid decisions of this kind are tantamount to anti-competitive and protectionist measures; takes the view, however, that remote or outlying regions and islands should be given greater leeway than at present when it comes to applying rules on State aid; |

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|  | 45. | Considers that the Commission, particularly in State aid proceedings, must examine evidence provided by the Member States more rigorously, and improve fact security, since there are regular attempts to circumvent the legal basis and the legal constraints, or to seek more or fewer borderline compromises; considers, furthermore, that such examinations should be premised on the recognition that, in ***strategic*** and vital sectors such as energy, transport and healthcare, states need to ensure the total security, the continuity of supply and the provision of services for all their citizens, and that they need to take care not to enact legal provisions that are damaging to other Member States or to the Union; |

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|  | 46. | Reiterates that EU Structural Funds may not be used in a way that directly or indirectly encourages the relocation of services or production to another Member State, e.g by a waiting period for undertakings receiving such funds; stresses that State aid is sometimes necessary in order to guarantee the delivery of services of general economic interest (SGEI), including energy, transport and telecommunications; emphasises that State ***intervention*** is often the most effective policy tool for guaranteeing the provision of services that are vital to safeguarding economic and social conditions in isolated, remote or outlying regions and islands in the Union; |

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|  | 47. | Welcomes the adoption by the Commission in 2014 of the new Guidelines on State aid for environmental protection and energy, and its implementation of these as the General Block Exemption Regulation (GBER); |

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|  | 48. | Welcomes the inclusion in the GBER of social aid for the transport of residents of remote regions, whereby the problem of connectivity is now recognised; stresses that the connectivity of peripheral island regions is also essential for sustaining and developing acceptable levels of economic and social initiative by maintaining vital business connections; |

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|  | 49. | Welcomes the current Commission inquiry regarding deferred tax assets and deferred tax credits (DTAs/DTCs), which is to the benefit of the banking sector in several Member States; is of the opinion that DTA/DTCs should retroactively be authorised under State aid provisions if they are tied to explicit conditions regarding financing targets for the real economy; |

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|  | 50. | Recalls its request to the Commission that it examine whether the banking sector has benefited, since the beginning of the crisis, from implicit subsidies and State aid in the form of unconventional liquidity support; |

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|  | 51. | Welcomes the introduction of new guidelines on State aid for risk financing, the primary purpose of which is to make it possible to promote more effectively SMEs, innovative midcaps and start-ups, which have a significant size disadvantage; |

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|  | 52. | Criticises the fact that competition-distorting tax models, in particular, can lead to considerable problems for medium-sized businesses, as well as for a number of Member States that do not apply such tax models?; |

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|  | 53. | Welcomes the fact that, as part of the modernisation of State aid law, the Commission is taking the initiative of issuing new guidelines that will make it clear what is meant by State aid in the tax sphere and in appropriate transfer pricing; |

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|  | 54. | Requests a separate study from the Commission that assesses whether EU State aid provisions are inhibiting the consolidation and strengthening of competitiveness among European firms vis-à-vis their global competitors, not least with regard to state procurement mechanisms, also in the light of the recent conclusion of the Trans-Pacific Partnership (TPP); |

Merger control

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|  | 55. | Notes that, in the past, assessments of mergers and takeovers in the digital economy have predominantly been made on the basis of the turnover of the businesses in question, which is inadequate; stresses that businesses with low turnovers and substantial start-up losses may also have a large customer base, and therefore substantial volumes of data, and significant market strength, as the Commission?s unconditional approval of the takeover of WhatsApp by Facebook, which set a precedent, proves; |

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|  | 56. | Takes the view that in some economic sectors, first and foremost the digital economy, additional criteria should be applied that go above and beyond price-based approaches, market share, and turnover, since mergers can often entail market restrictions; |

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|  | 57. | Considers that particularly in the digital economy, and in the context of consumer protection, the general competition rules must be updated to stay abreast of market realities, and additional new criteria must be introduced in assessing mergers, such as the purchase price, possible market entry barriers, the vital importance of data and of access to data, platform specifications and associated network effects, and also the issue of whether or not there is global competition in the sector in question; calls on the Commission to give particular consideration to the commercial model for businesses in the digital economy and to possible market entry barriers, including factors such as the scope for switching between platforms and data portability; |

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|  | 58. | Calls on the Commission to examine the possibility for independent retailers ? who under competition law are allowed to work together through their brick-and-mortar shops ? to provide joint e-commerce offerings as well; |

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|  | 59. | Considers that the erroneous assessment of market strength, combined with the current market definition, is often working to the detriment of European businesses, in particular in times of globalisation and in a dynamic digital market; calls on the Commission to consider a readjustment within the framework of the Merger Regulation; |

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|  | 60. | Expresses concern that too often a narrowly national approach is adopted with regard to the issue of market definition, whereby proper account is not taken of the internationalisation of markets, as was the case, for example, of the Merger Regulation; |

Financial aid and taxation

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|  | 61. | Stresses that ? as stated for the fifth time in its annual competition report ? the temporary State aid in the financial sector was necessary for the stabilisation of the global financial system, but must quickly be reduced, or totally removed and scrutinised, if the Banking Union is to be completed; emphasises the continuing urgent need to eliminate subsidies ? in the form of implicit guarantees for financial institutions that are still too big to fail ? in order to level the playing field in the financial sector, and to protect taxpayers, with regard to whom care must be taken to ensure that this does not generate windfall profits or benefits for private legal persons; stresses the importance of a restrictive approach to State aid; |

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|  | 62. | Emphasises that fair tax competition is essential to the integrity of the internal market, to the viability of public finances and to ensuring a level and competitive playing field; |

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|  | 63. | Considers that the significant disparities that have emerged among Member States in the use of State aid in the financial sector in recent years may lead to distortions of competition in this sector; calls on the Commission to clarify the rules and procedures under which State aid in the financial sector can be authorised; takes the view that, at the very latest when the Banking Union is completed, State aid for the banking sector must be scaled back, whereby care must be taken to ensure that regulation does not distort competition to the benefit of large banks, and that sufficient credit is available for SMEs; |

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|  | 64. | Believes that the Commission should consider the possibility of linking State aid to banks to conditionality on credit to SMEs; |

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|  | 65. | Calls on the Commission to launch a road map for less, but better targeted, State aid, aiming for a reduction of State aid that opens up for lower taxes stimulating new businesses and fair competition, rather than supporting old structures and incumbents; |

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|  | 66. | Underlines the fact that when State aid is used to promote services of general interest, it is the benefit to citizens, not to individual companies or to public entities today, that is crucial; |

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|  | 67. | Calls on the Commission to follow closely the conditions to be proposed by the European Central Bank for granting new banking licenses, with a view to ensuring the creation of a level playing field without high barriers of entrance to the market; strongly believes that, given the high concentration in the banking sector of some Member States, a higher number of banking entities would be good for consumers and SMEs; |

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|  | 68. | Emphasises the key importance of EU subsidy law in the fight against tax avoidance by multinational undertakings; |

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|  | 69. | Welcomes the investigations initiated by the Commission in 2014 into unlawful State aid, through unfair tax competition, to the benefit of certain individual companies, which was extended to all the 28 EU countries in 2015; calls, furthermore, on the Member States in future to present to the Commission, in good time and without delay, all relevant information about their tax practice, and, at long last, to comply with their obligation to disclose to the Commission and to Parliament details of any special arrangements that may have an impact on other Member States and SMEs; |

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|  | 70. | Notes that, during recent terms of office, the Commission has opened only a very limited number of investigations into potentially tax-related State aid cases, in spite of the well-founded suspicions that have been made public in the meantime; calls on the Commission to use the findings of the current investigations as the basis for more precise and effective guidelines for tax-related State aid, to make use of its full powers under EU competition rules to tackle harmful tax practices, and to penalise Member States and companies found to be involved in such practices; calls on the Commission to specify, at the same time, which tax measures are not consistent with State aid policy; |

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|  | 71. | Considers that, in order to ensure fair competition among companies in line with Commission Regulation (EU) No 651/2014, companies located in regions experiencing temporary or permanent disadvantages should be supported, and that increased flexibility should be granted to regions experiencing severe economic problems, such as regions included in the Convergence and Competitiveness objectives, and to insular regions; |

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|  | 72. | Regrets that only a very limited number of cases of State aid pertaining to unfair tax competition have been investigated since 1991, underlining the need to ensure broad access to information in order to trigger more investigations on suspicious cases; expresses its concern over the limited resources currently available to the competent Commission services, which may limit their ability to handle a significantly larger number of cases; |

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|  | 73. | Stresses that State aid proceedings alone cannot put a permanent stop to the unfair tax competition in a number of Member States; one year after the ?LuxLeaks? revelations, further tangible results are required, such as a common consolidated corporate tax base, a review of the VAT Directive in order to prevent fraud, the obligation on large international companies to report publicly their turnover and profits on a ?country-by-country? basis, and a call on the Member States to introduce greater transparency in their tax practices and mutual reporting requirements; |

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|  | 74. | Takes the view that the tax practices currently employed by certain Member States are seriously jeopardising the internal market, that multinational undertakings in particular must make a fair and appropriate contribution to the public finances of the Member States, and that further investigation is needed into widespread harmful tax practices and tax rulings that are leading to corporate tax base erosion and aggressive tax ***planning*** in Europe; welcomes the new TAXE committee; |

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|  | 75. | Considers that fair tax competition is one of the constitutive elements of the internal market, but that, the primary competence of the Member States notwithstanding, unfair tax competition must be prevented, for example through harmonised tax bases, exchanges of information between tax authorities, and the granting of an explicit legal right to control movements of capital if this is essential to the proper functioning of the tax system in the Union; takes the view that introducing a common corporate tax base (CCTB) would help make the system more transparent; believes that the issue of consolidation can be addressed at a later date, and should not be a barrier to the swift introduction of a CCTB; |

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|  | 76. | Stresses that, on the internal market, new entrants and SMEs doing business only in one country are penalised as compared to multinational companies, which can shift profits or implement other forms of aggressive tax ***planning*** through a variety of decisions and instruments, available to them only; notes with concern that, all things being equal, the resulting lower tax liabilities leave multinationals with higher post-tax profits, and create an uneven playing field to the detriment of their competitors on the internal market, who do not have recourse to aggressive tax ***planning*** and who pay taxes in the place or places where they generate their profits; stresses that promoting harmful tax practices through the creation of a European single-member private limited liability company (SUP), the governing rules of which explicitly state that it may have two different seats ? i.e , a registered office in one place and an administrative headquarters elsewhere ? is the wrong approach for the EU; |

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|  | 77. | Emphasises that the Commission must, as a matter of course, have access to data exchanged between tax authorities which are relevant in the context of competition law; |

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|  | 78. | Considers that fair competition can be hampered by tax ***planning***; invites the Commission to adjust the definition of ?permanent establishment? so that companies cannot artificially avoid having a taxable presence in Member States in which they have an economic activity; stresses that this definition should also address the specific situation of the digital sector, ensuring that companies engaged in fully dematerialised activities are considered to have a permanent establishment in a Member State if they maintain a significant digital presence in the economy of that country; |

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|  | 79. | Underlines that the Commission, when dealing with competition rulings, must see the internal market as one market, not as a number of local or national markets; |

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|  | 80. | Considers that, in view of studies estimating the annual value of tax fraud and tax avoidance to up to EUR one trillion (1 000 000 000 000), the Member States must ultimately tackle and restrict this practice; takes the view that reducing tax fraud and tax avoidance is fundamental to progress on the consolidation of state budgets; welcomes the recent adoption by the finance ministers of the G20 of new rules drawn up by the OECD on base erosion and profit shifting, which will improve transparency, close loopholes and restrict the use of tax havens; takes the view that, given its degree of integration, the EU must go further than the proposals presented in the OECD?s Base Erosion and Profit Shifting (BEPS) project in terms of coordination and convergence aimed at avoiding all forms of harmful tax competition within the internal market; stresses, however, that the OECD approach is still based on soft law, and that its action must be complemented by a proper legislative framework at EU level if it is to address the needs of the single market, e.g in the form of an anti-BEPS directive going beyond the OECD BEPS initiative in areas that are not sufficiently covered; calls for an assessment of the economic, financial and competition-related impact of tax avoidance and tax fraud; |

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|  | 81. | Takes the view, in the light of the unfair tax practices employed by some Member States, that internal market policy and competition policy must go hand in hand, in an effort to ensure that profits are distributed fairly and that the shifting of profits to certain Member States, or even outside the EU, in order to minimise tax liability, becomes impossible; |

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|  | 82. | Emphasises that comprehensive, transparent and effective exchanges of tax information are a key prerequisite for preventing aggressive tax ***planning***; stresses, at the same time, that simplifying tax arrangements at Member State level would do much to foster transparency and clarity; |

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|  | 83. | Welcomes the intention of the Competition Commissioner to reorganise the control of State aid as part of a fair tax burden for all; expects that, prior to this reorganisation, there will be an unconditional and complete evaluation, and calls on the Member States to make all requested documents available to Parliament and to abandon their current blockade mentality, which is preventing progress in this area, in which connection it must be borne in mind that different Member States must respond to different policy imperatives on the basis of their geographical location, their size, their physical and other endowments and their state of economic and social development, and calls for state aid guidelines on taxation to be revised to cover cases of unfair competition that go beyond tax rulings and transfers; |

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|  | 84. | Calls on the Commission to lay down in the near future detailed guidelines on State aid in the tax sphere and on transfer pricing; emphasises that guidelines of this kind in other policy areas have proved very effective in eliminating and preventing the introduction of certain practices in Member States that do not comply with EU rules on State aid; points out that such guidelines are effective only if they set out very precise provisions, including in the form of quantitative thresholds; |

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|  | 85. | Calls on the Commission to consider the introduction of sanctions, either against the state or the company involved, for serious cases of illegal State aid; |

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|  | 86. | Calls on the Commission to modify the existing rules without delay, in order to allow the amounts recovered following an infringement of EU tax-related State aid rules to be returned to the Member States which have suffered from an erosion of their tax bases, or to the EU budget, and not to the Member State which granted the illegal tax-related State aid, as is currently the case, as this rule provides an additional incentive for tax dodging; calls on the Commission to make full use of its powers under EU competition rules to tackle harmful tax practices; |

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|  | 87. | Calls for an EU legislative framework to prevent distortions of competition by aggressive tax ***planning*** and tax evasion; recommends, with a view to creating a level playing field, the introduction of an automatic mandatory exchange of tax rulings, a CCCTB and a guarantee that no profit leaves the EU untaxed; |

Competition in the era of globalisation

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|  | 88. | Maintains that international cooperation is essential for the effective application of competition-law principles in the era of globalisation; calls on the Commission, therefore, to foster closer international cooperation on competition-related matters; stresses that competition-law agreements allowing information to be exchanged between investigating competition authorities could make a particularly effective contribution to international cooperation on competition-related matters; |

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|  | 89. | Takes the view that the Transatlantic Trade and Investment Partnership (TTIP) and all other trade and investment international agreements should have a strong competition section; |

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|  | 90. | Stresses that trading partners should derive benefit from growing competition in the field of trade, from investments by the private sector, including investments under public-private partnerships, and from the greater affluence of consumers; |

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|  | 91. | Stresses that the EU should make greater efforts to monitor the implementation of trade agreements in order to assess, inter alia, whether competition rules are being complied with, and whether the obligations to which trading partners have committed themselves are fully being complied with and fulfilled; |

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|  | 92. | Calls on the Commission to use trade policy as a means of working towards establishing global competition policy rules, with a view to eliminating the numerous persistent barriers to trade; regards the long-term goal of a multilateral agreement on competition rules, concluded within the framework of the World Trade Organisation, as the ideal solution; |

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|  | 93. | Supports the competition policy initiatives of the UN Conference on Trade and Development (UNCTAD) and the OECD, and their efforts to improve worldwide cooperation in the field of competition policy; |

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|  | 94. | Encourages the Commission and the competition authorities of the Member States to participate actively in the International Competition Network; |

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|  | 95. | Calls for measures to ensure that all products imported from third countries comply with the environmental, health and social standards applied by the Union and defended on the world market, so as to protect European industrial ***producers*** from unfair competition; |

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|  | 96. | Calls on the Commission to support developing countries in their efforts to promote fair competition; calls on the Commission to develop cooperation further, in particular with the competition authorities of emerging economies, and to ensure that appropriate safeguards are put in place; |

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|  | 97. | Notes that access to resources, including energy sources, on equal terms is of vital importance for ensuring fair competition on the global market; highlights, in this regard, the importance of affordable and sustainable energy, and of security of supply in trade agreements; |

Competition in the various sectors

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|  | 98. | Calls on the Commission to release the findings of current investigations into competitive practices in the food supply, energy, transport and media sectors; |

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|  | 99. | Welcomes the new guidelines on state aid to airlines and airports in the EU, part of the Commission?s State Aid Modernisation package; calls on the Commission urgently to establish, in international agreements, a similar set of rules for subsidised airlines operating from third countries to and from the EU, in order to ensure fair competition between EU and third-country carriers; |

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|  | 100. | Urges the Commission to foster the exchange of good practices via the European Competition Network, with a view to addressing concerns raised with respect to alliances between distributors, many cases of which are already being investigated by the relevant authorities in the Member States; calls for these discussions to consider interactions between the national and European levels; |

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|  | 101. | Encourages the European Competition Network to discuss the growing network of retail-buying alliances at national and EU level; |

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|  | 102. | Calls on the Commission to develop progressively the EU competition framework to include in the monitoring of the food supply chain in Europe the Sustainability Assessment of Food and ***Agriculture*** systems (SAFA) indicators of the Food and ***Agriculture*** Organization of the United Nations (FAO), including indicators under the headings of Fair Pricing and Transparent Contracts (S.2.1.1) and Right of Suppliers (S.2.2.1); |

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|  | 103. | Calls for the establishment of a European observatory for food and ***agricultural*** prices at origin and at destination; draws attention to the Spanish origin-destination price index IPOD as a possible model for monitoring potential abuses by retailers of farmers and consumers; |

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|  | 104. | Calls for binding action in the food supply chain against retailers harming farmers and consumers; |

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|  | 105. | Is particularly concerned by the situation in the dairy sector, where retailers have been imposing prices well below costs following the end of the quota system; |

Democratic strengthening of competition policy

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|  | 106. | Welcomes the regular dialogue between the Competition Commissioner and Parliament, but considers that the right to a hearing on essential matters of principle is not sufficient; |

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|  | 107. | Notes that in the area of competition law Parliament is involved in the legislative process only through the consultation procedure, with the result that it can exert much less influence on legislation than the Commission and the Council; |

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|  | 108. | Welcomes the regular dialogue that the Commission conducts with Parliament on competition matters; calls again for fundamental legislative directives and guidelines to be adopted within the co-decision procedure; considers that the current dialogue between Parliament and the EU competition authority should be stepped up, in particular for the purpose of assessing and acting on the calls made by Parliament in previous years; believes that the independence of the Commission?s DG Competition is of the utmost importance if it is to achieve its goals in a successful manner; calls on the Commission to re-allocate sufficient financial and human resources to DG Competition; calls in particular for a strict separation between the departments that draw up guidelines and those that have the responsibility to apply those guidelines in specific cases; |

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|  | 109. | Considers that it should have co-decision powers in competition policy; regrets that Articles 103 and 109 TFEU provide only for consultation with Parliament; believes that this democratic deficit cannot be tolerated; proposes that this deficit be overcome as soon as possible, through inter-institutional arrangements in the field of competition policy, and corrected in the next Treaty change; |

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|  | 110. | Calls for it to be given codecision powers in competition policy, particularly where fundamental principles and binding guidelines are concerned, and regrets that this area of Union policy has not been strengthened in its democratic dimension in recent Treaty amendments; calls on the Commission to put forward proposals for a corresponding amendment to the Treaties to extend the scope of the ordinary legislative procedure to cover competition law as well; |

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|  | 111. | Calls on the Commission to give it greater involvement in sector-specific investigations, while safeguarding the confidentiality of certain information submitted by stakeholders; calls for Council regulations in future to be based on Article 114 TFEU, which deals with the functioning of the internal market, so that they can be adopted under the codecision procedure, if the desired Treaty amendment is not expected soon; emphasises that the work on the Directive on Damages Claims can provide a template for future interinstitutional cooperation in competition matters; calls on the Competition Commissioner to continue the dialogue begun with the relevant Parliament committees, and with the Competition Working Group of Parliament?s Committee on Economic and Monetary Affairs; |

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|  | 112. | Considers that a results-driven and focused public evaluation of the various proposals by Parliament for development of competition policy should also be undertaken and published by the Commission in the near future; |

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|  | 113. | Emphasises that, in its future work, the Commission?s DG Competition should take proper account of the standpoints adopted by Parliament in past reports on competition policy; |

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|  | 114. | Considers that all forms of dialogue that have been tried and tested to date should be maintained; |

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|  | 115. | Instructs its President to forward this resolution to the Council, the Commission and to national competition authorities. |

(1)  Texts adopted, P8\_TA(2015)0051.

(2)  Texts adopted, P7\_TA(2013)0576.

(3)  [*http://www.europarl.europa.eu/RegData/etudes/STUD/2015/563438/IPOL\_STU(2015)5*](http://www.europarl.europa.eu/RegData/etudes/STUD/2015/563438/IPOL_STU(2015)5) 63438\_EN.pdf

(4)  [*http://www.eesc.europa.eu/?i=portal.en.ten-opinions.36372*](http://www.eesc.europa.eu/?i=portal.en.ten-opinions.36372)

(5)  [*http://ec.europa.eu/competition/ecn/food\_report\_en.pdf*](http://ec.europa.eu/competition/ecn/food_report_en.pdf)

(6)  OJ C 200, 28.6.2014, p. 1.

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**End of Document**

1. 1Additional information is provided at the website of The Municipality of Tetovo ([*www.tetova.gov.mk*](http://www.tetova.gov.mk)/). [↑](#footnote-ref-2)
2. 2[*www.utrinski.mk/default.asp?ItemID=6CFF87E892896A45AEEF2CFDF83BBD7F*](http://www.utrinski.mk/default.asp?ItemID=6CFF87E892896A45AEEF2CFDF83BBD7F) [↑](#footnote-ref-3)
3. 3100 denars=1.62 euros (22 September 2017). [↑](#footnote-ref-4)
4. 4[*http://agroalternativa.info/пчеларство/*](http://agroalternativa.info/пчеларство/) [↑](#footnote-ref-5)
5. 5The respondent required to not mention the name of the supermarket chain. [↑](#footnote-ref-6)
6. 1Statement by His Excellency Dr Hage G Geingob, President of the Republic of Namibia, at the Occasion of the Official Opening of the Cabinet Workshop on the National Equitable Economic Empowerment Framework (NEEEF) Workshop, 27 Feb 2018. [↑](#footnote-ref-7)
7. 2Windhoek Observer, 9 Mar 2018. [↑](#footnote-ref-8)
8. 3Yvonne Dauseb quoted in Windhoek Observer, 9 Mar 2018. [↑](#footnote-ref-9)
9. 4Namibian, 15 Mar 2018. [↑](#footnote-ref-10)
10. 5Namibian, 15 Mar 2018. [↑](#footnote-ref-11)
11. 6Confidente, 18 Mar 2018. [↑](#footnote-ref-12)
12. 7The Namibian, 1 Mar 2018. [↑](#footnote-ref-13)
13. 8The Namibian, 7 Mar 2018. [↑](#footnote-ref-14)
14. 9Nangolo Mbumba quoted in The Namibian, 7 Mar 2018. [↑](#footnote-ref-15)
15. 10The Namibian, 1 Mar 2018. [↑](#footnote-ref-16)
16. 11The Namibian, 1 Mar 2018. [↑](#footnote-ref-17)
17. 12The Namibian, 1 Mar 2018. [↑](#footnote-ref-18)
18. 13The Namibian, 1 Mar 2018. [↑](#footnote-ref-19)
19. 14Source, Namibia analyst, London [↑](#footnote-ref-20)
20. 15The Namibian, 7 March 2018. [↑](#footnote-ref-21)
21. 16FY2018/19 Budget Statement by Calle Schlettwein, Minister of Finance, 7 Mar 2018. [↑](#footnote-ref-22)
22. 17IJG Namibia, National Budget Review 2018/19, 8 Mar 2018. [↑](#footnote-ref-23)
23. 18The Namibian, 16 March 2018.. [↑](#footnote-ref-24)
24. 19Ministry of Finance, Estimates of Revenue, Income and Expenditure, 2017/18 to 2020/21. [↑](#footnote-ref-25)
25. 20Ministry of Finance, Estimates of Revenue, Income and Expenditure, 2017/18 to 2020/21. [↑](#footnote-ref-26)
26. 21FY2018/19 Budget Statement by Calle Schlettwein, Minister of Finance, 7 Mar 2018. [↑](#footnote-ref-27)
27. 22FY2018/19 Budget Statement by Calle Schlettwein, Minister of Finance, 7 Mar 2018. [↑](#footnote-ref-28)
28. 23Namibia Statistics Agency, Namibia Consumer Price Index February 2018. [↑](#footnote-ref-29)
29. 24Namibia Statistics Agency, Namibia Consumer Price Index February 2018. [↑](#footnote-ref-30)
30. 25Namibia Statistics Agency, Namibia Consumer Price Index February 2018. [↑](#footnote-ref-31)
31. 26The Times, 24 Mar 2018, [↑](#footnote-ref-32)
32. 27IJG Namibia, NCPI- Feb 2018. [↑](#footnote-ref-33)
33. 28IOL South Africa, 12 Mar 2018. [↑](#footnote-ref-34)
34. 29IOL South Africa, 12 Mar 2018. [↑](#footnote-ref-35)
35. 30New Era, 16 Mar 2018. [↑](#footnote-ref-36)
36. 31Windhoek Observer, 18 Mar 2018. [↑](#footnote-ref-37)
37. 32Desert Lion Energy, 6 Mar 2018. [↑](#footnote-ref-38)
38. 33Desert Lion Energy, 6 Mar 2018. [↑](#footnote-ref-39)
39. 34Desert Lion Energy, 6 Mar 2018. [↑](#footnote-ref-40)
40. 35Desert Lion Energy, 6 Mar 2018. [↑](#footnote-ref-41)
41. 36Desert Lion Energy, 6 Mar 2018. [↑](#footnote-ref-42)
42. 37Desert Line Energy, 26 Feb 2018; company website. [↑](#footnote-ref-43)
43. 38Desert Line Energy, 26 Feb 2018; company website. [↑](#footnote-ref-44)
44. 39Financial Times, 26 February 2018. [↑](#footnote-ref-45)
45. 40Financial Times, 26 February 2018. [↑](#footnote-ref-46)
46. 41Reuters, 24 Feb 2018. [↑](#footnote-ref-47)
47. 1We would be remiss not to mention important efforts at modernization of Islam by scholars such as Tariq Ramadan and, on the family, Hamudah Abd Al-Ati (Al-Ati, 1995; Ramadan 2012). [↑](#footnote-ref-48)
48. 2This table is an updated version of the 2012 publication. [↑](#footnote-ref-49)
49. 3See Grudzen and Raymaker (2008). [↑](#footnote-ref-50)
50. 4Diagrams of the cognitional operations → the dynamisms of knowing and doing → are given in Lonergan (2001), Appendix A, pp. 322-323. [↑](#footnote-ref-51)
51. 5Azami wrote, “the *hadith* literature means the literature which consists of the narrations of the life of the Prophet and the things approved by him. However, the term was used sometimes in much broader meaning in the sense to cover the narrations about the Companions and Successors as well” (Muhammad, 1978, p. 3). [↑](#footnote-ref-52)
52. 6While this point is not immediately relevant to the grasp of Islamic epistemology, it is worth noting at the outset because it helps to explain Islam interest in the role of the “indirect employer” in society. [↑](#footnote-ref-53)
53. 7Unless noted, this section follows (Groff and Leaman, 2007, pp. 179-187). [↑](#footnote-ref-54)
54. 8The concept of fitrah parallels Christian notions of natural law, that human creation in the image and likeness of the divine opens a path to the notion of “obediential potency”, a useful concept to which we will later return. [↑](#footnote-ref-55)
55. 9See the website: [*www.allamaiqbal.com*](http://www.allamaiqbal.com)/ [↑](#footnote-ref-56)
56. 10Our research concerns labor market practices and institutions in light of Islam scholarship, so we simply note this prohibition. It is a distinctive concern for Muslims because they daily make concrete decisions about banking and housing, investments and mortgages, which are frequently present in Western societies. Roman Catholic social teaching is not so distant from that of Islam on usury, although the former focuses more on *inappropriate* exploitation, not outright prohibition (Weyl and Lo, 2012). Both faith traditions consider the 2009 fiscal crisis as a secular failure of moral leadership. See Ahmed, 2010, pp. 306-320 for a 2010 assessment of the fiscal crises and recent countervailing growth of Islamic financial markets as functional alternatives. [↑](#footnote-ref-57)
57. 11This is, of course, also true of the Bible. But we note how different this assessment is of a holy book from those Christians professing a literalist interpretation of the Bible in respect to the theory of evolution and a confounding of religious and scientific knowledge. [↑](#footnote-ref-58)
58. 12Lament over the unfortunate separation of epistemology from moral philosophy is not limited to certain Western scholars. Mawdudi wrote about the loss of “the culture of *Ijtihad*” (diligence, independent reasoning) and the “capability to reinterpret our juridical issues” (Mawdudi, 2013, p. 100). He wrote, “It is not amiss to point out here that the end of the culture of *Ijtihad* in the Muslim world today is mainly due to the expulsion from our religious studies curricula of serious studies of the Qur’an and the Sirah of the Holy Prophet. These studies have been replaced by a superficial knowledge of the various Schools of Islamic *Fiqh* (jurisprudence)” (Mawdudi, 2013, p. 261). [↑](#footnote-ref-59)
59. 13Islamic sources note it is essential to learn Arabic for proper understanding of the *Qur’an* and *Sunnah*. [↑](#footnote-ref-60)
60. 14Abu ‘Abdullaah, Shamsud Dcen Muhammad ibn Abu Bakr, better known as Ibn al-Qayyim or ibn Qayyim al-Jawziyyah was born in the year 691H (1292 CE) in the city of Damascus. From an early age he set about acquiring knowledge and studied under many prominent teachers, the most notable of whom was Shaykhul-lslaam Ibn Taymiyyah. His students include the likes of Ibn Katheer, adh-Dhahabee, Ibn Rajab, Ibn ‘Abdul-Haadee and others. He authored over ninety books and booklets → all of them characterized by their touching address to the soul and the heart, as well as accuracy, precision and depth of research. He died on the night of Thursday 13th Rajab at the time of the ‘Ishaa adhaan in the year 751H. [↑](#footnote-ref-61)
61. 15In classical inquiry of the Middle Ages, theology was the “Queen of the Sciences.” For empirical inquiry, it is perhaps the most humble academic field, obliging explication of the researcher’s own faith engagement, or its absence, as a foundational dimension and point of departure for the theological research endeavor. Absent such transparency, personal bias looms the larger as a threat to validity and reliability of empirical findings in the theological field. [↑](#footnote-ref-62)
62. 16Schreiter expressed a stark concern about the term of the anonymous Christian: “whether our concern for the anonymous Christian is but one of the dying gasps of a Western imperialism” (Mawdudi 2013, p. 261, p. 40). [↑](#footnote-ref-63)
63. 17*Zann* denotes conjecture, although negative overtones may dominate. See, for example, Sweetman, 1967. Our interest lies in the recognition of probabilistic reasoning in Islamic jurisprudence for civil affairs. [↑](#footnote-ref-64)
64. 18“Employee participation” is formally considered in respect to a significant voice in managerial prerogative concerning matters above and beyond wages and working conditions. [↑](#footnote-ref-65)
65. 19As noted, the authoritative language for study of the Qur’an is Arabic. This alternative English translation of verse 16:97 may be an aid to the reader: “As for anyone → be it man or woman → who does righteous deeds, and is a believer withal → him shall We most certainly cause to live a good life; and most certainly shall We grant unto such as these their reward in accordance with the best that they ever did” (Asad, 2003, KL 7000). [↑](#footnote-ref-66)
66. 20While the Data section is intended to report each faith tradition’s approach to workplace parameters, we ought to observe one key comparative theological difference that impacts attitudes toward labor. As Ali wrote, “…Islam, unlike Christianity, views man as free from primordial guilt and that engagement in economic activities is an obligation” (Ali, 1988, pp. 575-583). [↑](#footnote-ref-67)
67. 21This particular Hadith verse recurs throughout English language texts on Islam employment relations. While some texts use “employees” others use the more likely accurate historical terms “servants” or “slaves.” If the Prophet was indeed speaking for treatment of slaves as brothers, then the strength of expected brotherhood relations between employer and employees in modern society would be the stronger given the profound status difference the Prophet traversed in his time and culture. It would seem to the authors that this is a nuance not amply captured by the simple modernization of language to “employees” alone. See (Team Hadith Collection, 2014), which locates this verse in *Saihih Muslim Book 0015, Hadith Number 4092.* Alternatively, on the web, see (Al-Bukhari Book 49, Hadith 29). This hadith collection is of great importance in Islam, authored by Muhammad ibn Isma`il al-Bukhari al-Ju`fi (194 AH/810 CE, 256 AH/ 870 CE). [↑](#footnote-ref-68)
68. 22*Sunan Ibn Majah*, Vol. 3, Book 16, *Hadith* 2443. [↑](#footnote-ref-69)
69. 23The last sermon of the Prophet (Musnad Ahmad). [↑](#footnote-ref-70)
70. 24A variously cited source in English language Islamic literature is “Al-Mur ādi, *al Isharah*. 1401/1981 pp. 61-62”. See Jabnoun, 2005, p. 93. As presented in US Islam community news, see Safi, 2007. [↑](#footnote-ref-71)
71. 25Located at Vol. 4, No. p. 98, according to this source: [*www.kau.edu.sa/Files/320/Files/63442\_HiwarAlArbea1428-1429.pdf*](http://www.kau.edu.sa/Files/320/Files/63442_HiwarAlArbea1428-1429.pdf). [↑](#footnote-ref-72)
72. 26These are the following: first, proclamation that there is but one God, and that Mohammed is God’s messenger (*Shahadah*); second, daily prayer rituals five times a day (*Salat*); third, a tax on one’s income for the poor (*Zakat*); fourth: observance of the Ramadan period of fast (*Sawm*); and fifth, a pilgrimage to Mecca at least once (*Haji*) [↑](#footnote-ref-73)
73. 1The minimization logic states that if two Boolean expressions differ in only one causal condition, yet ***produce*** the same outcome, then the causal condition that distinguishes the two expressions can be considered irrelevant and can be removed to create a simpler, combined expression (Marx, 2008, p. 263). [↑](#footnote-ref-74)
74. 2Balance of objectives was assessed by asking the founder how important financial, social and environmental goals are for his or her business. Level of importance was captured in a five-point Likert scale. [↑](#footnote-ref-75)
75. 3Given the small sample size, ad-hoc structural equations algorithms (Partial Least Squares algorithm and bootstrapped Partial Least Squares) were selected for the confirmatory tests. [↑](#footnote-ref-76)
76. 4B Corps are for-profit companies that meet rigorous standards of social and environmental performance, accountability, and transparency, which are translated into certifiable practices by the NGO B Labs International. [↑](#footnote-ref-77)